



# **Coastline Credit Union Limited**

**ABN 88 087 649 910**

## **Annual Report**

**FOR THE YEAR ENDED 30 JUNE 2021**

**ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2021**

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## CHAIR'S REPORT

In the 2021 Financial Year our local communities faced many challenges including in the devastating floods and the continuation of the pandemic. The Board takes great pride in the efforts of Coastline in helping our members and communities with wonderful initiatives. This reflects the Purpose of Coastline as we are as much a part of the communities we serve, as they are of us, with over 19,000 members on the Mid-North Coast.

### Community Involvement and Performance

During FY2021, we supported our local communities with the Coastline Foundation Grants and sponsorships, the introduction of Support Local Business campaign, loan repayment deferrals to members experiencing hardship, and free workshops on important local issues. While members are always welcome in our branches, Coastline continued to invest in digital banking to meet the demands of our members and allow them to conduct their banking anytime and anywhere. The mobile app and internet banking options allowed many of our members to conduct their banking remotely during the challenges of FY2021.

Throughout the year, Coastline was able to grow from strength to strength, with strong membership growth, \$253 million in loans funded, and profitability recorded at \$4.9 million (after tax). As Coastline is community-owned and a mutual organisation, the retained earnings are re-invested back into the organisation for the future benefit of members.

### Board Strategy

The Board set a new ambitious goal of achieving \$850 million in loans by 2025 and is committed to helping local people achieve their goals. Our new strategic goal of increasing home ownership for members continues our strong focus on putting members first.

The Board's Customer Centric Banking strategy has achieved outstanding results since being introduced 6 years ago.

### Board Changes

During the financial year, we welcomed Tania Powick to the Board, following the retirement of long-serving Director and former Chair, Allan Hudson. Allan gave 12 years of service to Coastline. Tania, a local financial planner, who is involved in many local not-for-profit organisations, is a wonderful addition to represent and serve our members.

### Highlights for FY2021 include:

**Introduced Support Local Business** – to help overcome hardships in the local community (e.g. floods and pandemic) nine (9) local businesses won a \$2,500 marketing package, and three (3) winners each receiving local television advertising.

**Foundation Grants, Sponsorships and Donations** – provided over \$240,000 to local community associations, organisations and individuals to strengthen the local communities that Coastline operates in.

**Member Promotion** – a score of 77%, on average, throughout FY2021, with members promoting the benefits of banking with Coastline further in our communities.

**New Memberships** – over 2,100 new members in FY2021, with the majority under 35 years of age.

**850 by 2025** – the new loan balance goal of \$850 million by 2025 was introduced. The achievement of \$591 million loan portfolio in FY2021 represents an increase of \$96 million (19% growth).

**Assets** – Coastline's total assets now stand at \$718 million and increased by \$94 million (15% growth).

**Financial Wellbeing Workshops** – Coastline staff visited local organisations, including the PCYC, High Schools, and Seniors Festival week celebrations to educate members on budgeting, retirement planning, and online fraud awareness.

**Technology** – a major Open Banking project commenced during the year, with banking data able to be shared with explicit permission of the member, with a first launch in August 2021. We have further plans for Open Banking which will align Coastline with the latest in financial technology.

## CHAIR'S REPORT

Our number one priority is the health, safety and wellbeing of our members, staff and the communities in which we operate in. As we live through the COVID-19 pandemic we have supported and will continue to support our members hit hardest by the pandemic.

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



**Vanessa McNeilly**  
**Director - Chair**  
**23 September 2021**

# GOVERNANCE REPORT

## Overview

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

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

- 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 the Credit Union; and
- Putting appropriate procedures in place to satisfy its corporate and legal responsibilities whilst conducting its business in compliance with all laws and in an honest, open and ethical manner.

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

## Board meetings

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

## Introduction and continuing education

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

## 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 Credit Union;
- 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 Chair.

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 Credit Union, with shareholders determining the maximum annual aggregate amount of remuneration for the financial year that may be provided to them at the Annual General Meeting. From this amount individual Directors are remunerated based on the performance of the Credit Union, what is appropriate to the size and complexity of the Credit Union. The Remuneration Committee receives advice from independent experts on appropriate levels of Director remuneration and guides the Board in this regard.

### Performance and remuneration of senior management

The Credit Union'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 Credit Union's expense, with the prior approval of the Chair.

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

### 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;
- Remuneration Committee;
- Nominations Committee; and
- Coastline Community Foundation Committee.

### Audit Committee

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

### Risk Committee

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

## GOVERNANCE REPORT

### ***Executive Committee***

- 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
- Advise the Board in relation to the Board's adopted statement of corporate governance principles
- Review the Board's committee structure and to establish principles under which they operate in accordance with the constitution and good corporate governance principles

### ***Remuneration Committee***

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

### ***Nominations Committee***

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

### ***Coastline Community Foundation Committee***

- 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

# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2021

Your Directors present their report on Coastline Credit Union Limited (the Credit Union) for the financial year ended 30 June 2021.

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

## DIRECTORS

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

Vanessa McNeilly	Chair
Anthony Ferris	Deputy Chair
Matthew Ryan	
David Bevan	
Jennifer Pike	
Tania Powick	[Appointed 19/11/2020]

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

## 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 AND FINANCIAL REVIEW

### *Financial Performance*

The profit of the Credit Union after providing for income tax amounted to \$4.940 million for the financial year ended 30 June 2021 (2020: \$3.231 million).

Interest revenue decreased by \$0.668 million to \$20.405 million. Interest expense decreased by \$3.680 million to \$3.772 million. Net interest income increased by \$3.012 million to \$16.633 million.

Non-interest expenses increased by \$1.138 million to \$13.163 million of which \$0.283 million can be attributed to an increase in employee benefits expense, \$0.248 million to member transactions costs, \$0.216 million to information technology expenses, and \$0.165 million to community grants and sponsorships.

### *Financial Position*

Total assets increased by 15.10% to \$718.085 million with loans and advances increasing by 19.42% to \$590.101 million. The growth in loans and advances was primarily funded by member deposits which increased by 11.77% to \$581.674 million. Net assets increased by 11.18% to \$49.146 million.

## DIVIDENDS

No Dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for by the Directors of the Credit Union.

## SIGNIFICANT CHANGES IN STATE AFFAIRS

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

## EVENTS OCCURRING AFTER BALANCE DATE

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



# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2021

## FUTURE DEVELOPMENTS

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

## 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.

## DIRECTORS' BENEFITS

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Credit Union, a subsidiary, or a related body corporate, with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 24 of the financial report.

## 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.

## INFORMATION RELATING TO DIRECTORS AND COMPANY SECRETARY

### Vanessa McNeilly

Role Chair (Non-Executive)  
Experience Appointed as Director on 9/11/2011  
Committees Audit, Executive, Nominations, Remuneration and Foundation  
Qualifications Diploma in Law, Sydney University  
Occupation Solicitor  
Shares 1 Ordinary Share in the Credit Union

### Anthony Ferris

Role Deputy Chair (Non-Executive)  
Experience Appointed as Director on 24/10/2012  
Committees Chair of Risk and Executive  
Qualifications Bachelor of Business (HR) Southern Cross University, Master of Business Administration, Southern Cross University. Fellow Finsia.  
Occupation Retired  
Shares 1 Ordinary Share in the Credit Union

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2021

### Matthew Ryan

Role Director (Non-Executive)  
Experience Appointed as Director on 20/09/2009. Previously Chair from 2017 to 2019  
Committees Risk, and Executive  
Qualifications Bachelor of Arts (Politics) University of New South Wales, Bachelor of Primary Education Charles Sturt  
Occupation Management Consultant  
Shares 1 Ordinary Share in the Credit Union

### David Bevan

Role Director (Non-Executive)  
Experience Appointed as Director on 27/10/2010  
Committees Audit, Risk, Remuneration and Nominations  
Qualifications Dip Business Administration (Accounting).  
Occupation Investor  
Shares 1 Ordinary Share in the Credit Union

### Jennifer Pike

Role Director (Non-Executive)  
Experience Appointed as Director on 1/2/2013  
Committees Chair of Audit, Remuneration and Nominations  
Qualifications Bachelor of Economics, Macquarie University. CPA.  
Occupation Finance Director, St Columba Anglican School  
Shares 1 Ordinary Share in the Credit Union

### Tania Powick

Role Director (Non-Executive)  
Experience Appointed as Director on 19/11/2020  
Committees Audit, Risk and Nominations  
Qualifications Bachelor of Financial Administration, CA, CFP  
Occupation Financial Planner  
Shares 1 Ordinary Share in the Credit Union

### Peter Townsend

Role Company Secretary  
Experience Appointed as Company Secretary on 14/10/1996  
Committees Audit, Risk, Executive, Remuneration and Foundation  
Qualifications MBA, MAICD, JP, Director of Indue Limited since 2001, Director of NCUA 2002 to 2010, General Manager and Company Secretary of Central West Credit Union 1988 to 1996  
Occupation General Manager, Coastline Credit Union Limited  
Shares 1 Ordinary Share in the Credit Union

# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2021

## 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 2021 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
Vanessa McNeilly	11	11	9	9
Anthony Ferris	11	11	10	10
Matthew Ryan	11	10	7	6
David Bevan	11	8	13	10
Jennifer Pike	11	10	11	11
Tania Powick	7	6	4	4

## PROCEEDINGS ON BEHALF OF CREDIT UNION

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

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

## ACKNOWLEDGEMENTS

The Board expresses its appreciation to management and staff for the significant progress and achievements made during the 2021 financial year and to the members who continue to show support and confidence in their Credit Union.

The Directors' Report is signed in accordance with a resolution of the Board of Directors.

Dated at West Kempsey this 23 September 2021



**Vanessa McNeilly**  
Director - Chair



**Anthony Ferris**  
Director - Deputy Chair

## AUDITOR'S INDEPENDENCE DECLARATION

### UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF COASTLINE CREDIT UNION LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Coastline Credit Union Limited. As the lead auditor for the audit of the financial report of Coastline Credit Union Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

#### NorthCorp Accountants



**Jodie Thomas**  
Lead Auditor

**10-12 Short Street**  
**Port Macquarie NSW 2444**

**Dated: 23 September 2021**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 \$'000	2020 \$'000
Interest revenue	2	20,405	21,073
Interest expense	2	(3,772)	(7,452)
<b>Net interest income</b>		<b>16,633</b>	13,621
Other revenue and income	3	3,119	2,749
<b>Net operating income</b>		<b>19,752</b>	16,370
<b>Non-interest expenses</b>			
Impairment on loans and advances	9	12	(311)
Depreciation and amortisation	3	(952)	(860)
Employee benefits	3	(5,564)	(5,281)
Other operating expenses	3	(6,659)	(5,573)
<b>Total non-interest expenses</b>		<b>(13,163)</b>	(12,025)
<b>Profit before income tax</b>		<b>6,589</b>	4,345
Income tax expense	4	(1,649)	(1,224)
<b>Net profit for the year</b>		<b>4,940</b>	3,121
<b>Other Comprehensive Income</b>			
Revaluation gain on land and buildings, net of tax		-	110
<b>Total other comprehensive income for the year</b>		<b>-</b>	110
<b>Total comprehensive income for the year</b>		<b>4,940</b>	3,231
<b>Profit attributable to members of the Credit Union</b>		<b>4,940</b>	3,121
<b>Total comprehensive income attributable to members of the Credit Union</b>		<b>4,940</b>	3,231

**BALANCE SHEET  
AS AT 30 JUNE 2021**

	Note	2021 \$'000	2020 \$'000
<b>Assets</b>			
Cash and cash equivalents	5	48,001	21,581
Receivables due from other financial institutions	6	66,654	94,989
Other assets	7	2,291	1,623
Loans and advances	8	590,101	494,150
Other financial assets	10	2,796	2,796
Property, plant and equipment	11	5,888	6,611
Investment property	12	750	750
Intangible assets	13	355	192
Deferred tax assets	4	1,249	1,192
<b>Total Assets</b>		<b>718,085</b>	<b>623,884</b>
<b>Liabilities</b>			
Deposits from other financial institutions	14	76,501	48,000
Deposits from members	15	581,674	520,403
Payables and other liabilities	16	6,429	8,792
Borrowings	17	1,804	-
Taxation liabilities	4	1,042	1,121
Provisions	18	1,489	1,362
<b>Total Liabilities</b>		<b>668,939</b>	<b>579,678</b>
<b>Net Assets</b>		<b>49,146</b>	<b>44,206</b>
<b>Equity</b>			
Reserves	19	4,153	4,152
Retained earnings		44,993	40,054
<b>Total Equity</b>		<b>49,146</b>	<b>44,206</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2021**

	<b>Reserves \$'000</b>	<b>Retained earnings \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2019	4,040	37,023	41,063
Adjustment on initial application of AASB 9	-	(88)	(88)
<b>Restated balance at 1 July 2019</b>	<b>4,040</b>	<b>36,935</b>	<b>40,975</b>
Profit for the year	-	3,121	3,121
Other comprehensive income	110	-	110
<b>Total comprehensive income for the year</b>	<b>110</b>	<b>3,121</b>	<b>3,231</b>
<b>Movements in reserves</b>			
Redeemed share capital reserve	2	(2)	-
<b>Balance at 30 June 2020</b>	<b>4,152</b>	<b>40,054</b>	<b>44,206</b>
Balance at 1 July 2020	<b>4,152</b>	<b>40,054</b>	<b>44,206</b>
Profit for the year	-	<b>4,940</b>	<b>4,940</b>
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>4,940</b>	<b>4,940</b>
<b>Movements in reserves</b>			
Redeemed share capital reserve	1	(1)	-
<b>Balance at 30 June 2021</b>	<b>4,153</b>	<b>44,993</b>	<b>49,146</b>

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Interest received		20,303	21,170
Dividends received		-	166
Other income		3,128	3,081
Payments to suppliers and employees		(14,183)	(8,645)
Interest paid		(4,230)	(8,004)
Income tax paid		(1,785)	(1,005)
<i>Movement in operating assets and liabilities</i>			
Net (increase) / decrease in:			
Receivables due from other financial institutions		28,335	(35,461)
Loans and advances		(96,052)	(49,809)
Net increase / (decrease) in:			
Deposits from members		61,271	66,234
Deposits from other financial institutions		28,501	11,500
<b>Net cash (used in) / provided by operating activities</b>	20	<b>25,288</b>	<b>(773)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		57	-
Acquisition of property, plant and equipment		(177)	(1,266)
Acquisition of intangible assets		(267)	(153)
<b>Net cash used in investing activities</b>		<b>(387)</b>	<b>(1,419)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,804	-
Repayment of lease liabilities		(285)	(277)
<b>Net cash used in financing activities</b>		<b>1,519</b>	<b>(277)</b>
Net increase / (decrease) in cash and cash equivalents		26,420	(2,469)
Cash and cash equivalents at the beginning of the year		21,581	24,050
<b>Cash and cash equivalents at the end of the year</b>	5	<b>48,001</b>	<b>21,581</b>



## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1 - BASIS OF PREPARATION

These financial statements and notes represent those of Coastline Credit Union Limited as an individual entity. Coastline Credit Union Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 23 September 2021 by the Directors of the Credit Union.

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Credit Union is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied, unless stated above.

Except for cash flow information, 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. The balance sheet has been prepared in order of liquidity.

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

#### Rounding of accounts

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

#### Critical accounting estimates and judgements

The Directors evaluate estimates and judgements 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 of tangible and intangible assets

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.

#### Key estimates - loan provisioning

Specific loan provisions are calculated for loans where objective evidence of impairment is present. The Credit Union has provided for all loans where there is objective evidence of impairment and security is less than the loan due, except where the loan repayments are secured by lenders mortgage insurance. Collective loan provisions are calculated based on the forward looking expected credit loss model as outlined in Note 9.

The lease term is defined as the non-cancellable period of a lease together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The option that is reasonably going to be exercised is a key management judgement based on the strategic direction of the Credit Union.

### NOTE 2 - INTEREST INCOME AND EXPENSE

#### Interest income using the effective interest method

##### Financial assets at amortised cost

	2021 \$'000	2020 \$'000
Cash and cash equivalents	7	138
Receivables due from other financial institutions	622	1,060
Loans and advances	19,776	19,875
<b>Total interest income using the effective interest method</b>	<b>20,405</b>	<b>21,073</b>

#### Interest expense using the effective interest method

##### Financial liabilities at amortised cost

Deposits from other financial institutions and members	3,755	7,430
Borrowings	17	22
<b>Total interest expense using the effective interest method</b>	<b>3,772</b>	<b>7,452</b>

## NOTES TO THE FINANCIAL STATEMENTS

### ACCOUNTING POLICY

#### Interest

Interest income and interest expense is recognised as interest accrues using the effective interest method, which uses the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. 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.

#### NOTE 3 - NON-INTEREST INCOME AND EXPENSES

##### Other revenue and income

	2021 \$'000	2020 \$'000
Fees and commissions	2,313	2,025
Bad debts recovered	31	10
Net gain on revaluation of investment property	-	24
Rent received	97	38
Other income	678	652
	<b>3,119</b>	<b>2,749</b>

##### Depreciation and amortisation

Depreciation - Buildings	340	341
Depreciation - Freehold and leasehold improvements	311	260
Depreciation - Plant and equipment	197	188
Amortisation - Intangible assets	104	71
	<b>952</b>	<b>860</b>

##### Employee benefits

Salaries and wages	3,715	3,462
Provision for employee benefits	411	381
Superannuation	727	651
Other	711	787
	<b>5,564</b>	<b>5,281</b>

##### Other expenses

Marketing and promotion	727	492
Member protection	542	516
General administration	600	564
Member service costs	1,407	1,159
Communications	1,351	1,135
Operating lease payments	46	58
Other occupancy costs	244	199
Loan administration fees	770	633
Sundry expenses	972	817
	<b>6,659</b>	<b>5,573</b>

## NOTES TO THE FINANCIAL STATEMENTS

### ACCOUNTING POLICY

#### 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.

#### Loan origination fees

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

#### 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 (ATO). Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

### NOTE 4 - INCOME TAX

#### Income tax expense

	2021 \$'000	2020 \$'000
Profit before income tax	6,589	4,345
Prima facie income tax expense at 26% (2020: 27.5%)	1,713	1,195
Add / (less) tax effect of:		
▪ Prior years over provision	(14)	-
▪ Other income not included in assessable income	(17)	(14)
▪ Deferred deductions realised	(2)	-
▪ Other non-allowable items	2	5
▪ Change in deferred tax resulting from change in tax rate	30	38
▪ Taxable loss on sale of property	(63)	-
<b>Income tax expense</b>	<b>1,649</b>	<b>1,224</b>
Current tax	1,807	1,294
Deferred tax	(158)	(70)
<b>Total income tax expense</b>	<b>1,649</b>	<b>1,224</b>

#### Deferred tax assets

Property, plant and equipment	2	6
Lease liabilities - right-of-use assets	414	499
Employee benefits	332	313
Impairment of loans	193	208
Accrued expenses	90	36
Deferred loan origination fees	80	50
Other provisions	40	41
Capital losses	98	39
<b>Total deferred tax assets</b>	<b>1,249</b>	<b>1,192</b>

#### Taxation liabilities

Income tax payable	612	604
Deferred tax liabilities	430	517
	<b>1,042</b>	<b>1,121</b>

## NOTES TO THE FINANCIAL STATEMENTS

	2021 \$'000	2020 \$'000
<b>Deferred tax liabilities</b>		
Right-of-use assets	416	511
Prepayments	3	4
Accrued Income	11	2
<b>Total deferred tax liabilities</b>	<b>430</b>	<b>517</b>

### ACCOUNTING POLICY

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

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

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

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

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

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

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

### NOTE 5 - CASH AND CASH EQUIVALENTS

Cash on hand	903	774
Deposits at call	47,098	20,807
	<b>48,001</b>	<b>21,581</b>

#### 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		
Cash and cash equivalents	48,001	21,581

### ACCOUNTING POLICY

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other financial institutions, and bank overdrafts. Cash and cash equivalents are carried at amortised cost in the statement of financial position. Bank overdrafts are reported within borrowings on the balance sheet and are carried at the principal amount.

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

### NOTE 6 - RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS

Interest earning deposits	7,424	39,913
Floating and fixed rate notes	59,230	55,076
	<b>66,654</b>	<b>94,989</b>

## NOTES TO THE FINANCIAL STATEMENTS

### ACCOUNTING POLICY

Receivables due from other financial institutions are primarily interest bearing deposits due from banks and other financial institutions with a carrying amount equal to their principal amount. Interest is brought to account in the statement of profit or loss when earned. The accrual for interest receivable is calculated on a proportional basis on the expired period of the term of the deposit. The amount of accrued interest receivable is reported within other receivables in the balance sheet.

### NOTE 7 - OTHER ASSETS

	2021 \$'000	2020 \$'000
Interest receivable	160	58
Other accrued income	44	8
Prepayments	367	290
Sundry debtors	1,720	1,267
	<b>2,291</b>	<b>1,623</b>

### ACCOUNTING POLICY

Any expenses paid prior to the related goods provided or services rendered will be recorded as prepaid expenses. Accounts receivable consists of amounts due from customers for the provision of services.

### NOTE 8 - LOANS AND ADVANCES

Overdrafts and revolving credit facilities	6,520	7,553
Term loans	584,674	487,589
Gross loans and advances	591,194	495,142
Less: Unamortised loan origination fees	(321)	(194)
Gross loans and advances net of unamortised loan origination	590,873	494,948
Less: Provision for credit impairment	(772)	(798)
<b>Net loans and advances</b>	<b>590,101</b>	<b>494,150</b>

### NOTE 9 - PROVISION FOR CREDIT IMPAIRMENT ON LOANS AT AMORTISED COST

Provision for credit impairment	772	798
Opening balance under AASB 139	798	604
Transfer from / (to) profit or loss	(26)	194
Bad debts written off against provision	-	-
<b>Provision balance at end of year</b>	<b>772</b>	<b>798</b>

## NOTES TO THE FINANCIAL STATEMENTS

	\$'000	\$'000	\$'000	\$'000
	Stage 1	Stage 2	Stage 3	Total
<b>Provision for Credit Impairment</b>				
Balance at 1 July 2020	539	22	237	798
Transferred to Stage 1	113	(13)	(100)	-
Transferred to Stage 2	(2)	3	(1)	-
Transferred to Stage 3	(2)	(2)	4	-
New and increased provisions	224	6	111	341
Write-backs of provisions	(319)	(6)	(42)	(367)
<b>Provision balance at end of year</b>	<b>553</b>	<b>10</b>	<b>209</b>	<b>772</b>

### Impact of movements in gross carrying amount on provision for expected credit losses (ECL)

- Stage 1 ECL increased \$14,306 as a result of \$214.529 million of loans and advances that were newly originated or migrated into Stage 1 from Stage 2 or Stage 3 due to credit quality improvement offset by \$130.381 million of loans and advances that were repaid, experienced movement in underlying account balances during the period or migrated from Stage 1 to Stage 2 or Stage 3 due to deterioration in credit quality.
- Stage 2 ECL decreased \$12,557 as a result of \$1.530 million of loans and advances that were newly originated or migrated into Stage 2 from Stage 3 due to credit quality improvement offset by \$3.852 million of loans and advances that were repaid, experienced movement in underlying account balances during the period or migrated from Stage 2 to Stage 3 due to deterioration in credit quality.
- Stage 3 ECL decreased \$27,758 as a result of \$1.081 million of loans and advances that were newly originated or migrated into Stage 3 from Stage 1 or Stage 2 due to deterioration in credit quality offset by \$5.648 million of loans and advances that were repaid, experienced movement in underlying account balances during the period or migrated from Stage 3 to Stage 1 or Stage 2 due to credit quality improvement.

### Credit impairment charge

	2021 \$'000	2020 \$'000
Bad debts written off	14	117
Credit impairment expense/(write-back) - loans and advances	(26)	194
<b>Total charge to the income statement</b>	<b>(12)</b>	<b>311</b>

### Summary of impaired loans and advances

	2021 \$'000	2020 \$'000
Gross impaired loans and advances	1,606	6,171
Provision for credit impairment (Stage 3)	(209)	(237)
<b>Net impaired loans and advances</b>	<b>1,397</b>	<b>5,934</b>

### ACCOUNTING POLICY

The Credit Union applies a three-stage approach to measuring expected credit losses (ECL). At each reporting date, the Credit Union assesses the credit risk of exposures in comparison to the risk at initial recognition, to determine the stage that applies to the ECL measurement.

- Stage 1** - facilities where the credit risk has not changed since initial recognition. 12-month ECL
- Stage 2** - facilities where the credit risk has changed since initial recognition. Lifetime ECL recognised;
- Stage 3** - impaired facilities. Lifetime ECL recognised.

If no significant increase in credit risk has been observed, the facility will remain in Stage 1. If the credit risk of an exposure has increased significantly since initial recognition, the asset will migrate to Stage 2. Should a facility become impaired it will be transferred to Stage 3. The Credit Union considers reasonable and supportable information that is relevant and available without undue cost or effort, for this purpose. This includes quantitative and qualitative information and also forward looking analysis. The Credit Union considers that a significant increase in credit risk occurs when a facility is more than 30 days past due.

## NOTES TO THE FINANCIAL STATEMENTS

In assessing the impairment of facilities under the ECL model, the Credit Union defines default in accordance with its policies and procedures. Default occurs when a facility is 90 days or more past due, or when it is considered unlikely that the Credit Union will be paid in full without recourse to actions, such as the realisation of security.

Judgement is required by management in the estimation of the amount and timing of future cash flows when determining an impairment loss. In estimating these cash flows, the Credit Union will make a judgement about a borrower's financial situation and the net realisable value of collateral.

The ECL is derived from unbiased and probability-weighted estimates of expected loss. The three key inputs into the calculation of ECL are the following:

- **Probability of default (PoD)** - the expected point-in-time probability of a default;
- **Loss given default (LGD)** - the magnitude of the likely loss if there is a default; and
- **Exposure at default (EAD)** - the expected exposure in the event of default. EAD includes balances outstanding at the end of the year together with any expected drawdown of a facility.

### NOTE 10 - OTHER FINANCIAL ASSETS

#### Investments in equity instruments designated as at fair value

##### Unlisted investments

	2021 \$'000	2020 \$'000
Indue Limited	<b>2,796</b>	2,796

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

### NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

#### Freehold land

At fair value	750	750
Subsequent additions at cost	-	-
<b>Total freehold land</b>	<b>750</b>	<b>750</b>

#### Buildings

At fair value	1,600	1,600
Subsequent additions at cost	2,682	2,682
Accumulated depreciation	(1,060)	(720)
<b>Total buildings</b>	<b>3,222</b>	<b>3,562</b>

#### **Total land and buildings**

	<b>3,972</b>	4,312
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#### Freehold and leasehold improvements

At cost	2,756	2,756
Accumulated depreciation	(1,315)	(1,004)
<b>Total freehold and leasehold improvements</b>	<b>1,441</b>	<b>1,752</b>

#### Plant and equipment

At cost	1,235	1,135
Accumulated depreciation	(760)	(588)
<b>Total plant and equipment</b>	<b>475</b>	<b>547</b>

#### **Total property, plant and equipment**

	<b>5,888</b>	<b>6,611</b>
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## NOTES TO THE FINANCIAL STATEMENTS

### Asset revaluations

An independent valuation of freehold land and buildings was carried out by James Flanagan (Registered Valuer 3992). The revaluation of freehold land and buildings was based on an assessment of the current market values as at 30 June 2020.

	Land \$'000	Buildings \$'000	Freehold and leasehold improve- ments \$'000	Plant and equipment \$'000	Total \$'000
<b>Movements in carrying amounts</b>					
Balance at 1 July 2019	1,100	1,900	1,086	395	4,481
Initial adoption of AASB 16	-	2,259	-	-	2,259
Additions	-	-	926	340	1,266
Disposals	-	-	-	-	-
Transfer to investment property	(350)	(376)	-	-	(726)
Revaluation increments / (decrements)	-	120	-	-	120
Depreciation expense	-	(341)	(260)	(188)	(789)
<b>Balance at 30 June 2020</b>	<b>750</b>	<b>3,562</b>	<b>1,752</b>	<b>547</b>	<b>6,611</b>
Additions	-	-	-	177	177
Disposals	-	-	-	(52)	(52)
Transfer to investment property	-	-	-	-	-
Revaluation increments/(decrements)	-	-	-	-	-
Depreciation expense	-	(340)	(311)	(197)	(848)
<b>Balance at 30 June 2021</b>	<b>750</b>	<b>3,222</b>	<b>1,441</b>	<b>475</b>	<b>5,888</b>

### Historical Cost of Land and Buildings

	2021 \$'000	2020 \$'000
If land and buildings were stated at historical cost, carrying amounts would be as follows:		
Land - at cost	509	509
Buildings - at cost	1,417	1,417
Provision for depreciation on buildings	(820)	(785)
<b>Total land and buildings at written down value</b>	<b>1,106</b>	<b>1,141</b>

### ACCOUNTING POLICY

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 accumulated impairment losses and accumulated depreciation for buildings.

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

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset.



## NOTES TO THE FINANCIAL STATEMENTS

### Plant and equipment

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

In the event that the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. An assessment of recoverable amount is made when impairment indicators are present.

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 recognised as expenses in profit or loss during the financial period in which they are incurred.

### Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the Credit Union commencing from the time the asset is 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:

Class of fixed asset	Depreciation rate
Buildings (including right-of-use)	2.50% - 10.00%
Building improvements	2.50%
Leasehold improvements	12.50%
Plant and equipment	7.00% - 33.33%

The assets' residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written-down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

### Disposals

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

### Impairment of assets

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

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

### NOTE 12 - INVESTMENT PROPERTY

Investment property at fair value

	2021 \$'000	2020 \$'000
	750	750

#### Movement in carrying value

Balance at beginning of year  
Transfer from property, plant and equipment  
Fair value adjustment recognised in profit or loss  
Balance at end of year

	750	-
	-	726
	-	24
	750	750

## NOTES TO THE FINANCIAL STATEMENTS

### ACCOUNTING POLICY

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

### NOTE 13 - INTANGIBLE ASSETS

	2021 \$'000	2020 \$'000
Software - at cost	625	357
Accumulated amortisation	(270)	(165)
Carrying value	<u>355</u>	<u>192</u>

#### Movement in carrying value

Balance at beginning of year	192	110
Additions	267	153
Disposals	-	-
Amortisation expense	(104)	(71)
Balance at end of year	<u>355</u>	<u>192</u>

### ACCOUNTING POLICY

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

### NOTE 14 - DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

Term deposits	<u>76,501</u>	48,000
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### NOTE 15 - DEPOSITS FROM MEMBERS

Member deposits at call (including withdrawable shares)	383,519	343,742
Member term deposits	198,155	176,661
	<u>581,674</u>	<u>520,403</u>

The deposit portfolio of the Credit Union does not include any deposit which represents 10% or more of total liabilities.

#### Concentration of deposits

New South Wales	539,449	493,434
Other States	42,225	26,969
	<u>581,674</u>	<u>520,403</u>

### ACCOUNTING POLICY

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

### NOTE 16 - PAYABLES AND OTHER LIABILITIES

Accrued interest payable	579	1,057
Trade payables and accrued expenses	4,196	5,816
Lease liabilities - right-of-use assets	1,654	1,919
	<u>6,429</u>	<u>8,792</u>

### ACCOUNTING POLICY

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.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 17 - BORROWINGS

Reserve Bank Term Funding Facility

2021	2020
\$'000	\$'000

1,804	-
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### ACCOUNTING POLICY

Borrowing costs relate to the Reserve Bank of Australia Term Funding Facility (TFF). The TFF offered funds at 0.25% per annum for a period of three (3) years. The loan is secured by a bond to the value of \$1.96 million, under the eligible security repurchase arrangement with the Reserve Bank. The value of the borrowing is measured at fair value, net of transaction costs.

### NOTE 18 - PROVISIONS

Employee benefits	1,208	1,106
Directors' retirement benefits	120	99
Other provisions	161	157
	1,489	1,362

### Movements in Carrying Amounts

	Employee Benefits \$'000	Directors' Retirement Benefits \$'000	Other Provisions \$'000	Total \$'000
Balance at 1 July 2020	1,106	99	157	1,362
Additional provision	428	21	155	604
Amounts paid during the year	(326)	-	(151)	(477)
<b>Balance at 30 June 2021</b>	<b>1,208</b>	<b>120</b>	<b>161</b>	<b>1,489</b>

### ACCOUNTING POLICY

#### Employment benefits

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

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels and durations of service. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense in the period in which the changes occur.

#### Superannuation contributions

Contributions are made by the Credit Union to employees' superannuation funds and are recognised as expenses when incurred. Refer to Note 22 for details of the Credit Union's obligations in relation to a defined benefit plan.

#### 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.

#### Other Provisions

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

## NOTES TO THE FINANCIAL STATEMENTS

<b>NOTE 19 - RESERVES</b>	<b>2021</b> <b>\$'000</b>	<b>2020</b> <b>\$'000</b>
General reserve for credit losses	2,160	2,160
Redeemed share capital reserve	52	51
Asset revaluation reserve	1,941	1,941
	<b>4,153</b>	<b>4,152</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.

### Redeemed share capital account

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

### Asset revaluation reserve

The asset revaluation reserve records revaluations of land and buildings.

## NOTE 20 - CASH FLOW INFORMATION

### Reconciliation of cash flows from operations with profit after income tax

Profit for the year	4,940	3,121
Non-cash flows in profit:		
Impairment of loans and advances	(26)	194
Movement in unamortised loan origination fees	127	(6)
Depreciation and amortisation	952	860
Net (gain) / loss on sale of property, plant and equipment	(5)	-
Fair value (gain) / loss on investment property	-	(24)
Lease interest	20	23
(Increase) / decrease in:		
Receivables due from other financial institutions	28,335	(35,461)
Other assets	(668)	157
Loans and advances to members	(96,052)	(49,809)
Deferred tax assets	(57)	(504)
Increase / (decrease) in:		
Deposits from members	61,271	66,234
Deposits from other financial institutions	28,501	11,500
Payables and other liabilities	(2,098)	2,309
Tax liabilities	(79)	723
Provisions	127	(90)
<b>Net cash (used in) / provided by operating activities</b>	<b>25,288</b>	<b>(773)</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:

- Customer deposits to and withdrawals from deposit accounts;
- Borrowings and repayments on loans and advances;
- Sales and purchases of maturing certificates of deposit; and
- Sales and purchases of other investments.

## ACCOUNTING POLICY

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

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 21 - LEASES

#### Credit Union as a lessee

##### Right-of-use assets

Right-of-use assets relate to the rental of the Credit Union's premises. The leases are non-cancellable with original terms ranging from 7 - 10 years. Rent is payable monthly in advance. Contingent rental provisions within the lease agreements require the minimum lease payment to be increased by either the CPI or 5% per annum whichever is the greater. An option exists to renew the leases at the end of the lease terms for additional terms of 5 - 10 years.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Buildings \$'000	Total \$'000
As at 30 June 2020	1,962	1,962
Additions	-	-
Depreciation expense	(297)	(297)
	<b>1,665</b>	<b>1,665</b>

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2021 \$'000	2020 \$'000
As at 1 July	1,919	-
Initial adoption of AASB 16	-	2,173
Accretion of interest	20	23
Lease payments	(285)	(277)
	<b>1,654</b>	<b>1,919</b>

##### Short-term leases and leases of low-value assets

The Credit Union has leases for office equipment and ATMs with lease terms of no more than 5 years. The Credit Union has applied the lease of low-value assets' recognition exemptions for these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

Not later than 12 months	321	318
Between 12 months and 5 years	840	1,161
Later than 5 years	-	-
	<b>1,161</b>	<b>1,479</b>

### ACCOUNTING POLICY

#### Right-of-use assets

The Credit Union recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-to-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are included within the category in which the underlying assets being leased would be presented if they were owned by the Credit Union. Right-of-use assets are depreciated on a straight-line basis over the term of the lease.

## NOTES TO THE FINANCIAL STATEMENTS

### Lease liabilities

At the commencement date of the lease, the Credit Union recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments may include fixed or variable payments depending on the lease agreement terms and conditions. In calculating the present value of lease payments, the Credit Union uses its incremental borrowing rate as the interest rate implicit in the lease is not readily determinable. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or change in the assessment of an option to purchase the underlying asset.

### Short-term leases and leases of low-value assets

The Credit Union applies the short-term lease recognition exemption to its short-term leases of office equipment (i.e. those leases that have a lease term of 12 months or less and do not contain a purchase option). The Credit Union also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

## NOTE 22 - DEFINED BENEFIT SUPERANNUATION PLAN

The Credit Union contributes to the Cuesuper Superannuation Defined Benefits Plan (the Plan), a sub-fund of NGS Super, for an employee of the Credit Union. Schedule One Part B is a sub-group (the sub-group) of the plan with 3 employers supporting 3 employees. The sub-group has been determined to be a defined benefit multi-employer plan (a defined benefit plan).

The financing objective of the sub-group is to target defined benefit assets of between 100% and 105% of vested benefits. As at 30 June 2021, the sub-group has met its financing objective.

Each employer is obliged to contribute for its employee members as determined by the trustee in accordance with the provisions and benefits to be provided for the relevant membership class for the employee members involved. The ongoing contributions are the same for each employer. However, when a sponsoring employer grants salary increases in excess of an agreed rate then actuarial advice is sought on additional funding to ensure equity between sponsoring employers. By implication, this limits any amount an employer is required to contribute in respect of the funding of benefits for employee members of any other participating employer in the plan.

Each employer has the unilateral right (i.e. a discretionary power exercisable without requiring consent of the trustee) at any time to terminate or reduce their contributions or terminate participation in the plan. If this occurs, the trustee must ascertain interests and adjust benefits on appropriate advice. If the plan terminates employers are liable for any arrears of their [own] contributions only (such contributions being as determined by the trustee as advised and recommended by the actuary from time to time) and the termination provisions do not require any additional contribution to make up any shortfall in assets that may otherwise exist due to the obligations of other employers not having been met or otherwise. In these circumstances, members' benefits would be adjusted.

The plan is indeed a defined benefit plan. The assets of the sub-group are attributable only for the sub-group as a whole. The sub-group does not separately identify the assets or cash flows per member or employer. Therefore, there is insufficient information to enable the entity to account for the plan as a defined benefit plan.

For the year to 30 June 2021, the contribution rates in respect of the defined benefit element of the members' benefits have been the same for all sponsoring employers, other than for expenses which are allocated to employers on a per member basis.

## NOTE 23 - CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

### Contingent liabilities

Guarantees and security deposits

2021	2020
\$'000	\$'000

311	216
-----	-----

The Credit Union holds security deposits of some members as a guarantee for third parties. These deposits are not released to the member without written authority from the third party.

## NOTES TO THE FINANCIAL STATEMENTS

### Credit union liquidity support system

The Credit Union is a member of the Credit Union Financial Support System Limited (CUFSS), a company established to provide financial support to credit unions in the event of a liquidity or capital problem arising. The Credit Union's commitment to the system is through an Industry Support Contract (ISC), which sets out its obligations, rights and responsibilities being:

- Provision of financial and other information to CUFSS;
- Funding annual CUFSS operating costs by subscriptions based on member assets; and
- Pledge a contingency commitment of a percentage of assets (currently 3.00%) for emergency liquidity support should it be required.

### 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.

	2021 \$'000	2020 \$'000
Approved but undrawn loans and credit limits	58,471	43,673
Loans approved but not advanced	15,271	7,415
	73,742	51,088

### NOTE 24 - DISCLOSURES ON KEY MANAGEMENT PERSONNEL

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

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

#### KMP Compensation

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

	2021 \$	2020 \$
Short-term benefits	1,367,862	1,329,048
Post-employment benefits	169,055	130,199
Other long-term benefits	19,600	24,073
Termination benefits	29,719	36,216
	1,586,236	1,519,536

Remuneration shown as short-term employee benefits means (where applicable) wages, salaries, Directors' fees, paid annual leave and paid sick leave, bonuses and the value of fringe benefits received, but excludes out-of-pocket expense reimbursements. Other long-term benefits includes long service leave accrued during the year. Post-employment benefits relates to superannuation paid to employees in accordance with the Superannuation Guarantee Legislation.

The movement in provision for Directors' retirement benefits, calculated in accordance with the Credit Union's Directors' Retirement Benefits Policy, is included under termination benefits.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### Loans to KMP

	Balance at beginning of year	Interest charged	Balance at end of year	Impaired amount
	\$	\$	\$	\$
<b>2021</b>				
Term loans	874,575	22,397	954,352	-
Revolving credit loans	13,138	328	14,772	-
<b>Total Loans</b>	<b>887,713</b>	<b>22,725</b>	<b>969,124</b>	<b>-</b>
<b>2020</b>				
Term loans	1,264,731	30,699	874,575	-
Revolving credit loans	9,708	1,537	13,138	-
<b>Total Loans</b>	<b>1,274,439</b>	<b>32,236</b>	<b>887,713</b>	<b>-</b>

	2021	2020
	\$	\$
Aggregate value of revolving credit facilities available to KMP as at balance date	90,000	80,000
Less: amounts drawn-down	(14,772)	(13,138)
<b>Net balance available</b>	<b>75,228</b>	<b>66,862</b>

The Credit Union's policy for lending to KMP is that all loans are approved and deposits accepted on the same terms and conditions which applied to members for each class of loan or deposit. KMP who are not Directors receive a concessional rate of interest on their loans and facilities. These benefits, where subject to fringe benefits tax, are included in the KMP remuneration. There are no benefits or concessional terms and conditions applicable to the close family members of KMP.

### Other transactions with related parties

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

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 were no other transactions with KMP or their related parties during the the financial year.

## NOTE 25 - AUDITOR'S REMUNERATION

### Audit Services

Audit of the financial statements	51,100	49,900
Other regulatory audit services	14,000	13,600

### Other Services

Internal audit services	77,600	76,500
Taxation services	2,270	6,520
Other assurance services	4,700	4,700
	<b>149,670</b>	<b>151,220</b>



## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 26 - FINANCIAL INSTRUMENTS

#### Classes of financial assets and financial liabilities

##### Financial assets

##### *Financial assets at amortised cost*

	2021 \$'000	2020 \$'000
Cash and cash equivalents	48,001	21,581
Receivables due from other financial institutions	66,654	94,989
Other assets	2,291	1,623
Gross loans and advances	591,194	495,142
<i>Fair value through other comprehensive income</i>		
Other financial assets	2,796	2,796
<b>Total financial assets</b>	<b>710,936</b>	<b>616,131</b>

##### Financial liabilities

##### *Financial liabilities at amortised cost*

Deposits from other financial institutions	76,501	48,000
Deposits from members	581,674	520,403
Payables and other liabilities	6,429	8,792
Borrowings	1,804	-
<b>Total financial liabilities</b>	<b>666,408</b>	<b>577,195</b>

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

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

### ACCOUNTING POLICY

#### Overview

Financial instruments represent the majority of the Credit Union's balance sheet, including loans and advances and deposits with other financial institutions. The carrying amount presented on the balance sheet reflects the Credit Union's business model for managing the asset. Where the model is to collect contractual cash flows (such as loans and advances), the financial instrument is measured at amortised cost. Conversely, where the financial instrument is managed on a fair value basis, that instrument will be measured as such.

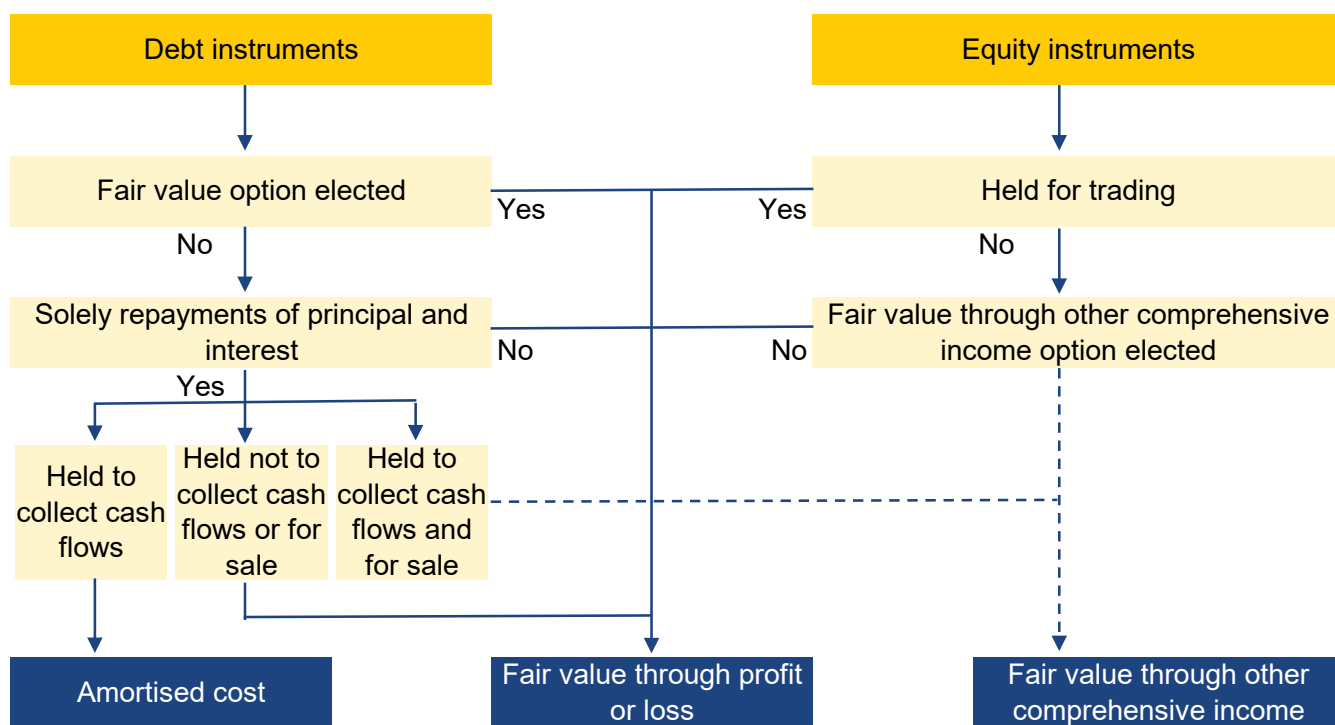
#### Initial recognition of financial instruments

Accounting for a financial instrument begins at initial recognition. A financial asset or liability is recognised in the balance sheet when the Credit Union becomes a party to the contractual provisions of the instrument, which is generally on trade date. Loans and advances are recognised when cash is advanced (or settled) to borrowers. Financial instruments managed on a fair value basis are recognised initially at fair value, with transaction costs recognised in profit or loss as incurred. All other financial instruments are recognised initially at fair value plus / (less) directly attributable transaction costs.

## NOTES TO THE FINANCIAL STATEMENTS

### Classification

Following initial recognition, *AASB 9 Financial Instruments* requires the Credit Union to classify financial assets as follows.



Financial liabilities follow a much simpler classification process and are measured at amortised cost.

### Measurement

#### *Financial assets measured at amortised cost*

Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition less principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

#### *Financial assets measured at fair value through profit or loss*

Where a financial asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

#### *Financial assets measured at fair value through other comprehensive income*

Gains or losses arising from changes in the fair value of financial instruments are recognised in a separate component of equity. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement.

### Equity instruments

Investments in equity instruments that are neither held for trading nor contingent consideration recognised by the Credit Union in a business combination to which *AASB 3 Business Combinations* applies, are measured at fair value through other comprehensive income, where an irrevocable election has been made by management. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

### Derecognition of financial instruments

The Credit Union derecognises a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Credit Union is recognised as a separate asset or liability. The Credit Union removes a financial liability from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

### NOTE 27 - RISK MANAGEMENT

#### Risk management framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Credit Union's risk management framework, of which includes risk management policies. The Board approves the level of risk which the Credit Union is exposed to and the framework for reporting and mitigating those risks. All risk management policies are reviewed on an annual basis.

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

The Credit Union's risk management policies are established to identify and analyse the risks faced by the Credit Union, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed on at least an annual basis.

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

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

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

#### 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 other financial assets.

#### Loans and advances

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

- Credit assessment and approval of loans and facilities;
- Compliance with regulatory and statutory requirements;
- Security requirements in respect to the acceptable types of security and maximum loan to security value
- Limiting concentrations of exposures to individual borrowers, industry groups and geographic locations;
- Establishing and maintaining lending approval delegations for new and renewing credit facilities;
- Reassessment of and review of credit exposures and facilities;
- Establishment of appropriate provisions to recognise the impairment of loans and advances; and
- Debt recovery procedures.

## NOTES TO THE FINANCIAL STATEMENTS

	2021 \$'000	2020 \$'000
Analysis of loans and advances by type (gross carrying value)		
Housing - owner occupied	406,660	333,745
Housing - investment	106,427	87,592
Personal	21,430	20,871
Revolving credit	4,705	5,517
Commercial	51,972	47,417
	<b>591,194</b>	<b>495,142</b>

### ***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.

Secured by mortgage over business assets	13,277	11,349
Secured by mortgage over real estate	551,095	458,628
Partly secured by goods mortgage	14,930	13,536
Wholly unsecured	10,799	10,637
	<b>590,101</b>	<b>494,150</b>

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.

### ***Geographic concentration of credit risk***

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

	Loans and advances to members		Receivables due from other financial institutions	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
New South Wales	538,507	449,454	53,216	71,557
Other States and Territories	51,594	44,696	60,206	44,074
	<b>590,101</b>	494,150	<b>113,422</b>	115,631

## NOTES TO THE FINANCIAL STATEMENTS

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

The Credit Union had one exposure totalling \$4.423m as at 30 June 2021 (2020: \$4.439m) to individual members (including associated members) where the balance was greater than 10% of capital at balance date.

### **Liquid investments and receivables due from other financial institutions**

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

### **Credit risk exposure by risk grade**

Deposits at call and receivables due from other financial institutions by external credit rating based on the following

- **Credit rating grade 1:** Standards & Poor's ratings (or equivalent) of AAA to AA-
- **Credit rating grade 2:** Standards & Poor's ratings (or equivalent) of A+ to A-
- **Credit rating grade 3:** Standards & Poor's ratings (or equivalent) of BBB+ to BBB-

	2021 \$'000	2020 \$'000
Credit rating grade 1	76,216	57,557
Credit rating grade 2	-	15,000
Credit rating grade 3	10,000	23,500
Unrated	27,206	19,574
<b>Total</b>	<b>113,422</b>	<b>115,631</b>

### **Maximum 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 balance sheet.

### **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 and liquidity support 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% (2020: 12%).

## NOTES TO THE FINANCIAL STATEMENTS

	2021	2020
	%	%
<b>Liquidity ratios</b>		
As at 30 June	14.62	17.74
Average liquidity for the period	16.32	16.25
Minimum liquidity for the period	13.97	13.82
Maximum liquidity for the period	19.95	20.02

### **Financial instrument maturity analysis**

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

	Within 1 Year	1 to 5 Years	Over 5 Years	No Maturity	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2021</b>					
<b>Financial assets - cash flows realisable</b>					
Cash and cash equivalents	47,098	-	-	903	48,001
Receivables due from other financial institutions	21,930	44,724	-	-	66,654
Other assets	2,291	-	-	-	2,291
Loans and advances	40,851	128,388	414,342	6,520	590,101
Other financial assets	-	-	-	2,796	2,796
<b>Total anticipated inflows</b>	<b>112,170</b>	<b>173,112</b>	<b>414,342</b>	<b>10,219</b>	<b>709,843</b>
<b>Financial liabilities due for payment</b>					
Deposits from other financial institutions	76,501	-	-	-	76,501
Deposits from members	577,790	3,858	-	26	581,674
Other liabilities	6,429	-	-	-	6,429
Borrowings	-	1,804	-	-	1,804
<b>Total anticipated outflows</b>	<b>660,720</b>	<b>5,662</b>	<b>-</b>	<b>26</b>	<b>666,408</b>
<b>Net inflow / (outflow) on financial instruments</b>	<b>(548,550)</b>	<b>167,450</b>	<b>414,342</b>	<b>10,193</b>	<b>43,435</b>
<b>2020</b>					
<b>Financial assets - cash flows realisable</b>					
Cash and cash equivalents	20,807	-	-	774	21,581
Receivables due from other financial institutions	48,089	46,900	-	-	94,989
Other assets	1,623	-	-	-	1,623
Loans and advances	33,032	118,785	334,769	7,564	494,150
Other financial assets	-	-	-	2,796	2,796
<b>Total anticipated inflows</b>	<b>103,551</b>	<b>165,685</b>	<b>334,769</b>	<b>11,134</b>	<b>615,139</b>
<b>Financial liabilities due for payment</b>					
Deposits from other financial institutions	48,000	-	-	-	48,000
Deposits from members	516,780	3,596	-	27	520,403
Other liabilities	8,792	-	-	-	8,792
<b>Total anticipated outflows</b>	<b>573,572</b>	<b>3,596</b>	<b>-</b>	<b>27</b>	<b>577,195</b>
<b>Net inflow / (outflow) on financial instruments</b>	<b>(470,021)</b>	<b>162,089</b>	<b>334,769</b>	<b>11,107</b>	<b>37,944</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

### Interest rate risk (IRR)

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

### Management of IRR

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 IRR

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

Based on interest rate sensitivity calculations the theoretical pre-tax impact on the current year's profit of a 1% increase / (decrease), assuming all other things remain equal, would be:

	Interest Rate Sensitivity	
	+ 1%	- 1%
Impact on pre-tax profit	\$296,551	(\$2,629,304)

### Capital Management

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

**Tier 1 capital** which comprises the highest quality of capital and satisfies all of the following characteristics:

- Provides a permanent and unrestricted commitment of funds;
- Freely available to absorb losses;
- Does not impose any unavoidable servicing charge against earnings; and
- Ranks behind the claims of depositors and other creditors in the event of a winding-up of the issuer.

**Tier 2 capital** which includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of the Credit Union and its capacity to absorb losses.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

	2021 \$'000	2020 \$'000
The Credit Union's regulatory capital position at balance date was as		
Tier 1 capital	43,079	38,179
Tier 2 capital	2,714	2,699
Total regulatory capital	45,793	40,878
Total risk weighted assets	333,439	290,363

### **Capital expressed as a percentage (%) of total risk-weighted assets**

	%	%
Tier 1 capital	12.92	13.15
Total regulatory capital	13.73	14.08

### **Capital disclosures**

APS 330 disclosures for capital adequacy are available in the "About Us / Publications" section of Coastline's website.

### **Operational Risk**

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

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

- 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;
- Periodic assessment of operational risks faced and the adequacy of controls to mitigate those risks;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### **Fraud risk**

Fraud risk includes, and can arise from, cyber and data security attacks; PINs, cards and passwords being compromised through inadequate protection by the member; identity information being used to obtain financial services; and internal system failures. The Credit Union has implemented the following to monitor, detect, prevent and manage material fraud from occurring: industry standard security systems; internal controls; incident reporting procedures; escalation procedures; and risk tolerances. Systems and internal controls are tested and reviewed on an ongoing basis. Insurance coverage is in place to reduce the impact of fraud risk if it occurs.

### **IT systems**

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

## **NOTE 28 - FAIR VALUE**

### **Fair value estimates methodology and assumptions**

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

**Liquid assets and receivables due from other financial institutions** - the carrying values of cash, liquid assets and receivables due from other financial institutions redeemable within 3 months approximate their net fair value as they are short term in nature or are receivable on demand.

**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 valuation has been adopted as provided by the share issuer.

**Loans and advances** - the fair value of loans, advances and other receivables is based on their carrying amount net of the provision for credit impairment.

**Land and buildings** - the fair value of land and buildings was determined by independent valuation in accordance with the requirements of *AASB 116 Property, Plant and Equipment*.

**Deposits from other financial institutions and members** - the fair value of deposits is based on their carrying

**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.

**Borrowings** - the fair value of funds received from the Reserve Bank of Australia as a loan, net of transaction costs.

## NOTES TO THE FINANCIAL STATEMENTS

### Fair value estimate for financial assets and financial liabilities

	2021		2020	
	Carrying amount \$'000	Net Fair value \$'000	Carrying amount \$'000	Net Fair value \$'000
<b>Financial assets</b>				
Cash and cash equivalents	48,001	48,001	21,581	21,581
Receivables due from other financial institutions	66,654	66,654	94,989	94,989
Other assets	2,291	2,291	1,623	1,623
Loans and advances (gross)	590,101	590,101	494,150	494,150
Other financial assets	2,796	6,605	2,796	6,307
<b>Total financial assets</b>	<b>709,843</b>	<b>713,652</b>	<b>615,139</b>	<b>618,650</b>
<b>Financial liabilities</b>				
Deposits from other financial institutions	76,501	76,501	48,000	48,000
Deposits from members	581,674	581,674	520,403	520,403
Payables and other liabilities	6,429	6,429	8,792	8,792
Borrowings	1,804	1,804	-	-
<b>Total financial liabilities</b>	<b>666,408</b>	<b>666,408</b>	<b>577,195</b>	<b>577,195</b>

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

- Land and buildings.

#### Fair value hierarchy

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

**Level 1:** Quoted market price (unadjusted) in an active market for an identical asset or liability.

**Level 2:** Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes assets or liabilities valued using:

- quoted market prices in active markets for similar assets or liabilities;
- quoted prices for identical or similar assets or liabilities in markets that are considered less than active;
- other valuation techniques where all significant inputs are directly or indirectly observable from market.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

		Level 1	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements					
<b>2021</b>	Land and Buildings	-	2,350	-	2,350
	Investment Property	-	750	-	750
		-	3,100	-	3,100
2020					
	Land and Buildings	-	2,350	-	2,350
	Investment Property	-	750	-	750
		-	3,100	-	3,100

### Valuation techniques used to derive level 2 fair values recognised in the financial statements

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

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

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

### ACCOUNTING POLICY

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 29 - ECONOMIC DEPENDENCY

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

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

**Fiserv** provides the switch used to link Cuecards and Visa cards through ATM and EFTPOS networks to the Credit Union's EDP system.

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

### NOTE 30 - EVENTS SUBSEQUENT TO REPORTING DATE

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

### NOTE 31 - NEW AND AMENDED ACCOUNTING POLICIES ADOPTED BY THE CREDIT UNION

The Credit Union has not adopted any new accounting policies in the current financial year.

### Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. When the Credit Union retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) balance sheet as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

### NOTE 32 - COMPANY DETAILS

The registered office of the Credit Union is:

Coastline Credit Union Limited  
64 Elbow Street  
West Kempsey NSW 2440

## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Coastline Credit Union Limited, the Directors of the Credit Union declare that:

1. The financial statements, comprising the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, are in accordance with the *Corporations Act 2001* and:
  - a) comply with Australian Accounting Standards applicable to the Credit Union, which, as stated in Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
  - b) give a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the Credit Union;
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.

Dated at West Kempsey this 23 September 2021

For and behalf of the Board



**Vanessa McNeilly**  
**Director - Chair**



**Anthony Ferris**  
**Director - Deputy Chair**

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

### Opinion

We have audited the financial report of Coastline Credit Union Limited, which comprises the Balance Sheet as at 30 June 2021, the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the Directors' Declaration.

In our opinion the accompanying financial report of Coastline Credit Union Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

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

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

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

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## **Independent Auditor's Report**

### **to the Members of Coastline Credit Union Limited**

#### **Responsibilities of the Directors for the Financial Report**

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Report**

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

PARTNERS

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

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

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

### **NorthCorp Accountants**



**Jodie Thomas**  
Lead Auditor

**10 – 12 Short Street  
Port Macquarie NSW 2444**

**23 September 2021**