

COASTLINE CREDIT UNION LIMITED

ANNUAL REPORT

A "GOLDEN" YEAR FOR OUTSTANDING PERFORMANCES



2011

2012

# **Coastline Credit Union Limited**

**ABN 88 087 649 910**

## **Financial Statements**

**For the Year Ended 30 June 2012**

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**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Contents**

**For the Year Ended 30 June 2012**

	Page
<b>Financial Statements</b>	
Chairman's Report	1
Corporate Governance Report	4
Directors' Report	8
Auditor's Independence Declaration	13
Statement of Comprehensive Income	14
Statement of Financial Position	15
Statement of Changes in Equity	16
Statement of Cash Flows	17
Notes to the Financial Statements	18
Directors' Declaration	65
Independent Auditor's Report	66

## **Coastline Credit Union Limited**

**ABN 88 087 649 910**

### **Chairman's Report**

On behalf of the Board of Directors it is my pleasure to present the Chairman's Report for the 46th Annual General Meeting of Coastline Credit Union.

#### **Strong Trading Performance**

Against a background full of challenges your Board is pleased to report that 2011/12 was another year of solid achievement and progress. Coastline recorded an after-tax profit of \$1.901m which is a 25% increase on the previous year's result. Total assets increased by 6.6% to \$290 million which reflects the confidence members have in Coastline. We are in a prudentially sound position with capital adequacy level well above regulatory requirements, low levels of loan arrears and a strategic plan to grow the organisation and to continue to return value to members.

#### **Customer Survey**

Recently Coastline undertook a customer satisfaction survey to determine the level of satisfaction with the service being provided by our key distribution points within the organisation and to obtain feedback on areas of concern. The survey comprised 30 questions tailored to identifying members' views of service delivery, brand alignment, competitor comparison and strategic positions. Coastline achieved a satisfaction result of 96% which is considered outstanding. Naturally there are areas that we can improve on and the Board and Management will be working on these areas in 2012/2013.

#### **5 Star Ratings**

During the year our Minimiser Home Loan, Secured Personal Loan, Visa Rewarder Credit Card and eSaver Account were awarded coveted Canstar 5 Star Ratings. Canstar is a leading financial research and ratings agency operating in Australia and New Zealand. They undertake and publish Australia's and New Zealand's only truly comprehensive analysis of financial products. Each product goes through a rigorous analysis of its pricing and features and only the top 5% of all products analysed receive the prestigious Canstar Cannex 5 Star Rating.

#### **Fee-Free Banking**

Locally and across Australia members enjoy unlimited fee-free ATM transactions at Westpac, St George, Bank SA, Coastline 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.

#### **Free EFTPOS Transactions**

On the 1st January 2012 we reduced the fees payable by some members when we upgraded all our transactions accounts to provide unlimited fee-free EFTPOS transactions. EFTPOS is safe, secure and extremely convenient - it virtually turns all traders who accept EFTPOS into your own personal ATM.

#### **ATM Network**

A frustration for every-day customers can be finding a fee-free automatic teller machine. I'm proud to report that Coastline members don't face this problem; we have one of the largest ATM networks in Australia. Our members have free access to 2900 Westpac and St George ATMs across Australia in addition to Coastline and BCU ATMs locally.

## **Coastline Credit Union Limited**

**ABN 88 087 649 910**

### **E-statements**

Coastlines e-statements give members the option of receiving all communications on-line rather than in the mail. The e-statements look the same as normal paper-based statements and contain all the same notifications that members would normally receive in a mail pack. E-statements are more environmentally friendly, reducing the amount of paper we need to use; they can be saved digitally allowing for easy recall of banking records and they can be accessed at any time through Internet banking. We have over 2300 members registered to receive eStatements.

### **Mobile Banking**

Coastline introduced Mobile banking during the year and members can now access accounts from the convenience of their mobile phone or mobile device. Simple and secure, with Mobile banking you can access balance and transaction information, pay your bills, transfer funds and pay other people within Australia.

### **Coastline iPhone Application**

In October last year we launched an iPhone App to support our Mobile Banking product. The App allows you to access Coastline's secure mobile banking site and will help you locate your nearest ATM or Branch by providing you a map view of the Branch and ATM locations nearest to you. The ATM locator can help you minimise ATM direct charge fees by helping you find over 2900 Westpac and St George ATMs across Australia. You can also contact Coastline via phone or email at the touch of a button.

### **24/7 Fraud Management**

Coastlines Fraud Management provider Orion upgraded its fraud monitoring and prevention system during the year to provide a 24-hour, seven days a week service and includes all Coastline Cuecard and Visa transactions. Orion Online provides the latest information on local and international scams and frauds. This in turn gives our members greater security. This service allows Coastline to respond promptly to any fraudulent activity that may occur.

### **Mortgage Offset Account**

Coastline introduced a Mortgage Offset Account recently which is attached to the Minimiser Home Loan. The Offset Account is designed to use the balance of the transactions account to offset the interest on the loan which can save members interest and reduce the term of their loan. The more members have in their transaction account, the lower the interest charged on the loan.

### **Coastline Community Foundation**

Since inauguration in 2002, Coastline has provided over \$600,000 to over 170 worthy local causes who have benefited from Foundation grants. Another \$94,000 has been ear-marked for projects in 2012/2013. The Foundation's goal is to provide support to organisations that provide benefits to local communities. One such grant from the Coastline Community Foundation this year was \$30,000 to Melville High School who were seeking support from the Macleay Community for the purchase of a new bus for students with disabilities at West Kempsey Primary School and Melville High School.

## **Coastline Credit Union Limited**

**ABN 88 087 649 910**

### **People and leadership**

Every year the Board of Directors undergoes a renewal process and continues to review the skill mix of Directors to ensure that it is well positioned to deal with the regulatory and competitive challenges of the future. The Board also undertakes annual appraisals of its own performance and for each individual Director. During the process of renewal over the last few years a number of long standing Directors have retired. Our AGM will mark the retirement of another long standing Director and former Chairman Barry Cooper. Barry was elected to the Board in February 1982 and has served continuously for 30 years. He was Chairman for 12 of those 30 years from 1996 to 1999 and 2002 to 2010.

Coastline's General Manager Peter Townsend continues to serve on the Indue Board. Indue provides wholesale banking services to Australian Credit Unions.

### **Closing**

In closing, I would like to thank my fellow Board members for their co-operation, teamwork and support throughout the year. I would like to acknowledge the addition of new Director Vanessa McNeilly to the Board. Vanessa was elected by members at last year's AGM and brings new ideas and perspectives to the Board along with her legal experience. My thanks must go to our General Manager Peter Townsend, his management team and staff for their efforts in achieving the trading performance and providing professional, friendly and efficient banking services to our members.

**Allan Hudson**

**Chairman**

**20 September 2012**

## **Coastline Credit Union Limited**

**ABN 88 087 649 910**

# **Corporate Governance Report**

## **Overview**

The Board is committed to sound and prudent standards of corporate governance for Coastline 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 continues 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 member 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 reservations, 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.

## **Induction 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**

**ABN 88 087 649 910**

### **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, 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 & 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 fulfill its responsibilities and can retain, at its expense, any legal, accounting or other services, it considers necessary to perform its duties.

## Coastline Credit Union Limited

ABN 88 087 649 910

### 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

#### *Principle 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 fulfillment of statutory and professional obligations.

### Risk Committee

#### *Principal Responsibilities*

- Review the effectiveness of the Credit Union 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

## **Coastline Credit Union Limited**

**ABN 88 087 649 910**

### **Nomination 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 assessments in accordance with the fit and proper policy.

### **Remuneration Committee**

#### ***Principal Responsibilities***

- Review the Remuneration Policy;
- Review the effectiveness and compliance of the Remuneration Policy with Prudential Standards APS510;
- Make annual recommendations to the Board in respect of the remuneration of Directors, General Manager and Senior Management.

### **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

ABN 88 087 649 910

### Directors' Report

30 June 2012

Your Directors present their report on the Credit Union for the financial year ended 30 June 2012.

#### Directors

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

A. Hudson

M. Ryan

B. Cooper

P. Hinchcliffe

J. Cavanagh

D. Bevan

V. McNeilly

(Appointed 9 November 2011)

K. Wright

(Resigned 9 November 2011)

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

#### Company Secretary

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

Mr Peter Robert Townsend MBA, FAMI, FAICD, 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.

#### 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.

#### Operating Results and Review of Performance

##### *Financial Performance*

The profit of the Credit Union after providing for income tax amounted to \$1,901,000 for the financial year ended 30 June 2012 (2011: \$1,523,000). The financial performance was influenced by the following factors:

Interest revenue increased by \$1.0 million to \$19.1 million. Interest expense increased by \$0.5 million to \$11.9 million resulting in net interest income of \$7.2 million.

Non-interest expenses increased by \$0.1m to \$6.6 million which can be attributed to a decrease in bad and doubtful debts of \$0.1 million and a decrease in depreciation and amortisation expense of \$0.1 million, and increases in employee benefits expense of \$0.1 million and other expenses of \$0.2 million.

## **Coastline Credit Union Limited**

**ABN 88 087 649 910**

### **Directors' Report**

**30 June 2012**

#### ***Financial Position***

Total assets increase by 6.6% to \$290 million which reflects the confidence members have in Coastline. Net assets increased by 8.0% for the year and loans and advances increased to \$238 million a growth of 9.5% on the prior year. This growth was funded by increases in member deposits which increased by 7.2% to \$261 million. Total liquid assets held at year end was \$46.3 million a decrease of \$2.0 million on the previous year.

The Credit Union maintains a strong financial position with its liquidity ratio of 14.55% (2011: 15.36%) and Capital Adequacy Ratio of 15.20% (2011: 14.34%) well above the Australian Prudential Regulation Authority (APRA) and the Credit Union's own internal limits.

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

#### **Dividends Recommended**

The Directors do not recommend payment of a dividend.

#### **Significant Changes in State of Affairs**

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

#### **After Balance Date Events**

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 future financial years.

#### **Future Developments**

The Directors are not aware of any likely developments that will materially affect the results of the Credit Union's operations in future financial years.

#### **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.

#### **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.

#### **ASIC Class Order 98/100 Rounding of Amounts**

The amounts contained in the financial statements and directors' report have been rounded to the nearest thousand dollars under the option available to the Credit Union under ASIC Class Order 98/100. The Credit Union is an entity to which the Class Order applies.

# Coastline Credit Union Limited

ABN 88 087 649 910

## Directors' Report

30 June 2012

### 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.

### Proceedings on Behalf of the 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.

### 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 2011 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	11	10	14	13
M. Ryan	11	10	18	16
B. Cooper	11	11	18	14
P. Hinchcliffe	11	11	11	11
J. Cavanagh	11	8	8	8
D. Bevan	11	11	19	18
V. McNeilly (Appointed 9 November 2011)	7	7	10	9
K. Wright (Resigned 9 November 2011)	5	3	4	4

## Coastline Credit Union Limited

ABN 88 087 649 910

### Directors' Report

30 June 2012

#### Information on Current Directors

<b>A. Hudson</b>	Director, Chairman of Board of Directors, Executive Committee, Remuneration Committee and Nominations Committee.
Occupation	Secretary Manager
Experience	Appointed 30 April 2007. Previously Deputy Chairman in 2010. Member Australasian Mutuals Institute.
Interest in Shares	1 Ordinary Share in the Credit Union.
Qualifications	Associate Diploma - Business Accounting. F.FIN AIPA JP.
<b>M. Ryan</b>	Director, Deputy Chairman of Board of Directors, Executive Committee, Audit Committee and Remuneration Committee.
Occupation	Education Officer, Department of Corrective Services.
Experience	Appointed 17 September 2009.
Interest in Shares	1 Ordinary Share in the Credit Union.
Qualifications	Bachelor of Arts (Politics) University of New South Wales, Bachelor of Primary Education Charles Sturt University.
<b>B.Cooper</b>	Director, Loans Committee, Community Foundation Committee, Executive Committee and Remuneration Committee.
Occupation	Retired Manager, JP.
Experience	Board Member since 1982. Chairman 2003 to 2010. Previously Chairman 1996 to 1999. Vice Chairman 1992 to 1996, 1999 to 2002 and 2011. Fellow Australasian Mutuals Institute.
Interest in Shares	1 Ordinary Share in the Credit Union.
<b>P. Hinchcliffe</b>	Director, Chairman of Coastline Community Foundation Committee, Audit Committee and Nominations Committee.
Occupation	Retired Manager and Retained Fire Fighter.
Experience	Board Member since 1999. Previously a Director for 6 years. Australasian Mutuals Institute.
Interest in Shares	1 Ordinary Share in the Credit Union.
<b>J. Cavanagh</b>	Director, Chairman of Loans Committee, Nominations Committee and Community Foundation Committee.
Occupation	Director, C.A. & C. Cavanagh Pty Ltd Kempsey.
Experience	Board Member 1986 to May 1994 and re-elected in September 1994. Member Australasian Mutuals Institute.
Interest in Shares	1 Ordinary share in the Credit Union

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Directors' Report**

**30 June 2012**

<b>D. Bevan</b>	Director, Chairman of Audit Committee, Chairman of Risk Committee and Nominations Committee.
Occupation	Investor and Graziar
Experience	Appointed 27 October 2010.
Interest in Shares	1 Ordinary Share in the Credit Union.
Qualifications	Dip Business Administration (Accounting)
<b>V. McNeilly</b>	Director, Risk Committee, Loans Committee and Nominations Committee.
Occupation	Solicitor
Experience	Appointed 9 November 2011.
Interest in Shares	1 Ordinary Share in the Credit Union.
Qualifications	Diploma in Law

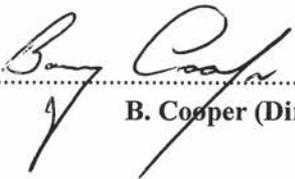
**Acknowledgements**

The Board expresses its appreciation to management and staff for the significant progress and achievements made during 2011/2012, and to the members who continue to show support and confidence in their Credit Union.

**Signed in accordance with a resolution of the Board of Directors:**

Director: .....  .....

**A. Hudson (Director Chairman)**

Director: .....  .....

**B. Cooper (Director)**

**Dated: 20 September 2012**



PARTNERS  
Mark Hatherly BCom FCA  
Winifred Gibson FTIA Affiliate ICAA  
Robert Magnussen BBus FCA  
Paul Fahey BBus CA  
Rodney Smith BFin Admin FCA  
Tony Faulder BCom CPA Affiliate ICAA  
Bart Lawler BCom CA

## **Auditor's Independence Declaration**

**Under Section 307C of the *Corporations Act 2001***

**To the Directors of Coastline Credit Union Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

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

**NorthCorp Accountants**

A handwritten signature in black ink, appearing to read "Bart Lawler", written over a white background.

**Bart Lawler  
Partner  
Registered Company Auditor**

**10-12 Short Street  
Port Macquarie NSW**

**Dated: 20 September 2012**



**Chartered  
Accountants**

Chartered Accountants  
Suites 1-3 Bourne House, 10-12 Short Street, PO Box 166, Port Macquarie NSW 2444 13  
T 02 6588 4444 F 02 6583 4527 E northcorp@northcorp.com.au www.northcorp.com.au  
Liability Limited by a scheme approved under Professional Standards Legislation

**Coastline Credit Union Limited**  
**ABN 88 087 649 910**

**Statement of Comprehensive Income**

**For the Year Ended 30 June 2012**

	<b>Note</b>	<b>2012 000's \$</b>	<b>2011 000's \$</b>
Interest Revenue	2(a)	19,112	18,136
Interest Expense	2(b)	<u>(11,875)</u>	<u>(11,380)</u>
<b>Net Interest Income</b>		<b>7,237</b>	<b>6,756</b>
Other income	2(c)	<u>2,022</u>	<u>1,876</u>
<b>Net Operating Income</b>		<b><u>9,259</u></b>	<b><u>8,632</u></b>
<b>Non-Interest Expenses</b>			
Bad and Doubtful Debts Expense	2(d)	(46)	(146)
Depreciation and Amortisation Expense	2(d)	(275)	(366)
Employee Benefits Expense	2(d)	(2,812)	(2,696)
Other expenses	2(d)	<u>(3,471)</u>	<u>(3,298)</u>
<b>Total Non-Interest Expenses</b>		<b><u>(6,604)</u></b>	<b><u>(6,506)</u></b>
<b>Profit Before Income Tax Expense</b>		<b>2,655</b>	<b>2,126</b>
Income tax expense	3	<u>(754)</u>	<u>(603)</u>
<b>Profit for the Year</b>		<b><u>1,901</u></b>	<b><u>1,523</u></b>
<b>Other Comprehensive Income</b>			
Net gain on revaluation of land and buildings		-	42
<b>Other Comprehensive Income for the Year</b>		<b><u>1,901</u></b>	<b><u>1,565</u></b>
<b>Total Comprehensive Income for the Year</b>		<b><u>1,901</u></b>	<b><u>1,565</u></b>
Profit Attributable to Members of the Credit Union		<u>1,901</u>	<u>1,523</u>
Total Comprehensive Income Attributable to Members of the Credit Union		<b><u>1,901</u></b>	<b><u>1,565</u></b>

These financial statements should be read in conjunction with the attached Independent Auditor's Report  
The accompanying notes form part of the financial statements

**Coastline Credit Union Limited**  
**ABN 88 087 649 910**  
**Statement of Financial Position**  
**As At 30 June 2012**

		2012	2011
		000's	000's
	Note	\$	\$
<b>ASSETS</b>			
Cash and Cash Equivalents	4	6,576	4,966
Receivables Due from Other Financial Institutions	5	39,795	43,410
Accrued Receivables	6	569	682
Loans and Advances	7	238,230	217,572
Other Financial Assets	9	914	914
Property, Plant and Equipment	10	3,331	3,544
Deferred Tax Assets	15	452	447
Intangible Assets	11	19	36
Other Assets	12	575	949
<b>TOTAL ASSETS</b>		<b>290,461</b>	<b>272,520</b>
<b>LIABILITIES</b>			
Deposits from Members	13	260,989	243,566
Payables and Other Liabilities	14	2,978	4,402
Current Tax Liabilities	15	181	173
Deferred Tax Liabilities	15	-	2
Provisions	16	650	615
<b>TOTAL LIABILITIES</b>		<b>264,798</b>	<b>248,758</b>
<b>NET ASSETS</b>		<b>25,663</b>	<b>23,762</b>
<b>EQUITY</b>			
Redeemed Share Capital Account		39	37
Reserves	17	2,565	2,819
Retained Profits		23,059	20,906
<b>TOTAL EQUITY</b>		<b>25,663</b>	<b>23,762</b>

These financial statements should be read in conjunction with the attached Independent Auditor's Report  
The accompanying notes form part of the financial statements

**Coastline Credit Union Limited**

ABN 88 087 649 910

**Statement of Changes in Equity**

**For the Year Ended 30 June 2012**

**2012**

	<b>Redeemed Share Capital Account 000's \$</b>	<b>Retained Earnings 000's \$</b>	<b>Asset Revaluation Reserve 000's \$</b>	<b>General Reserve for Credit Losses 000's \$</b>	<b>Other Reserve for Credit Losses 000's \$</b>	<b>Total 000's \$</b>
Balance at 1 July 2011	37	20,906	1,249	1,190	380	23,762
Profit attributable to members of the Credit Union	-	1,901	-	-	-	1,901
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	1,901	-	-	-	1,901
Redeemable withdrawable shares	2	(2)	-	-	-	-
Transfers to / (from) reserves	-	254	-	47	(301)	-
<b>Balance at 30 June 2012</b>	<b>39</b>	<b>23,059</b>	<b>1,249</b>	<b>1,237</b>	<b>79</b>	<b>25,663</b>

**2011**

	<b>Redeemed Share Capital Account 000's \$</b>	<b>Retained Earnings 000's \$</b>	<b>Asset Revaluation Reserve 000's \$</b>	<b>General Reserve for Credit Losses 000's \$</b>	<b>Other Reserve for Credit Losses 000's \$</b>	<b>Total 000's \$</b>
Balance at 1 July 2010	35	20,177	806	1,093	86	22,197
Profit attributable members of the Credit Union	-	1,523	-	-	-	1,523
Other comprehensive income	-	-	42	-	-	42
<b>Total comprehensive income for the year</b>	-	1,523	42	-	-	1,565
Redeemable withdrawable shares	2	(2)	-	-	-	-
Transfers to / (from) reserves	-	(792)	401	97	294	-
<b>Balance at 30 June 2011</b>	<b>37</b>	<b>20,906</b>	<b>1,249</b>	<b>1,190</b>	<b>380</b>	<b>23,762</b>

These financial statements should be read in conjunction with the attached Independent Auditor's Report  
The accompanying notes form part of the financial statements

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Statement of Cash Flows**

**For the Year Ended 30 June 2012**

	<b>2012</b>	<b>2011</b>
	<b>000's</b>	<b>000's</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Cash from operating activities:</b>		
Interest received	<b>19,225</b>	17,930
Dividends received	<b>137</b>	124
Receipts from customers	<b>2,411</b>	2,670
Payments to suppliers and employees	<b>(7,757)</b>	(4,972)
Interest paid	<b>(12,059)</b>	(11,140)
Income tax paid	<b>(754)</b>	(631)
Net (increase) / decrease in loans, advances and other receivables	<b>(20,585)</b>	(15,826)
Net (increase) / decrease in receivables due from other financial institutions	<b>3,615</b>	(5,500)
Net increase / (decrease) in deposits from members	<b>17,423</b>	17,705
<b>Net cash provided by (used in) operating activities</b>	<b>1,656</b>	360
18(a)		
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property, plant and equipment	-	91
Acquisition of intangible assets	<b>(3)</b>	(34)
Net (increase) / decrease in other investments	-	(116)
Acquisition of property, plant and equipment	<b>(43)</b>	(1,118)
<b>Net cash used by investing activities</b>	<b>(46)</b>	(1,177)
<b>Cash flows from financing activities:</b>		
<b>Net cash increase (decreases) in cash and cash equivalents</b>	<b>1,610</b>	(817)
Cash and cash equivalents at beginning of year	<b>4,966</b>	5,783
<b>Cash and cash equivalents at end of year</b>	<b>6,576</b>	4,966
4		

These financial statements should be read in conjunction with the attached Independent Auditor's Report  
The accompanying notes form part of the financial statements

# Coastline Credit Union Limited

ABN 88 087 649 910

## Notes to the Financial Statements

For the Year Ended 30 June 2012

These financial statements cover Coastline Credit Union Limited as an individual entity. Coastline Credit Union Limited is a Company limited by shares, incorporated and domiciled in Australia.

### Note 1 Statement of Significant Accounting Policies

#### Basis of Preparation

The financial statements are general purpose financial statements that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

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 have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### Accounting Policies

##### (a) Income Tax

The income tax expense (revenue) 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 calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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 directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

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 will be recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

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, based on tax rates enacted, or substantively enacted, at reporting date. 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.

These financial statements should be read in conjunction with the attached Independent Auditor's Report

## Coastline Credit Union Limited

ABN 88 087 649 910

### Notes to the Financial Statements

For the Year Ended 30 June 2012

#### Note 1 Statement of Significant Accounting Policies (continued)

##### (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 stated at the lower of cost and net realisable value. 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 comprehensive income 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) 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 (ie. trade date accounting).

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

###### Classification and Subsequent Measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*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.

These financial statements should be read in conjunction with the attached Independent Auditor's Report

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 1 Statement of Significant Accounting Policies (continued)**

**(d) Financial Instruments (continued)**

**Initial Recognition and Measurement (continued)**

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 value with a consequential recognition of an income or expense in profit or loss.

**(i) Financial assets at fair value through profit and 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 value being included in profit or loss.

**(ii) Loans and receivables**

Loans and receivables comprise of 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.

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 revenue.

**(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.

**(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 equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 1 Statement of Significant Accounting Policies (continued)**

**(d) Financial Instruments (continued)**

**(v) *Financial liabilities***

Non-derivative financial liabilities are subsequently measured at amortised cost.

**Fair Value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions and reference to similar instruments.

**Impairment**

At the end of each reporting period, the Credit Union assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

**Loan impairment**

**(i) *Provision for impairment***

Losses for impaired loans are recognised when there is objective evidence that the impairment of a loan has occurred. 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 doubtful debts based on the probability of loan amounts not being collected in accordance with terms of the loan agreement. The key judgments used to determine the specific provision for impairment are outlined in Note 8(d).

The Prudential Standards issued by APRA require a minimum provision to be based on specific percentages of the loan balance, contingent upon the length of time the repayments are in arrears, and the security held.

**(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 (2011: 0.8%).

**(iii) *Bad debts***

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

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 1 Statement of Significant Accounting Policies (continued)**

**(d) Financial Instruments (continued)**

**(iii) *Bad debts (continued)***

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.

**(e) 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.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

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 are measured on the cost basis less, where applicable, accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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 the statement of comprehensive income during the financial period in which they are incurred.

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 1 Statement of Significant Accounting Policies (continued)**

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

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.

***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:

<b><i>Class of Fixed Asset</i></b>	<b><i>Depreciation Rate</i></b>
Buildings and Improvements	2.5% - 20%
Leasehold Improvements	12.5% - 20%
Plant and Equipment	7% - 33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**(f) Intangibles**

***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 intangible assets is amortised over the expected useful life of the software, which is generally determined to be 3 years.

**(g) Impairment of Assets**

At the end of each reporting period, the Credit Union reviews the carrying values 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 value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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.

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 1 Statement of Significant Accounting Policies (continued)**

**(h) Other Financial Assets**

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.

Shares in listed companies are valued by Directors at those shares' market value at the end of each reporting period. The carrying amount of investments is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these investments. Unrealised gains or losses on listed shares are recognised directly in equity except for impairment losses which are recognised in the income statement.

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 the statement of comprehensive income when the right to receive the dividend has been established.

Realised net gains and losses on available-for-sale financial assets taken to the statement of comprehensive income comprise only of gains and losses on disposal.

**(i) Members' Deposits**

Members' deposits are brought to account at the gross value of the outstanding balance. Interest on deposits is brought to account on an accruals basis. Interest accrued at balance date is included in the amount of 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**

Provision is made for the Credit Union's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year, together with benefits arising from wages and salaries and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 1 Statement of Significant Accounting Policies (continued)**

**(l) 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).

**(m) Leases**

Leases of fixed assets 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 recording 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.

**(n) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. 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 in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as an asset or liability in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 1 Statement of Significant Accounting Policies (continued)**

**(o) Comparative Figures**

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

**(p) Critical Accounting Estimates and Judgments**

The Directors evaluate estimates and judgments incorporated into the financial statements 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 8(d).

**(q) New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Credit Union has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Credit Union is as follows:

<b>Title of Standard</b>	<b>Future Reporting Requirements</b>	<b>Operative Date</b>
AASB 9: Financial Instruments and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9.	These standards are applicable retrospectively and amend the classification and measurement of financial assets.	1 January 2013
AASB 13: Fair Value Measurement and AASB 2-11-8 Amendments to Australian Accounting Standards arising from AASB 13.	This standard defines fair value, sets out a framework for measuring fair value, and requires disclosure about fair value measurement.	1 January 2013
Revised AASB 119: Employee Benefits and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119.	In September 2011, the AASB released a revised standard on accounting for employee benefits.	1 July 2013

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 1 Statement of Significant Accounting Policies (continued)**

**(q) New Accounting Standards for Application in Future Periods (continued)**

<b>Title of Standard</b>	<b>Future Reporting Requirements</b>	<b>Operative Date</b>
AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.	This standard establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements: - Tier 1: Australian Accounting Standards; and - Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements. Since the Credit Union is a financial institution that has public accountability it does not qualify for the reduced disclosure requirements applicable to Tier 2 entities.	1 July 2013
AASB 2010-10: Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters.	This Standard makes amendments to AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7.	1 January 2013

The Credit Union does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Credit Union's financial statements.

These financial statements were authorised for issue by the Board of Directors on 20 September 2012.

**Coastline Credit Union Limited**  
**ABN 88 087 649 910**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2012**

**Note 2 Profit Before Income Tax**

**(a) Analysis of Interest Revenue**

	2012 000's \$	2011 000's \$
Cash and cash equivalents	39	135
Deposits with other financial institutions	2,475	2,567
Loans and advances	16,598	15,434
	19,112	18,136

**(b) Analysis of Interest Expense**

Members' deposits	11,851	11,354
Borrowings	24	26
	11,875	11,380
<b>Net interest income</b>	<b>7,237</b>	<b>6,756</b>

**(c) Analysis of Non-Interest Revenue**

Dividends received	137	124
Fees and commissions	1,850	1,719
Bad debts recovered	10	7
Profit / (loss) on sale of property, plant and equipment	-	3
Rent received	25	23
	2,022	1,876
<b>Total non-interest revenue</b>	<b>2,022</b>	<b>1,876</b>
<b>Net Operating Income</b>	<b>9,259</b>	<b>8,632</b>

These financial statements should be read in conjunction with the attached Independent Auditor's Report

Coastline Credit Union Limited

ABN 88 087 649 910

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 2 Profit Before Income Tax (continued)

(d) Analysis of Non-Interest Expense

	2012	2011
	000's	000's
	\$	\$
<b>Bad and Doubtful Debts</b>		
Bad debts written off	17	12
Increase / (decrease) in provision for impairment	29	134
	<u>46</u>	<u>146</u>
<b>Depreciation and Amortisation Expense</b>		
Buildings and improvements	39	63
Leasehold improvements	4	5
Plant and equipment	212	244
Intangible assets	20	54
	<u>275</u>	<u>366</u>
<b>Employee Benefits</b>		
Salaries and wages	1,852	1,826
Provision for employee benefits	233	227
Superannuation	391	383
Other	336	260
	<u>2,812</u>	<u>2,696</u>
<b>Other Operating Expenses</b>		
Marketing and promotion	524	427
Member protection	266	243
General administration	411	392
Member service costs	765	801
Communications	592	597
Operating lease payments	197	196
Other occupancy costs	175	157
Loan administration fees	268	271
Sundry expenses	273	214
	<u>3,471</u>	<u>3,298</u>
<b>Total Non-Interest Expense</b>	<u>6,604</u>	<u>6,506</u>
<b>Profit before Income Tax</b>	<u>2,655</u>	<u>2,126</u>

These financial statements should be read in conjunction with the attached Independent Auditor's Report

**Coastline Credit Union Limited**  
**ABN 88 087 649 910**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2012**

**Note 3      Income Tax Expense**

**(a)    The income tax expense (revenue) comprises amounts set aside as:**

	<b>2012</b>	<b>2011</b>
	<b>000's</b>	<b>000's</b>
	<b>\$</b>	<b>\$</b>
Current tax	762	656
Deferred tax relating to origination and reversal of temporary differences	(4)	(49)
Prior period adjustments	(4)	(4)
	<b>754</b>	<b>603</b>
	<b>754</b>	<b>603</b>

**(b)    The prima facie tax on profit before income tax is reconciled to the income tax expense (revenue) as follows:**

Prima facie tax payable on profit from ordinary activities before income tax at 30% (2011: 30%)	797	638
Add:		
Tax effect of:		
- non-deductible depreciation and amortisation	-	5
- other non-allowable items	2	1
	<b>799</b>	<b>644</b>
	<b>799</b>	<b>644</b>
Less:		
Tax effect of:		
- rebateable fully franked dividends	41	37
- overstatement of non-deductible depreciation in prior years	4	4
	<b>45</b>	<b>41</b>
	<b>45</b>	<b>41</b>
Income tax attributable to the Credit Union	<b>754</b>	<b>603</b>
	<b>754</b>	<b>603</b>
The applicable weighted average effective tax rates are as follows:	<b>29 %</b>	<b>28 %</b>
	<b>29 %</b>	<b>28 %</b>

**Coastline Credit Union Limited**

ABN 88 087 649 910

**Notes to the Financial Statements**

For the Year Ended 30 June 2012

**Note 3 Income Tax Expense (continued)**

**(c) Tax effects relating to each component of other comprehensive income**

	<b>2012</b>			<b>2011</b>		
	Before-tax Amount 000's \$	Tax (Expense) Benefit 000's \$	Net-of-tax Amount 000's \$	Before-tax Amount 000's \$	Tax (Expense) Benefit 000's \$	Net-of-tax Amount 000's \$
Gain on land and buildings revaluation	-	-	-	59	(17)	42
	-	-	-	<b>59</b>	<b>(17)</b>	<b>42</b>

**Note 4 Cash and Cash Equivalents**

	<b>2012</b> 000's \$	<b>2011</b> 000's \$
Cash on hand	<b>1,637</b>	2,308
Deposits at call	<b>4,939</b>	2,658
	<b>6,576</b>	4,966

**Reconciliation of Cash**

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	<b>6,576</b>	4,966
	<b>6,576</b>	4,966

**Coastline Credit Union Limited**

ABN 88 087 649 910

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 5 Receivables due from from Other Financial Institutions**

	<b>2012</b>	<b>2011</b>
	<b>000's</b>	<b>000's</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>
Interest earning deposits	<b>39,795</b>	43,410
<hr/>		
<b>(a) Maturity Analysis</b>		
Not longer than 3 months	<b>24,795</b>	11,500
Longer than 3 and not longer than 12 months	<b>13,700</b>	31,910
Longer than 1 and not longer than 5 years	<b>1,300</b>	-
Longer than 5 years	-	-
No maturity specified	-	-
	<b>39,795</b>	43,410
<hr/>		

**Note 6 Accrued Receivables**

Interest receivable	566	679
Other accrued income	3	3
	<b>569</b>	682
<hr/>		

**Note 7 Loans and Advances**

Overdrafts and line of credit loans	7,736	7,191
Term loans	<b>230,877</b>	210,838
	<b>238,613</b>	218,029
Less: Unamortised loan origination fees	<b>(334)</b>	(323)
	<b>238,279</b>	217,706
Less: Provision for impairment	8 <b>(49)</b>	(134)
<b>Net loans and advances</b>	<b>238,230</b>	217,572
<hr/>		

These financial statements should be read in conjunction with the attached Independent Auditor's Report

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 7 Loans and Advances (continued)**

**(a) Maturity Analysis**

	<b>2012</b>	<b>2011</b>
	<b>000's</b>	<b>000's</b>
	<b>\$</b>	<b>\$</b>
Overdrafts and revolving credit	<b>7,703</b>	7,166
Not longer than 3 months	<b>4,313</b>	3,493
Longer than 3 and not longer than 12 months	<b>13,947</b>	11,088
Longer than 1 and not longer than 5 years	<b>63,994</b>	43,743
Longer than 5 years	<b>148,273</b>	152,082
	<b>238,230</b>	217,572

**(b) Concentration of Loans**

Details of concentrations of credit risk to individual members (including associated members) greater than 10% of capital are contained in Note 24(b)

Loans to members are concentrated solely in Australia and principally in the following region:

New South Wales	<b>227,676</b>	207,760
Other states	<b>10,554</b>	9,812
	<b>238,230</b>	217,572

**(c) Security Analysis**

Secured by mortgage over business assets	<b>7,726</b>	6,183
Secured by mortgage over real estate	<b>220,215</b>	201,213
Partly secured by goods mortgage	<b>6,476</b>	5,652
Wholly unsecured	<b>3,813</b>	4,524
	<b>238,230</b>	217,572

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**

ABN 88 087 649 910

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 8 Impairment of Loans and Advances**

	2012 000's \$	2011 000's \$
Provision for impairment	<b>49</b>	134
<b>(a) Movement in provision</b>		
Balance at beginning of year	<b>134</b>	78
Transfer from / (to) Statement of Comprehensive Income	<b>29</b>	134
Bad debts written off against provision	<b>(114)</b>	(78)
<b>Provision balance at end of year</b>	<b>49</b>	134
<b>(b) The provision consists of:</b>		
Prescribed provision required under the APRA Prudential Standards	<b>124</b>	514
Addition / (reduction) to specific provision	<b>(75)</b>	(380)
<b>Total</b>	<b>49</b>	134
<b>(c) Impaired loans written off</b>		
Amounts written off against the provision for impaired loans	<b>114</b>	78
Amounts written off directly to statement of comprehensive income	<b>17</b>	12
	<b>131</b>	90
Bad debts recovered in period	<b>10</b>	7
<b>(d) Key assumptions in determining the provision for impairment</b>		

In the course of the preparation of the financial statements the Credit Union has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as economic circumstances. In identifying the impairment likely from these events the Credit Union is required to estimate the potential impairment using the length of time the loan is in arrears and the historical losses arising in past years. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses. An estimate is based on the period of impairment.

**Coastline Credit Union Limited**

ABN 88 087 649 910

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 8 Impairment of Loans and Advances (continued)**

**(d) Key assumptions in determining the provision for impairment (continued)**

Period of Impairment	% of Balance
Up to 90 days	0
91 days to 181 days	40
182 days to 270 days	60
271 days to 365 days	80
Over 365 days	100

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

The amount of impairment loss on the specific loans was measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The value of security was considered as part of this process including an assessment of the relevance of the existing valuation in current market conditions.

**(e) Analysis of impaired loans by class**

	Carrying Value 000's \$	Impaired Loans 000's \$	Provision for Impairment 000's \$
<b>2012</b>			
<b>Loans</b>			
Housing - owner occupied	166,213	7	7
Housing - investment	37,282	-	-
Personal	8,286	23	17
Revolving credit	5,022	41	25
Commercial	21,810	-	-
<b>Total</b>	<b>238,613</b>	<b>71</b>	<b>49</b>
<b>2011</b>			
<b>Loans</b>			
Housing - owner occupied	152,462	353	108
Housing - investment	34,603	-	-
Personal	7,772	5	2
Revolving credit	5,242	32	24
Commercial	17,950	-	-
<b>Total</b>	<b>218,029</b>	<b>390</b>	<b>134</b>

These financial statements should be read in conjunction with the attached Independent Auditor's Report

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 8 Impairment of Loans and Advances (continued)**

**(e) Analysis of impaired loans by class (continued)**

Loans and advances may be unsecured, secured against residential property, or secured by bill of sale over motor vehicles or other assets of varying values. 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**

	<b>2012</b>	<b>2012</b>	2011	2011
	<b>Impaired Loans 000's</b>	<b>Provision for Impairment 000's</b>	Impaired Loans 000's	Provision for Impairment 000's
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Up to 90 days in arrears	-	-	-	-
91 to 180 days in arrears	<b>8</b>	<b>8</b>	5	2
181 to 270 days in arrears	<b>15</b>	<b>9</b>	-	-
271 to 365 days in arrears	-	-	-	-
Over 365 days in arrears	<b>7</b>	<b>7</b>	353	108
Over limit facilities 14 days and over	<b>41</b>	<b>25</b>	32	24
<b>Total</b>	<b>71</b>	<b>49</b>	390	134

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

**Coastline Credit Union Limited**

ABN 88 087 649 910

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 8 Impairment of Loans and Advances (continued)**

**(g) Loans with repayments past due but not impaired**

	<b>Housing Loans (owner occupied) 000's</b>	<b>Housing Loans (Investment) 000's</b>	<b>Personal Loans 000's</b>	<b>Revolving Credit 000's</b>	<b>Commercial 000's</b>	<b>Total 000's</b>
	\$	\$	\$	\$	\$	\$
<b>2012</b>						
<i>Days in arrears:</i>						
Less than 3 months	5,201	1,132	160	149	2,238	8,880
3 to 6 months	290	-	12	-	-	302
6 to 12 months	53	-	-	-	-	53
Greater than 12 months	208	129	-	-	231	568
<b>Total</b>	<b>5,752</b>	<b>1,261</b>	<b>172</b>	<b>149</b>	<b>2,469</b>	<b>9,803</b>
<b>2011</b>						
<i>Days in arrears:</i>						
Less than 3 months	3,052	388	174	219	200	4,033
3 to 6 months	438	-	-	-	-	438
6 to 12 months	-	-	-	-	228	228
Greater than 12 months	57	-	-	-	-	57
<b>Total</b>	<b>3,547</b>	<b>388</b>	<b>174</b>	<b>219</b>	<b>428</b>	<b>4,756</b>

**(h) Assets acquired via enforcement of security**

	<b>2012 000's \$</b>	<b>2011 000's \$</b>
Real estate	259	-
Other	65	-
	<b>324</b>	<b>-</b>

The Credit Union did not obtain any financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g. guarantees). 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

ABN 88 087 649 910

Notes to the Financial Statements

For the Year Ended 30 June 2012

**Note 8 Impairment of Loans and Advances (continued)**

**(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.

There were no loans that were previously past due or impaired which had been renegotiated by the Credit Union as at 30 June 2012 (2011: Nil).

**(j) Revenue on impaired loans**

	2012 000's \$	2011 000's \$
Interest and other revenue recognised as revenue earned	<u>29</u>	<u>31</u>
Interest foregone on impaired loans	<u>86</u>	<u>51</u>

**Note 9 Other Financial Assets**

**Available-for-sale financial assets comprise:**

***Shares in listed corporations at market value:***

IAG	9(a) 1	1
Robe Australia Limited	9(b) 2	2
<b><i>Total shares in listed corporations at market value</i></b>	<u>3</u>	<u>3</u>

***Shares in ADI's at Cost***

Indue Limited	9(c) 626	626
<b><i>Total shares in ADI's at cost</i></b>	<u>626</u>	<u>626</u>

***Other investments at cost***

Indue Limited: Perpetual Subordinated Debt	9(c) 214	214
Indue Limited: Sub Deferred Deposits	9(c) 71	71
	<u>285</u>	<u>285</u>
<b>Total available-for-sale financial assets</b>	<u>914</u>	<u>914</u>

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 9 Other Financial Assets (continued)**

**Disclosures on available-for-sale financial assets**

**(a) IAG - Insurance Australia Group Ltd**

The Credit Union was allocated shares through the demutualisation of NRMA Insurance Group Limited. These shares were acquired at no cost and are valued in the accounts of the Credit Union at market value.

Insurance Australia Group Ltd shares are included within Level 1 of the fair value hierarchy which uses quoted prices in active markets.

**(b) Robe Australia Limited (previously Tolhurst)**

The Credit Union was allotted shares in Tolhurst Ltd when that company acquired ComCorp in accordance with a share Purchase Agreement dated 18 October 2007. Upon completion of the Share Purchase Agreement the Credit Union was allotted 156,138 shares in Tolhurst Ltd and granted deferred share rights subject to adjustments.

Tolhurst Limited changed its name to Robe Australia Limited in 2008. The Credit Union was allotted a further 47,340 shares in Robe Australia at a cost base of \$0.50 and no further shares are expected to be issued as a result of the Share Purchase Agreement. Robe Australia Limited has since sold the ComCorp business to MMC Contrarian Limited on 9 April 2009.

Robe Australia Limited shares are included within Level 1 of the fair value hierarchy which uses quoted prices in active markets.

**(c) Indue Limited**

The shareholding in Indue Limited is measured at cost as its fair value could not be measured reliably. This company was created to supply services to member credit unions and does not have an independent business focus. 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.

The financial statements of Indue Ltd record net tangible asset backing of these shares exceeding their cost. Based on the net assets of Indue Ltd any fair value determination on these shares is likely to be greater than their cost value, but due to the nature of services supplied a market value is not able to be determined readily.

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.

The Perpetual subordinated debt with Indue Limited is a debt instrument upon which the Credit Union earns a return of the 90 day bank bill rate plus 175 basis points. It is perpetual in nature and not able to be traded and is not redeemable.

**Coastline Credit Union Limited**

ABN 88 087 649 910

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 9 Other Financial Assets (continued)**

**(c) Indue Limited (continued)**

**Note 10 Property, Plant and Equipment**

	Note	2012 000's \$	2011 000's \$
<b>Land and Buildings</b>			
<b>Freehold land</b>			
at independent valuation	10(a)	830	830
At cost		413	413
		<b>1,243</b>	<b>1,243</b>
<b>Buildings</b>			
at independent valuation	10(a)	1,050	1,050
Building improvements at cost		749	749
Accumulated depreciation		(75)	(35)
		<b>1,724</b>	<b>1,764</b>
<b>Leasehold Improvements</b>			
At cost		390	390
Accumulated depreciation		(365)	(361)
		<b>25</b>	<b>29</b>
<b>Total land and buildings</b>		<b>2,992</b>	<b>3,036</b>
<b>Plant and equipment</b>			
At cost		1,978	1,936
Accumulated depreciation		(1,639)	(1,428)
Total plant and equipment		<b>339</b>	<b>508</b>
<b>Total property, plant and equipment</b>		<b>3,331</b>	<b>3,544</b>

**(a) Valuations**

An independent valuation of freehold land and buildings was carried out by Tim Needs (Registered Valuer 2279). 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 premises as at 13 May 2011 and the Credit Union's West Kempsey premises as at 11 May 2011.

All valuations are estimates of the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation dates. The Credit Union has a policy to regularly revalue land and buildings every three years.

These financial statements should be read in conjunction with the attached Independent Auditor's Report

**Coastline Credit Union Limited**

ABN 88 087 649 910

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 10 Property, Plant and Equipment (continued)**

**(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:

	<b>Land</b>	<b>Buildings</b>	<b>Leasehold</b>	<b>Plant and</b>	<b>Total</b>
	<b>000's</b>	<b>000's</b>	<b>Improvements</b>	<b>Equipment</b>	<b>000's</b>
	<b>\$</b>	<b>\$</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2012</b>					
Balance at the beginning of year	1,243	1,764	29	508	3,544
Additions	-	-	-	42	42
Depreciation expense	-	(39)	(4)	(212)	(255)
Carrying amount at the end of the financial year	<u>1,243</u>	<u>1,725</u>	<u>25</u>	<u>338</u>	<u>3,331</u>
<b>2011</b>					
Balance at the beginning of year	660	1,542	3	562	2,767
Additions	413	397	31	280	1,121
Disposals - written down value	-	-	-	(90)	(90)
Depreciation expense	-	(63)	(5)	(244)	(312)
Revaluation decrement	-	(112)	-	-	(112)
Revaluation increment	170	-	-	-	170
Carrying amount at the end of the financial year	<u>1,243</u>	<u>1,764</u>	<u>29</u>	<u>508</u>	<u>3,544</u>

**(c) Historical Cost of Land and Buildings**

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

	<b>2012</b>	<b>2011</b>
	<b>000's</b>	<b>000's</b>
	<b>\$</b>	<b>\$</b>
Land - at cost	<b>509</b>	509
Buildings - at cost	<b>1,767</b>	1,767
Provision for depreciation on buildings	<b>(535)</b>	(491)
<b>Total land and buildings at written down value</b>	<u><b>1,741</b></u>	<u>1,785</u>

These financial statements should be read in conjunction with the attached Independent Auditor's Report

**Coastline Credit Union Limited**

ABN 88 087 649 910

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 11 Intangible assets**

	2012	2011
	000's	000's
Note	\$	\$
Software - at cost	596	593
Accumulated amortisation	(577)	(557)
Net carrying value	19	36

**(a) Movement in carrying amount**

Balance at beginning of year		36	56
Additions		3	34
Disposals		-	-
Amortisation	2(d)	(20)	(54)
Balance at end of year		19	36

Intangible assets have a finite useful life. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the income statement.

**Note 12 Other Assets**

Prepayments		39	43
Sundry debtors		536	906
		575	949

**Note 13 Deposits from Members**

Member deposits at call (including withdrawable shares)		141,773	135,268
Member term deposits		119,216	108,298
		260,989	243,566

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 residents		254,621	236,356
Other depositors		6,368	7,210
		260,989	243,566

These financial statements should be read in conjunction with the attached Independent Auditor's Report

**Coastline Credit Union Limited**

ABN 88 087 649 910

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 14 Payables and Other Liabilities**

	2012 000's \$	2011 000's \$
Accrued interest payable	1,281	1,466
Other creditors and accruals	1,697	2,936
	2,978	4,402

**Note 15 Taxation**

**(a) Current tax liabilities**

Income tax payable / (refundable)	181	173
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**(b) Deferred Tax Liability**

	Opening Balance 000's \$	Charged to Income 000's \$	Charged directly to Equity 000's \$	Changes in Tax Rate 000's \$	Closing Balance 000's \$
<b>Deferred Tax Liabilities</b>					
Prepayments	-	2	-	-	2
<b>Balance at 30 June 2011</b>	-	2	-	-	2
Prepayments	2	(2)	-	-	-
<b>Balance at 30 June 2012</b>	2	(2)	-	-	-

The Credit Union has incurred prior year tax losses of \$63,992 (capital losses) (2011: \$63,992) that have not been recognised as a deferred tax asset. The capital losses are carried forward and may be realised in the future to the extent that the Credit Union can offset future taxable gains.

**Coastline Credit Union Limited**

ABN 88 087 649 910

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 15 Taxation (continued)**

**(c) Deferred Tax Assets**

	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Closing Balance
	000's	000's	000's	000's	000's
	\$	\$	\$	\$	\$
<b>Deferred Tax Assets</b>					
Plant	25	13	-	-	38
Employee entitlements	189	(5)	-	-	184
Impairment of loans	23	17	-	-	40
Accrued expenses	33	4	-	-	37
Accrued income	4	(3)	-	-	1
Deferred loan origination fees	80	17	-	-	97
Shares	30	-	-	-	30
Land and buildings	27	71	(78)	-	20
<b>Balance at 30 June 2011</b>	<b>411</b>	<b>114</b>	<b>(78)</b>	<b>-</b>	<b>447</b>
Plant	38	12	-	-	50
Employee entitlements	184	(11)	-	-	173
Impairment of loans	40	(25)	-	-	15
Accrued expenses	37	24	-	-	61
Accrued income	1	-	-	-	1
Deferred loan origination fees	97	3	-	-	100
Shares	30	-	-	-	30
Land and buildings	20	2	-	-	22
<b>Balance at 30 June 2012</b>	<b>447</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>452</b>

**Note 16 Provisions**

	Note	2012 000's \$	2011 000's \$
Employee entitlements	20	516	504
Directors' retirement benefits	16(b)	57	62
Other provisions		77	49
		<b>650</b>	<b>615</b>

These financial statements should be read in conjunction with the attached Independent Auditor's Report

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 16 Provisions (continued)**

**(a) Movements in carrying amounts**

	<b>Employee Entitlements</b>	<b>Directors' Retirement Benefits</b>	<b>Other Provisions</b>	<b>Total</b>
	<b>000's</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at the beginning of the year	<b>504</b>	<b>62</b>	<b>49</b>	<b>615</b>
Additional provision	<b>254</b>	<b>12</b>	<b>77</b>	<b>343</b>
Amounts used during the year	<b>(242)</b>	<b>(17)</b>	<b>(49)</b>	<b>(308)</b>
<b>Carrying amount at the end of the year</b>	<b>516</b>	<b>57</b>	<b>77</b>	<b>650</b>

**(b) 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 17 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.

**(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.

**Coastline Credit Union Limited**

ABN 88 087 649 910

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 18 Cash Flow Information**

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

	2012	2011
	000's	000's
	\$	\$
Profit for the year	1,901	1,523
<i>Non-cash flows in profit</i>		
Provision for impairment	(84)	55
Movement in unamortised loan origination fees	12	56
Depreciation and amortisation	275	366
Net (gain) / loss on disposal of property, plant and equipment	-	(3)
Changes in assets and liabilities:		
(Increase) / decrease in receivables due from other financial institutions	3,615	(5,500)
(Increase) / decrease in accrued receivables	113	(195)
(Increase) / decrease in loans and advances to members	(20,585)	(15,826)
(Increase) / decrease in deferred tax assets	(5)	(54)
(Increase) / decrease in other assets	374	617
Increase / (decrease) in deposits from members	17,423	17,705
Increase / (decrease) in payables and other liabilities	(1,424)	1,605
Increase / (decrease) in current tax liabilities	8	25
Increase / (decrease) in deferred tax liabilities	(2)	2
Increase / (decrease) in provisions	35	(16)
<b>Net cash inflow (outflow) from operating activities</b>	<b>1,656</b>	<b>360</b>

**(b) Cash flows presented on a net basis**

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

- (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.

**Coastline Credit Union Limited**

ABN 88 087 649 910

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 18 Cash Flow Information (continued)**

**(c) Credit Standby Arrangements**

	2012	2011
	000's	000's
	\$	\$
Overdraft facility	5,000	5,000
Amount utilised	-	-
	5,000	5,000
	5,000	5,000

The Credit Union has a \$5,000,000 stand-by facility with Trinity Mortgage Origination Trust No 1. The total amount of the facility was available to be utilised by the Credit Union at 30 June 2012.

**Note 19 Capital and Leasing Commitments**

**(a) Capital Expenditure Commitments**

Estimated capital expenditure contracted for at balance date but not provided for:

- payable not later than 12 months	32	-
- payable between 12 months and 5 years	-	-
- payable greater than 5 years	-	-
	32	-
	32	-

**(b) Operating Lease Commitments**

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Operating lease payments for the lease of the Credit Union's premises are payable over the following periods:

- not later than 12 months	136	192
- between 12 months and 5 years	352	511
- later than 5 years	-	-
	488	703
Aggregate lease expenditure contracted for at balance date	488	703

The building and ATM accommodation leases are non-cancellable leases 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. An option exists to renew the leases at the end of the lease terms for additional terms of 5 - 10 year

## Coastline Credit Union Limited

ABN 88 087 649 910

### Notes to the Financial Statements

For the Year Ended 30 June 2012

#### Note 20 Employee Entitlements and Superannuation Commitments

##### Superannuation Commitments

Contributions are made by the Credit Union to an employee superannuation fund and are charged as expenses when incurred. The Credit Union has no legal obligation to cover any shortfall in the fund's obligation to provide benefits to employees on retirement.

##### Defined Benefits Plan

The Credit Union contributes to the CUE Super Superannuation Defined Benefits Plan (CUE Super Plan), a sub-plan in NGS Super for the purpose of Superannuation Guarantee payments and payment of other superannuation benefits on behalf of its employees. Cue Super merged with NGS Super on 1 April 2011.

The CUE Super Plan is a multi employer Defined Benefits Plan and is administered by an independent corporate trustee.

The Credit Union is unable to account for the CUE Super Plan in accordance with AASB 119: Employee Benefits as sufficient reliable information is not available. The Credit Union as a participating employer may be exposed to the actuarial risks associated with the current and former employees of other employers, with the result that there is no consistent and reliable basis for allocating the obligations, assets and costs to the Credit Union.

There is no segregation of assets between defined benefit employers within the CUE Super Plan. As a result, actuarial risks associated with the provision of the guarantee, and the subsequent actuarial gains and losses from the plan's experience, are shared between employers.

The Trustees of the CUE Super Plan obtained an actuarial certificate dated 31 March 2012 which certifies the plans solvency (as defined in Part 9 of the SIS Regulations) as at 1 April 2011. The certificate is effective from 1 April 2011 and expires on 31 March 2016. It must be replaced by 31 March 2015 at the latest.

The actuarial certificate determined the net realisable value of the assets of the plan as \$5,077,000 as at 30 June 2011. The present value of the accrued benefit was \$4,419,000 resulting in a surplus of funds in the plan of \$658,000. In calculating this value, the actuary has complied with Professional Standard 403 of the Institute of Actuaries of Australia.

The actuary used the 'Aggregate Cost' funding method supplemented by a projection modelling approach in determining the above values. Under the 'Aggregate Cost' method contributions are set at a rate which together with existing assets, future member contributions and investment income is expected to be sufficient to meet future benefits and expenses for existing plan members if the assumptions are borne out in practice. The key economic long term assumptions used to calculate the present value of accrued benefits are Investment return (after tax and fees) of 7.25% per year and general salary increases of 4.5% per year. The valuation disclosed that the CUE Super plan was in a satisfactory financial position as defined under SIS legislation, and coverage levels of Discount Accrued Retirement Benefits at 30 June 2011 were higher than the financing objective of 105%. However, subsequent investment experience, the flow through effect of higher than expected past salary increases, and a large salary increase for one member suggests that the financial position has deteriorated.

The Credit Union's contribution rate to the CUE Super plan is expected to increase from the 1 July 2012 in accordance with recommendations made by the Actuary. The minimum contributions set out below are considered reasonable to ensure the CUE Super Plan remains solvent during the period covered by the certificate.

These financial statements should be read in conjunction with the attached Independent Auditor's Report

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 20 Employee Entitlements and Superannuation Commitments (continued)**

**Defined Benefits Plan (continued)**

Minimum contributions from the 1 July 2012 consist of the following: 8% of Salary, Top up to SG% of Ordinary Time Earnings (SG minimum currently 9% but expected to increase to 12% by 2019 as announced by the Government), \$1,350 per member per annum for expenses (reviewed) annually) and Additional Employer Contributions in respect of members for whom annual salary increases after 1 July 2011 exceed 6% in any one year as determined by the actuary.

**Note 21 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.

**(a) Contingent liabilities**

**(i) Guarantees and Security**

<b>2012</b>	<b>2011</b>
<b>000's</b>	<b>000's</b>
<b>\$</b>	<b>\$</b>

***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.

<b>369</b>	<b>157</b>
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**(ii) Credit Union Financial Support System**

On 1 July 2011 the Credit Union became a participant in the Credit Union Financial Support System (CUFSS). The purpose of CUFSS is to protect the interests of Credit Union members, increase stability in the industry and provide liquidity in excess of current borrowing limits in times of need.

An Industry Support Contract made on the 1 July 2011 between the Credit Union and Credit Union Financial Support System Limited and participating credit unions required the Credit Union to execute an equitable charge in favour of CUFSS. The charge is a floating charge over the assets and undertakings of the Credit Union and secures any advances that may be made to the CUFSS under the scheme.

**(iii) Indue Limited**

Indue Limited hold a fixed and floating charge over the assets of the Credit Union in relation to the banking services provided to the Credit Union.

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 21 Contingent Liabilities and Credit Commitments (continued)**

**(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.

	2012	2011
	000's	000's
	\$	\$
Approved but undrawn loans and credit limits	21,045	19,694
Loans approved but not advanced	2,940	2,217
	<u>23,985</u>	<u>21,911</u>

**Note 22 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 that entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

**(a) Directors**

During the financial year the following Directors held office:

**Directors**

A. Hudson (Chairman)

M. Ryan (Deputy Chairman)

B. Cooper

P. Hinchcliffe

J. Cavanagh

D. Bevan

V. McNeilly (Appointed 9 November 2011)

K. Wright (Resigned 9 November 2011)

**Coastline Credit Union Limited**

ABN 88 087 649 910

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 22 Disclosures on Key Management Personnel (continued)**

**(b) Other key management personnel**

The following persons also had responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly during the financial year:

Name	Position
P. Townsend	General Manager
J. Thorman	Member Services Manager
D. Ryan	Lending Manager
A. Chapman	Information Technology Manager
L. Longstaff	Financial Controller

**(c) 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 benefit \$	Other long- term benefits \$	Termination benefits \$	Share- based payment \$	Total \$
<b>2012</b>						
Directors	109,123	39,231	-	17,003	-	165,357
Other KMP	640,392	96,491	6,047	-	-	742,930
	<u>749,515</u>	<u>135,722</u>	<u>6,047</u>	<u>17,003</u>	<u>-</u>	<u>908,287</u>
<b>2011</b>						
Directors	94,144	37,415	-	15,073	-	146,632
Other KMP	668,696	100,019	4,403	-	-	773,118
	<u>762,840</u>	<u>137,434</u>	<u>4,403</u>	<u>15,073</u>	<u>-</u>	<u>919,750</u>

In the above table, remuneration shown as short term employee benefits means (where applicable) wages, salaries, 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 and retirement benefits.

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.

These financial statements should be read in conjunction with the attached Independent Auditor's Report

**Coastline Credit Union Limited**

ABN 88 087 649 910

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 22 Disclosures on Key Management Personnel (continued)**

**(d) Loans to Directors and Other 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:

	<b>Balance at beginning of year</b>	<b>Interest charged</b>	<b>Balance at end of year</b>	<b>Impaired amount</b>
	\$	\$	\$	\$
<b>2012</b>				
Term loans	1,760,149	155,456	2,629,661	-
Revolving credit loans	189,274	13,058	198,653	-
<b>Total Loans</b>	<b>1,949,423</b>	<b>168,514</b>	<b>2,828,314</b>	<b>-</b>
<b>2011</b>				
Term loans	2,019,905	127,980	1,760,149	-
Revolving credit loans	170,271	12,983	189,274	-
<b>Total Loans</b>	<b>2,190,176</b>	<b>140,963</b>	<b>1,949,423</b>	<b>-</b>

	<b>2012</b>	<b>2011</b>
	\$	\$
Aggregate value of revolving credit facilities to Directors and other KMP, as at balance date	<b>332,077</b>	327,577
Less: amounts drawn-down	<b>(198,653)</b>	(189,274)
Net balance available	<b>133,424</b>	138,303

Directors and other KMP concerned with the above balances at balance date were:

A. Hudson, B. Cooper, K. Wright, J. Cavanagh, P. Hinchcliffe, D. Bevan, P. Townsend, J. Thorman, D. Ryan, A. Chapman and L. Longstaff

The Credit Union's policy for lending to Directors and other key management personnel 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.

All loans disbursed to Directors and other KMP were approved on the same terms and conditions which are applicable to members for each class of loan, with the exceptions of those KMP who are not Directors. There are no loans which are impaired in relation to the loan balances with Directors and KMP.

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 22 Disclosures on Key Management Personnel (continued)**

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 remuneration in Note 22(c). There are no benefits or concessional terms and conditions applicable to the close family members of KMP. There are no loans which are impaired in relation to the loan balances with close family relatives of Directors and other KMP.

**(e) Other Transactions with Related Parties**

The Credit Union has received deposits from Directors and other 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.

Directors and other 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. There are no service contracts to which Directors, KMP or their close family members are an interested party except as detailed below. Other transactions with Directors and director-related entities are on normal commercial terms and conditions no more favourable than those available to other parties.

***Other transactions with director-related entities***

	2012	2011
	\$	\$
Freight charges paid to C.A. & C. Cavanagh Pty Ltd, a company in which Credit Union Director J. Cavanagh is a director and shareholder.	<u>1,645</u>	<u>1,524</u>

**Note 23 Auditor's Remuneration**

**Audit Services:**

- Audit of the financial statements	40,700	38,500
- Other regulatory audit services	9,300	9,300
	<u>50,000</u>	<u>47,800</u>

**Other Services:**

- Internal audit services	36,500	32,400
- Taxation services	5,600	5,600
- Other assurance services	9,700	9,850
	<u>51,800</u>	<u>47,850</u>
	<u>101,800</u>	<u>95,650</u>

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 24 Risk Management and Financial instruments**

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.

**(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 Audit Committee which is responsible for developing and monitoring the Credit Union's risk management policies. The Committee is comprised of the Chairman and Deputy Chairman of the Board of Directors and other non-executive Directors and reports to the Board of Directors on its activities.

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.

## Coastline Credit Union Limited

ABN 88 087 649 910

### Notes to the Financial Statements

For the Year Ended 30 June 2012

#### Note 24 Risk Management and Financial instruments (continued)

##### (b) CREDIT RISK (continued)

##### 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. Loans in default are also reviewed on a regular basis.

The Credit Union's policies govern:

- Credit assessment and approval of loans and facilities;
- 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;
- Reassessment of and review of credit exposures and facilities;
- Establishment of appropriate provisions to recognise the impairment of loans and advances;
- Debt recovery procedures; and
- Regular review of compliance with credit risk policies.

##### Receivables due from Other Financial Institutions

Credit risk 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.

##### 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.

##### Impaired Loans

Impaired loans are loans 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.

##### Loans 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.

##### Restructured Loans

Restructured loans have renegotiated terms due to deterioration in the borrower's financial position and where the Credit Union has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

# Coastline Credit Union Limited

ABN 88 087 649 910

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### Note 24 Risk Management and Financial instruments (continued)

#### (b) CREDIT RISK (continued)

##### Allowance for Impairment

The Credit Union establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures subject to individual assessment for impairment, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans that are not subject to individual assessment for impairment.

##### Write-Off Policy

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.

##### 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 ADI's and available for sale investments.

##### Concentration of Credit Risk

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

Concentrations of credit risk arise in the following categories:

	Loans and advances to members		Receivables due from other Financial Institutions	
	2012	2011	2012	2011
	000's	000's	000's	000's
	\$	\$	\$	\$
New South Wales	227,676	207,759	3,100	1,000
Other States and Territories	10,554	9,813	36,695	42,410
	<b>238,230</b>	<b>217,572</b>	<b>39,795</b>	<b>43,410</b>

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.

These financial statements should be read in conjunction with the attached Independent Auditor's Report

# Coastline Credit Union Limited

ABN 88 087 649 910

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### Note 24 Risk Management and Financial instruments (continued)

#### (b) CREDIT RISK (continued)

Concentration of risk on loans to individual members (including associated members) greater than 10% of capital are detailed below. These concentrations of credit risk on loans to individual members relate to investment properties and the property development industry.

	2012	2011
Number of Loans	-	1
Outstanding Balance (\$)	-	2,272,859

#### (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.

##### 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% (2011: 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:

	2012	2011
Liquidity Ratios	%	%
As at 30 June	14.55	15.36
Average liquidity for the period	14.62	17.38
Minimum liquidity for the period	12.21	14.22
Maximum liquidity for the period	18.45	19.30

##### Financial Instrument Composition and Maturity Analysis

The following tables detail 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. The amounts include both interest and principal cash flows

Coastline Credit Union Limited

ABN 88 087 649 910

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 24 Risk Management and Financial instruments (continued)

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	
	2012 000's \$	2011 000's \$	2012 000's \$	2011 000's \$	2012 000's \$	2011 000's \$	2012 000's \$	2011 000's \$	2012 000's \$	2011 000's \$	2012 000's \$	2011 000's \$	2012 000's \$	2011 000's \$
<b>Financial assets - cash flows realisable</b>														
Cash and cash equivalents	6,576	4,966	-	-	-	-	-	-	-	-	-	-	6,576	4,966
Receivables due from other financial institutions	-	-	24,795	11,500	13,700	31,910	1,300	-	-	-	-	-	39,795	43,410
Accrued receivables	-	-	450	425	116	254	-	-	-	-	3	3	569	682
Loans and advances	7,703	7,166	4,313	3,493	13,947	11,088	63,994	43,743	148,273	152,082	-	-	238,230	217,572
Other financial assets	-	-	-	-	-	-	-	-	-	-	914	914	914	914
<b>Total anticipated inflows</b>	<b>14,279</b>	<b>12,132</b>	<b>29,558</b>	<b>15,418</b>	<b>27,763</b>	<b>43,252</b>	<b>65,294</b>	<b>43,743</b>	<b>148,273</b>	<b>152,082</b>	<b>917</b>	<b>917</b>	<b>286,084</b>	<b>267,544</b>
<b>Financial liabilities due for payment</b>														
Deposits from members	141,773	135,268	48,181	52,563	64,507	53,107	6,528	2,628	-	-	-	-	260,989	243,566
Payables and other liabilities	-	-	-	-	-	-	-	-	-	-	2,978	4,402	2,978	4,402
<b>Total anticipated outflows</b>	<b>141,773</b>	<b>135,268</b>	<b>48,181</b>	<b>52,563</b>	<b>64,507</b>	<b>53,107</b>	<b>6,528</b>	<b>2,628</b>	<b>-</b>	<b>-</b>	<b>2,978</b>	<b>4,402</b>	<b>263,967</b>	<b>247,968</b>
<b>Net inflow / (outflow) on financial instruments</b>	<b>(127,494)</b>	<b>(123,136)</b>	<b>(18,623)</b>	<b>(37,145)</b>	<b>(36,744)</b>	<b>(9,855)</b>	<b>58,766</b>	<b>41,115</b>	<b>148,273</b>	<b>152,082</b>	<b>(2,061)</b>	<b>(3,485)</b>	<b>22,117</b>	<b>19,576</b>

These financial statements should be read in conjunction with the attached Independent Auditor's Report

# Coastline Credit Union Limited

ABN 88 087 649 910

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### Note 24 Risk Management and Financial instruments (continued)

#### (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 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 1% of the capital base.

At reporting date, if interest rates had been 1% higher or lower, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

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

	<b>Interest Rate Sensitivity</b>		
	<b>+ / - 0.5%</b>	<b>+ / - 1.0%</b>	<b>+ / - 2.0%</b>
Effect on profit / equity	+ / - \$116,700	+ / - \$233,500	+ / - \$467,000
Percentage of capital base	+ / - 0.50%	+ / - 0.99%	+ / - 1.98%
Impact on 2012 pre-tax profit	+ / - 4.40%	+ / - 8.79%	+ / - 17.59%

These financial statements should be read in conjunction with the attached Independent Auditor's Report

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 24 Risk Management and Financial instruments (continued)**

**(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 under Basel II capital requirements effective from 1 January 2008. The Credit Union has adopted the standardised approach for credit risk and operational risk.

In implementing current capital requirements APRA requires the Credit Union to maintain a Prudential Capital Ratio (PCR) of 12% of total capital to total risk weighted assets.

The Credit Union's regulatory capital is analysed in two tiers:

- Tier 1 capital, which includes general reserves and retained earnings, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on readily marketable securities classified as available for sale.

Various limits are applied to elements of the capital base. The amount of fundamental tier 1 capital must constitute at least 75% of net tier 1 capital. Residual tier 1 capital is limited to 25% of net tier 1 capital and innovative tier 1 securities cannot exceed 15% of net tier 1 capital. Net tier 1 capital must constitute at least 50% of capital. Total tier 2 capital is limited to 100% of net tier 1 capital and total tier 2 capital net of deductions and amortisation is limited to 50% of tier 1 capital.

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.

**Coastline Credit Union Limited**

ABN 88 087 649 910

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 24 Risk Management and Financial instruments (continued)**

The Credit Union's regulatory capital position at 30 June was as follows:

	2012	2011
	000's	000's
	\$	\$
<b>Tier 1 Capital</b>		
General reserves	39	37
Retained earnings	21,158	19,382
Current year earnings	1,901	1,524
Less: Deductions	(911)	(895)
<b>Total Tier 1 Capital</b>	<b>22,187</b>	<b>20,048</b>
<b>Tier 2 Capital</b>		
Asset revaluation reserves	562	562
General reserve for credit losses	1,237	1,190
Less: Deductions	(456)	(455)
<b>Total Tier 2 Capital</b>	<b>1,343</b>	<b>1,297</b>
Less: Equity and other capital investments in other ADI's	-	-
<b>Total Regulatory Capital</b>	<b>23,530</b>	<b>21,345</b>
<b>Capital requirements (in terms of risk weighted assets) for:</b>		
Credit risk	138,066	133,320
Operational risk	16,628	15,475
Market risk	-	-
<b>Total risk weighted assets</b>	<b>154,694</b>	<b>148,795</b>
 <b>Capital Ratios</b>		
	2012	2011
	%	%
Total regulatory capital expressed as a percentage of total risk weighted assets	15.21	14.35
Total Tier 1 capital expressed as a percentage of total risk weighted assets	14.33	13.47

These financial statements should be read in conjunction with the attached Independent Auditor's Report

## Coastline Credit Union Limited

ABN 88 087 649 910

### Notes to the Financial Statements

For the Year Ended 30 June 2012

#### Note 24 Risk Management and Financial instruments (continued)

##### (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 risk 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. This responsibility is supported by the development of overall Credit Union standards for the management of operational risk in the following areas:

- 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.

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.

##### **Fraud**

Fraud can arise from member card PINS, and internet passwords being compromised where not protected adequately by the member. It can also arise from other systems failures. The Credit Union has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail financial institutions, fraud is potentially a real cost to the Credit Union.

##### **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.

# Coastline Credit Union Limited

ABN 88 087 649 910

## Notes to the Financial Statements

For the Year Ended 30 June 2012

### Note 24 Risk Management and Financial instruments (continued)

#### (g) FAIR VALUE OF FINANCIAL INSTRUMENTS

The net fair value estimates 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) **Deposits from members** - the fair value of deposits from members is based on their carrying amount.
- (v) **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.

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

	2012		2011	
	Carrying amount 000's \$	Net Fair value 000's \$	Carrying amount 000's \$	Net Fair value 000's \$
<b>Financial Assets</b>				
Cash and cash equivalents	6,576	6,576	4,966	4,966
Receivables due from other financial institutions	39,795	39,795	43,410	43,410
Accrued receivables	569	569	682	682
Loans and advances	238,230	238,230	217,572	217,572
Other financial assets	914	914	914	914
<b>Total financial assets</b>	<b>286,084</b>	<b>286,084</b>	<b>267,544</b>	<b>267,544</b>
<b>Financial Liabilities</b>				
Deposits from members	260,989	260,989	243,566	243,566
Payables and other liabilities	2,978	2,978	4,202	4,202
<b>Total financial liabilities</b>	<b>263,967</b>	<b>263,967</b>	<b>247,768</b>	<b>247,768</b>

These financial statements should be read in conjunction with the attached Independent Auditor's Report

**Coastline Credit Union Limited**

**ABN 88 087 649 910**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**Note 25 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. They also provide electronic data processing services for the Credit Union.

**Note 26 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 2012 was \$2,572,993 (2011: \$3,036,633).

**Note 27 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**

**ABN 88 087 649 910**

**Directors' Declaration**

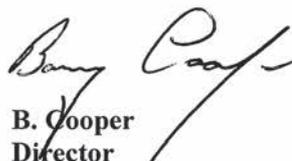
The Directors of the Coastline Credit Union Limited declare that:

1. The financial statements, comprising the Statement of 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 Accounting Standards and the *Corporations Regulations 2001*;
  - (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the Credit Union; and
  - (c) comply with International Financial Reporting Standards.
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.



**A. Hudson**  
**Director Chairman**



**B. Cooper**  
**Director**

**West Kempsey**

**Dated 20 September 2012**



NorthCorp  
accountants

PARTNERS  
Mark Hatherly B.Com.FCA  
Winifred Gibson FTIA Affiliate ICAA  
Robert Magnussen B.Bus.FCA  
Paul Fahey B.Bus.CA  
Rodney Smith B.Fin.Admin.FCA  
Tony Faulder B.Com.CPA Affiliate ICAA  
Bart Lawler B.Com.CA

## Independent Auditor's Report

To the members of Coastline Credit Union Limited

### *Report on the Financial Statements*

We have audited the financial Statements of Coastline Credit Union Limited, which comprises the Statement of Financial Position as at 30 June 2012, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration.

### *Directors' Responsibility for the Financial Statements*

The Directors of the Credit Union are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial statements and notes comply with IFRS.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the Credit Union's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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



Chartered  
Accountants

Chartered Accountants  
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Liability Limited by a scheme approved under Professional Standards Legislation

## Independent Auditor's Report

### To the members of Coastline Credit Union Limited

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

#### *Auditor's Opinion*

In our opinion:

- (a) the 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 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial statements also complies with International Financial Reporting Standards as disclosed in Note 1.

#### NorthCorp Accountants



Bart Lawler

Partner

Port Macquarie NSW

20 September 2012