



Coastline Credit Union Limited

ABN 88 087 649 910

Annual Report

FOR THE YEAR ENDED 30 JUNE 2023

**ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

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CHAIR'S REPORT

2023 has been a year of challenges with many of our members feeling cost-of-living pressures. Coastline remains committed to helping our members with their financial well-being. We are owned by our members and local communities, and we will continue to support members and communities during these tough economic times.

Scams and attempted frauds are on the rise. We are helping our members stay safe through early detection and prevention. Coastline has invested in high-tech artificial intelligence (AI) fraud management systems and processes. We have a dedicated team to assist members and we will continue with our awareness communication to alert our members to these activities.

Continued Strong Community Involvement

During 2022-23, Coastline in affiliation with the Kempsey Neighbourhood Centre introduced the Adversity Referral Program for vulnerable and disadvantaged members experiencing crisis. This is a new initiative aimed at supporting those members needing help to manage their finances.

Art works of local school children and artists on display at local branches continues to attract interest from the community.

During the year we reached a key milestone of the Coastline4Community Staff Volunteering program. We have now invested over 1,000 hours volunteering for local community groups on the Mid North Coast and our involvement has helped local organisations immensely. In addition to this, Coastline provided monetary support to our local communities of \$300,000. One initiative that was funded was free healthy eating workshops in local communities.

Our Values

Our values are the set of guiding principles and fundamental beliefs that allows Coastline to function as a team and work towards common business goals. They allow us to make decisions, foster teamwork and help employees collaborate, quickly communicate principles to clients and customers, and hire employees with the right attitude. Our culture is built on our values how we behave.

Our Team

Coastline is committed to creating a happy and safe workplace, and to build a world class team. Staff are proud of their professional appearance, language and behaviour and they strive to look for opportunities to make it better and easier for our customers to do business with and use our products and services. Our staff are part of a team that work together to find solutions for customers.

Memorial Scholarship

Three worthy team members were awarded Kylie Duncan Memorial Scholarships during the year. Kylie tragically lost her battle with cervical cancer in 2018 at just 32 years of age. Kylie completed her Bachelor of Business while working at Coastline. All Memorial Scholarship recipients have embarked on learning journeys in business fields.

Board Strategy

The Board has clearly defined its business strategy and the business objectives for 2023-2024 that we will strive to implement. The Board has signed off on Coastline changing its trading name to Coastline Bank to meet the expectations of both our current and future members. This will not impact our operations and we will continue to provide members with the same level of customer centric service.

CHAIR'S REPORT

The Board's strategy to be customer-centric and putting our members first was renewed at the Strategic Planning Day and we aim to increase investments in technology, including the mobile app in FY2024, along with retaining a strong branch network. This network extended to Kendall with Coastline partnering with the Kendall Community Centre to service the community following the withdrawal of banking services by Bendigo Bank. This resulted in Coastline being recognised in the NSW Parliament by the Hon. Leslie Williams MP Member for Port Macquarie on 23 August 2023 for supporting the Kendall Community.

Director Farewells and Appointment

The Board welcomes Grant Devine who is a former CEO of the mutual bank, QBANK, and today is CEO of a regional investment group. We also said goodbye to David Bevan and Kevin Dupe in 2022-23. David retired from the Board after many years of service as a Director and was also a previous General Manager of Coastline. Kevin Dupe departed Coastline after accepting a Director role with another mutual bank interstate. We acknowledge both former Directors for their service and commitment to improving the financial wellbeing of members.

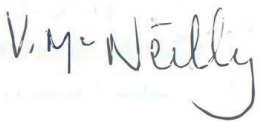
Vale David Owen

The Chair reflected on the passing of Coastline's Credit Control Manager David Owen after a long battle with Motor Neurone Disease. David passed away after a short stay in hospital surrounded by his partner Sue and family on 15 February 2023, at 63 years of age. David had just announced his intention to retire with his last day set down for Friday, 31 March 2023. David said, "The position as Credit Control Manager has been the most rewarding experience of my career, however, due to health conditions, it is in the best interest of all, that I resign from my position".

In closing I would like to extend a warm welcome to our new team members who joined Coastline during the year. The future of Coastline is bright and without the special efforts of our staff to continue to provide the excellence in banking to our members, this would not be the case.

Our financial result for the year of \$6.7m highlights our strong operating performance and good management. Having a strong Coastline allows us to continue investing in products, services and our staff.

I would like to thank my fellow Board members for their co-operation, teamwork and support throughout the year. My thanks also go to our General Manager Peter Townsend, his leadership team and all staff for their 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

21 Septemeber 2023

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;
- Cyber & Information Security 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

Cyber & Information Security Committee

- Oversee the sound operation of the enterprise wide cyber and information security systems
- Oversee the sound operation of physical and non-physical security systems
- Oversee the sound operation of the Crisis and Incident Management Process
- Oversee the sound operation of the second line assurance activity over the first line compliance activity taking place across enterprise-wide functions and businesses

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 2023

Your Directors present their report on Coastline Credit Union Limited (the Credit Union) for the financial year ended 30 June 2023.

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
Matthew Ryan	Deputy Chair
Jennifer Pike	
Tania Powick	
Grant Devine	[Appointed 28/01/2023]
Anthony Ferris	[Resigned 18/09/2022]
David Bevan	[Resigned 10/11/2022]
Kevin Dupe	[Resigned 27/01/2023]

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 \$6.670 million for the financial year ended 30 June 2023 (2022: \$5.809 million).

Loan interest revenue increased by \$14.403 million to \$36.986 million. Deposit interest expense increased by \$11.654 million to \$14.315 million. Net interest income on loans increased by \$2.749 million to \$22.671 million.

Non-interest expenses increased by \$2.229 million to \$17.293 million of which \$1.110 million can be attributed to an increase in employee benefits expense, and \$1.100 million to other operating expenses.

Financial Position

Total assets increased by 2.57% to \$818.391 million with loans and advances increasing by 2.19% to \$666.907 million. The growth in loans and advances was primarily funded by member deposits which increased by 6.99% to \$727.354 million. Net assets increased by 12.83% to \$62.003 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 2023

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 22 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	Executive, Remunerations, Audit, Risk, Cyber & Information Security, and Chair of Foundation
Qualifications	Diploma in Law, Sydney University
Occupation	Solicitor
Shares	1 Ordinary Share in the Credit Union

Matthew Ryan

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

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2023

Jennifer Pike

Role Director (Non-Executive)
Experience Appointed as Director on 1/2/2013
Committees Chair of Audit, Remuneration, Cyber & Information Security, and Nominations
Qualifications Bachelor of Economics, Macquarie University. CPA.
Occupation Finance Professional (Retired)
Shares 1 Ordinary Share in the Credit Union

Tania Powick

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

Grant Devine

Role Director (Non-Executive)
Experience Appointed as Director on 28/01/2023
Committees Risk, and Chair of Cyber & Information Security
Qualifications Bachelor of Business (Management, Marketing), Master of Business Administration, FAICD
Occupation Chief Executive Officer, Armidale Diocesan Investment Group
Shares 1 Ordinary Share in the Credit Union

Peter Townsend

Role Company Secretary
Experience Appointed as Company Secretary on 14/10/1996
Committees Nil
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 2023

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 2023 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	16	14
Matthew Ryan	11	11	5	5
Jennifer Pike	11	11	9	9
Tania Powick	11	11	17	17
Grant Devine	5	5	7	7
Anthony Ferris	2	1	2	1
David Bevan	4	1	3	2
Kevin Dupe	6	6	6	6

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.

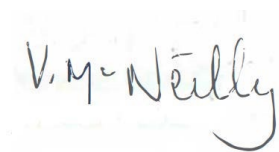
The Credit Union was not a party to any such proceedings during the year.

ACKNOWLEDGEMENTS

The Board expresses its appreciation to management and staff for the significant progress and achievements made during the 2023 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 Central Kempsey this 21 September 2023



Vanessa McNeilly
Director - Chair



Matthew Ryan
Director - Deputy Chair

PARTNERS

Paul Fahey B Bus CA

Bart Lawler B Com CA

Patrick Brennan B Com CA

Alison McKinnon B Bus CA

AUDITOR'S INDEPENDENCE DECLARATION

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

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 Ltd. As the lead auditor for the audit of the financial report of Coastline Credit Union Ltd for the year ended 30 June 2023, 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
Registered Company Auditor

10-12 Short Street
Port Macquarie NSW 2444

Dated: 21 September 2023

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2023 \$'000	2022 \$'000
Interest revenue	2	36,986	22,583
Interest expense	2	(14,315)	(2,661)
Net interest income		22,671	19,922
Other revenue and income	3	3,301	2,902
Net operating income		25,972	22,824
Non-interest expenses			
Impairment on loans and advances	9	(230)	(282)
Depreciation and amortisation	3	(1,181)	(1,110)
Employee benefits	3	(7,570)	(6,455)
Other operating expenses	3	(8,312)	(7,217)
Total non-interest expenses		(17,293)	(15,064)
Profit before income tax		8,679	7,760
Income tax expense	4	(2,011)	(1,951)
Net profit for the year		6,668	5,809
Other Comprehensive Income			
Revaluation gain on land and buildings, net of tax		380	-
Total other comprehensive income for the year		380	-
Total comprehensive income for the year		7,048	5,809
Profit attributable to members of the Credit Union		6,668	5,809
Total comprehensive income attributable to members of the Credit Union		7,048	5,809

**BALANCE SHEET
AS AT 30 JUNE 2023**

	Note	2023 \$'000	2022 \$'000
Assets			
Cash and cash equivalents	5	31,801	46,622
Receivables due from other financial institutions	6	104,747	83,769
Other assets	7	3,031	2,803
Loans and advances	8	666,907	652,589
Other financial assets	10	2,796	2,796
Property, plant and equipment	11	6,945	7,197
Intangible assets	12	437	445
Deferred tax assets	4	1,727	1,659
Total Assets		818,391	797,880
Liabilities			
Deposits from other financial institutions	13	17,000	54,500
Deposits from members	14	727,354	679,859
Payables and other liabilities	15	9,099	5,204
Taxation liabilities	4	1,146	1,655
Provisions	16	1,789	1,707
Total Liabilities		756,388	742,925
Net Assets		62,003	54,955
Equity			
Reserves	17	4,524	4,144
Retained earnings		57,479	50,811
Total Equity		62,003	54,955

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2021	4,153	44,993	49,146
Profit for the year	-	5,809	5,809
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	5,809	5,809
Movements in reserves			
General reserve for credit losses	-	-	-
Asset revaluation reserve	(9)	9	-
Other reserve for credit losses	-	-	-
Balance at 30 June 2022	4,144	50,811	54,955
Balance at 1 July 2022	4,144	50,811	54,955
Profit for the year	-	6,668	6,668
Other comprehensive income	380	-	380
Total comprehensive income for the year	380	6,668	7,048
Balance at 30 June 2023	4,524	57,479	62,003

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Interest received		36,863	22,125
Dividends received		157	124
Other income		3,737	3,789
Payments to suppliers and employees		(15,721)	(17,026)
Interest paid		(10,826)	(2,463)
Income tax paid		(2,588)	(1,748)
<i>Movement in operating assets and liabilities</i>			
Net (increase) / decrease in:			
Receivables due from other financial institutions		(20,978)	(17,115)
Loans and advances		(14,538)	(62,826)
Net increase / (decrease) in:			
Deposits from members		47,495	98,185
Deposits from other financial institutions		(37,500)	(22,001)
Net cash (used in) / provided by operating activities	18	(13,899)	1,044
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	34
Acquisition of property, plant and equipment		(286)	(801)
Proceeds from sale of investment property		-	782
Acquisition of intangible assets		(255)	(278)
Net cash (used in) / provided by investing activities		(541)	(263)
Cash flows from financing activities			
Repayment of borrowings		-	(1,804)
Repayment of lease liabilities		(381)	(356)
Net cash (used in) / provided by financing activities		(381)	(2,160)
Net increase / (decrease) in cash and cash equivalents		(14,821)	(1,379)
Cash and cash equivalents at the beginning of the year		46,622	48,001
Cash and cash equivalents at the end of the year	5	31,801	46,622

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 21 September 2023 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.

Key judgements - Lease term and option to extend under AASB 16

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

	2023 \$'000	2022 \$'000
Cash and cash equivalents	646	5
Receivables due from other financial institutions	3,222	1,232
Loans and advances	33,118	21,346
Total interest income using the effective interest method	36,986	22,583

Interest expense using the effective interest method

Financial liabilities at amortised cost

Deposits from other financial institutions and members	14,307	2,643
Brokerage	8	18
Total interest expense using the effective interest method	14,315	2,661

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

	2023 \$'000	2022 \$'000
Fees and commissions	2,523	2,460
Bad debts recovered	9	18
Rent received	-	23
Dividends received	157	124
Other income	612	277
	3,301	2,902

Depreciation and amortisation

Depreciation - Buildings	398	391
Depreciation - Freehold and leasehold improvements	303	314
Depreciation - Plant and equipment	217	217
Amortisation - Intangible assets	263	188
	1,181	1,110

Employee benefits

Salaries and wages	5,171	4,485
Salary sacrifice	374	294
Superannuation	586	512
Provision for employee benefits	528	503
Other	911	661
	7,570	6,455

Other expenses

Marketing & promotion	955	733
Information technology, communications & cyber security	1,832	1,823
Transactions & payments	1,978	1,723
Administration	2,283	1,730
Occupancy	405	272
Loan administration	541	699
ATMs	318	237
	8,312	7,217

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

	2023 \$'000	2022 \$'000
Profit before income tax	8,679	7,760
Prima facie income tax expense at 25% (2022: 25%)	2,170	1,940
Add / (less) tax effect of:		
▪ Prior years over provision	(112)	
▪ Deferred deductions realised	-	(2)
▪ Other non-allowable items	4	-
▪ Rebateable fully franked dividends	(51)	13
Income tax expense	2,011	1,951
Current tax	2,185	2,078
Deferred tax	(174)	(127)
Total income tax expense	2,011	1,951

Deferred tax assets

Property, plant and equipment	6	(50)
Lease liabilities	687	765
Employee benefits	368	377
Impairment of loans	265	233
Accrued expenses	95	61
Deferred loan origination fees	148	125
Other provisions	60	50
Capital losses	98	98
Total deferred tax assets	1,727	1,659

Taxation liabilities

Income tax payable	526	928
Deferred tax liabilities	620	727
	1,146	1,655

NOTES TO THE FINANCIAL STATEMENTS

	2023 \$'000	2022 \$'000
Deferred tax liabilities		
Right-of-use assets	605	694
Prepayments	1	4
Accrued Income	14	29
Total deferred tax liabilities	620	727

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	769	878
Deposits at call	31,032	45,744
	31,801	46,622

Reconciliation of cash

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

Cash and cash equivalents	31,801	46,622
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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	57,894	11,412
Floating and fixed rate notes	46,853	72,357
	104,747	83,769

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

	2023 \$'000	2022 \$'000
Interest receivable	741	618
Other accrued income	55	117
Prepayments	653	459
Sundry debtors	1,582	1,609
	3,031	2,803

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	7,242	6,410
Term loans	661,316	647,610
Gross loans and advances	668,558	654,020
Less: Unamortised loan origination fees	(592)	(500)
Gross loans and advances net of unamortised loan origination fees	667,966	653,520
Less: Provision for credit impairment	(1,059)	(931)
Net loans and advances	666,907	652,589

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

Provision for credit impairment	1,059	931
Opening balance	931	772
Transfer from / (to) profit or loss	128	159
Bad debts written off against provision	-	-
Provision balance at end of year	1,059	931

NOTES TO THE FINANCIAL STATEMENTS

	\$'000	\$'000	\$'000	\$'000
	Stage 1	Stage 2	Stage 3	Total
Provision for Credit Impairment				
Balance at 1 July 2022	723	11	197	931
Transferred to Stage 1	42	(2)	(40)	-
Transferred to Stage 2	(3)	4	(1)	-
Transferred to Stage 3	(3)	(7)	10	-
New and increased provisions	151	8	244	403
Write-backs of provisions	(245)	-	(30)	(275)
Provision balance at end of year	665	14	380	1,059

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

- Stage 1 ECL lowered by \$57,916 from \$151.994 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, offset by \$159.703 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.
- Stage 2 ECL increased \$3,179 as a result of \$3.711 million of loans and advances that were newly originated or migrated into Stage 2 from Stage 3 due to credit quality improvement offset by \$1.423 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 increased \$183,051 as a result of \$5.719 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 \$0.923 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

	2023 \$'000	2022 \$'000
Bad debts written off	102	123
Credit impairment expense/(write-back) - loans and advances	128	159
Total charge to the income statement	230	282

Summary of impaired loans and advances

Gross impaired loans and advances	6,448	1,585
Provision for credit impairment (Stage 3)	(380)	(197)
Net impaired loans and advances	6,068	1,388

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; and
- 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 through other comprehensive income

Unlisted investments

	2023	2022
	\$'000	\$'000
Indue Limited	2,796	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	1,100	750
Total freehold land	1,100	750

Buildings

At fair value	1,500	1,600
Subsequent additions at cost	3,546	3,546
Accumulated depreciation	(1,126)	(858)
Total buildings	3,920	4,288

Total land and buildings

Total land and buildings	5,020	5,038
Freehold and leasehold improvements		
At cost	3,281	3,272
Accumulated depreciation	(1,932)	(1,629)
Total freehold and leasehold improvements	1,349	1,643

Plant and equipment

At cost	1,679	1,472
Accumulated depreciation	(1,103)	(956)
Total plant and equipment	576	516
Total property, plant and equipment	6,945	7,197

NOTES TO THE FINANCIAL STATEMENTS

Asset revaluations

An independent valuation of freehold land and buildings was carried out by Jason Bowen (API No. 111187). The revaluation of freehold land and buildings was based on an assessment of the current market values as at 30 June 2023.

	Land \$'000	Buildings \$'000	Freehold and leasehold improve- ments \$'000	Plant and equipment \$'000	Total \$'000
Movements in carrying amounts					
Balance at 1 July 2021	750	3,222	1,441	475	5,888
Additions	-	1,536	516	285	2,337
Disposals	-	(79)	-	(27)	(106)
Transfer to investment property	-	-	-	-	-
Revaluation increments / (decrements)	-	-	-	-	-
Depreciation expense	-	(391)	(314)	(217)	(922)
Balance at 30 June 2022	750	4,288	1,643	516	7,197
Additions	-	-	9	277	286
Disposals	-	-	-	-	-
Transfer to investment property	-	-	-	-	-
Revaluation increments/(decrements)	350	30	-	-	380
Depreciation expense	-	(398)	(303)	(217)	(918)
Balance at 30 June 2023	1,100	3,920	1,349	576	6,945

Historical Cost of Land and Buildings

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

	2023 \$'000	2022 \$'000
Land - at cost	509	509
Buildings - at cost	1,417	1,417
Provision for depreciation on buildings	(892)	(857)
Total land and buildings at written down value	1,034	1,069

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	10 - 20%
Leasehold improvements	10 - 20%
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 - INTANGIBLE ASSETS

	2023 \$'000	2022 \$'000
Software - at cost	1,159	905
Accumulated amortisation	(722)	(460)
Carrying value	<u>437</u>	<u>445</u>

Movement in carrying value

Balance at beginning of year	445	355
Additions	255	278
Disposals	-	-
Amortisation expense	(263)	(188)
Balance at end of year	<u>437</u>	<u>445</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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 - DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS	2023	2022
	\$'000	\$'000
Term deposits	17,000	54,500

NOTE 14 - DEPOSITS FROM MEMBERS

Member deposits at call (including withdrawable shares)	380,841	416,402
Member term deposits	346,513	263,457
	727,354	679,859

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

Concentration of deposits from members

New South Wales	683,284	640,409
Other States	44,070	39,450
	727,354	679,859

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 15 - PAYABLES AND OTHER LIABILITIES

Accrued interest payable	4,165	742
Trade payables and accrued expenses	2,188	1,401
Lease liabilities	2,746	3,061
	9,099	5,204

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 16 - PROVISIONS

	2023 \$'000	2022 \$'000
Employee benefits	1,422	1,352
Directors' retirement benefits	126	154
Other provisions	241	201
	1,789	1,707

Movements in Carrying Amounts

	Employee Benefits \$'000	Directors' Retirement Benefits \$'000	Other Provisions \$'000	Total \$'000
Balance at 1 July 2022	1,352	154	201	1,707
Additional provision	837	42	191	1,070
Amounts paid during the year	(767)	(70)	(151)	(988)
Unused provisions reversed	-	-	-	-
Balance at 30 June 2023	1,422	126	241	1,789

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 20 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTE 17 - RESERVES

	2023 \$'000	2022 \$'000
General reserve for credit losses	2,160	2,160
Redeemed share capital reserve	52	52
Asset revaluation reserve	2,312	1,932
	4,524	4,144

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 18 - CASH FLOW INFORMATION

Reconciliation of cash flows from operations with profit after income tax

Profit for the year	6,668	5,809
Non-cash flows in profit:		
Impairment of loans and advances	128	159
Movement in unamortised loan origination fees	92	179
Depreciation and amortisation	1,181	1,110
Net (gain) / loss on sale of property, plant and equipment		72
Net (gain) / loss on sale of investment property		(32)
Lease interest	66	35
(Increase) / decrease in:		
Receivables due from other financial institutions	(21,039)	(17,115)
Other assets	(167)	(180)
Loans and advances to members	(14,538)	(62,826)
Deferred tax assets	(68)	(410)
Increase / (decrease) in:		
Deposits from members	47,495	98,185
Deposits from other financial institutions	(37,500)	(22,001)
Payables and other liabilities	4,210	(2,722)
Tax liabilities	(509)	613
Provisions	82	168
Net cash (used in) / provided by operating activities	(13,899)	1,044

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 19 - 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 up to 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
Opening balance	2,773	2,773
Depreciation expense	(355)	(355)
Closing balance	2,418	2,418

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

	2023 \$'000	2022 \$'000
Opening balance	3,061	1,654
Additions	-	1,818
Accretion of interest	66	35
Lease payments	(381)	(356)
Terminations	-	(90)
Closing balance	2,746	3,061

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	245	294
Between 12 months and 5 years	319	397
Later than 5 years	55	-
	619	691

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 20 - 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. The sub-group is in an unsatisfactory financial position (as defined under SIS Regulations 1994 to mean that the assets are not sufficient to meet the vested benefits) at 30 June 2023 and has not met its financing objective. The sub-group was marginally below the objective at 99.7% of vested benefits as at 30 June 2023.

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 2023, 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 21 - CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

	2023	2022
	\$'000	\$'000
Contingent liabilities		
Guarantees and security deposits	353	606

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.

	2023	2022
	\$'000	\$'000
Approved but undrawn loans and credit limits	71,380	68,086
Loans approved but not advanced	12,152	15,484
	83,532	83,570

NOTE 22 - DISCLOSURES ON KEY MANAGEMENT PERSONNEL

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any Director (whether executive or otherwise) of 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:

	2023	2022
	\$	\$
Short-term benefits	1,607,853	1,576,675
Post-employment benefits	195,508	178,624
Other long-term benefits	26,140	34,933
Termination benefits	103,114	62,381
	1,932,615	1,852,613

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
	\$	\$	\$	\$
2023				
Term loans	1,827,621	78,607	1,594,661	-
Revolving credit loans	11,978	1,065	11,302	-
Total Loans	1,839,599	79,672	1,605,963	-
2022				
Term loans	954,352	30,386	1,827,621	-
Revolving credit loans	14,772	614	11,978	-
Total Loans	969,124	31,000	1,839,599	-

	2023	2022
	\$	\$
Aggregate value of revolving credit facilities available to KMP as at balance date	90,000	90,000
Less: amounts drawn-down	(11,302)	(11,978)
Net balance available	78,698	78,022

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 financial year.

NOTE 23 - AUDITOR'S REMUNERATION

Audit Services

Audit of the financial statements	61,100	52,100
Other regulatory audit services	16,000	15,000

Other Services

Internal audit services	81,800	80,300
Taxation services	770	2,000
Other assurance services	4,900	4,700
	164,570	154,100

NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 - FINANCIAL INSTRUMENTS

Classes of financial assets and financial liabilities

Financial assets

Financial assets at amortised cost

	2023 \$'000	2022 \$'000
Cash and cash equivalents	31,801	46,622
Receivables due from other financial institutions	104,747	83,769
Other assets	3,031	2,803
Gross loans and advances	668,558	654,020
<i>Fair value through other comprehensive income</i>		
Other financial assets	2,796	2,796
Total financial assets	810,933	790,010

Financial liabilities

Financial liabilities at amortised cost

Deposits from other financial institutions	17,000	54,500
Deposits from members	727,354	679,859
Payables and other liabilities	9,099	5,204
Total financial liabilities	753,453	739,563

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.

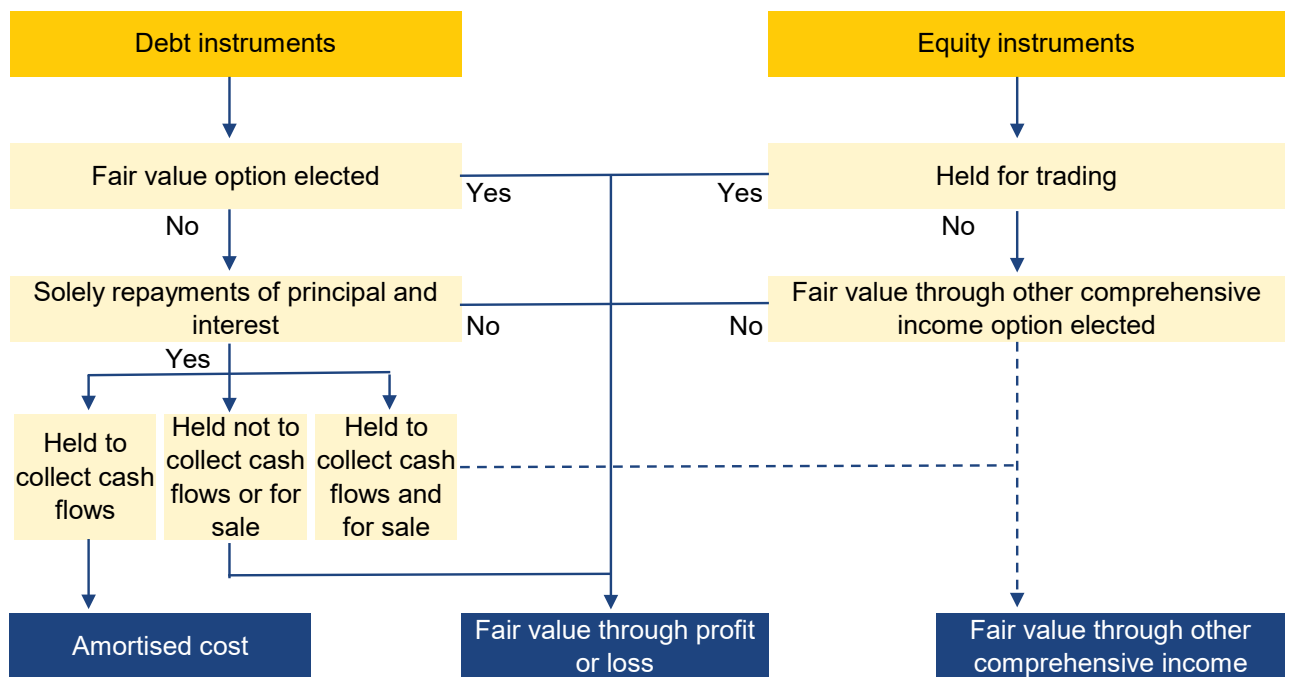
Initial recognition of financial instruments

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 25 - 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

	2023 \$'000	2022 \$'000
Analysis of loans and advances by type (gross carrying value)		
Housing - owner occupied	450,205	439,272
Housing - investment	125,471	122,519
Personal	18,751	20,182
Revolving credit	4,980	4,417
Commercial	69,151	67,630
	668,558	654,020

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	21,832	20,078
Secured by mortgage over real estate	622,325	609,128
Partly secured by goods mortgage	13,858	14,265
Wholly unsecured	8,892	9,118
	666,907	652,589

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	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
New South Wales	620,130	603,155	48,128	42,626
Other States and Territories	46,777	49,434	87,651	85,930
	666,907	652,589	135,779	128,556

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 no exposure as at 30 June 2023 (2022: Nil) 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 risk

- **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-

	2023	2022
	\$'000	\$'000
Credit rating grade 1	50,466	79,626
Credit rating grade 2	-	-
Credit rating grade 3	58,469	15,000
Unrated	26,844	33,930
Total	135,779	128,556

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% (2022: 12%).

NOTES TO THE FINANCIAL STATEMENTS

	2023	2022
	%	%
Liquidity ratios		
As at 30 June	15.98	15.50
Average liquidity for the period	16.15	15.79
Minimum liquidity for the period	14.58	14.49
Maximum liquidity for the period	17.34	17.25

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
2023					
Financial assets - cash flows realisable					
Cash and cash equivalents	31,032	-	-	769	31,801
Receivables due from other financial institutions	89,418	15,329	-	-	104,747
Other assets	3,031	-	-	-	3,031
Loans and advances	39,760	145,118	474,787	7,242	666,907
Other financial assets	-	-	-	2,796	2,796
Total anticipated inflows	163,241	160,447	474,787	10,807	809,282
Financial liabilities due for payment					
Deposits from other financial institutions	17,000	-	-	-	17,000
Deposits from members	721,938	5,393	-	23	727,354
Other liabilities	9,099	-	-	-	9,099
Total anticipated outflows	748,037	5,393	-	23	753,453
Net inflow / (outflow) on financial instruments	(584,796)	155,054	474,787	10,784	55,829
2022					
Financial assets - cash flows realisable					
Cash and cash equivalents	45,744	-	-	878	46,622
Receivables due from other financial institutions	41,469	42,300	-	-	83,769
Other assets	2,803	-	-	-	2,803
Loans and advances	39,985	144,363	461,831	6,410	652,589
Other financial assets	-	-	-	2,796	2,796
Total anticipated inflows	130,001	186,663	461,831	10,084	788,579
Financial liabilities due for payment					
Deposits from other financial institutions	54,500	-	-	-	54,500
Deposits from members	674,811	5,024	-	24	679,859
Other liabilities	5,204	-	-	-	5,204
Total anticipated outflows	734,515	5,024	-	24	739,563
Net inflow / (outflow) on financial instruments	(604,514)	181,639	461,831	10,060	49,016

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. As a result, the Credit Union is only exposed to interest rate risk arising from changes in market interest rates.

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	\$130,000	(\$740,000)

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

	2023 \$'000	2022 \$'000
The Credit Union's regulatory capital position at balance date was as		
Tier 1 capital	54,595	49,067
Tier 2 capital	2,825	2,883
Total regulatory capital	57,420	51,950
Total risk weighted assets	324,316	370,750

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

	%	%
Tier 1 capital	16.83	13.23
Total regulatory capital	17.70	14.01

Capital disclosures

APS 330 disclosures for capital adequacy are available in the "About Us / Publications" section of Coastline's website up to the December 2022 quarter. An amendment to the relevant Prudential Standard excluded Coastline from APS 330 disclosure reporting from the March 2023 quarter and until total assets are greater than \$20 billion.

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, new payments platform, Visa, eftpos, and BPAY transactions. 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 26 - 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 amount.

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.

NOTES TO THE FINANCIAL STATEMENTS

Fair value estimate for financial assets and financial liabilities

	2023		2022	
	Carrying amount \$'000	Net Fair value \$'000	Carrying amount \$'000	Net Fair value \$'000
Financial assets				
Cash and cash equivalents	31,801	31,801	46,622	46,622
Receivables due from other financial institutions	104,747	104,747	83,769	83,769
Other assets	3,031	3,031	2,803	2,803
Loans and advances	666,907	666,907	652,589	652,589
Other financial assets	2,796	9,188	2,796	7,797
Total financial assets	809,282	815,674	788,579	793,580
Financial liabilities				
Deposits from other financial institutions	17,000	17,000	54,500	54,500
Deposits from members	727,354	727,354	679,859	679,859
Payables and other liabilities	9,099	9,099	5,204	5,204
Total financial liabilities	753,453	753,453	739,563	739,563

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; or
- other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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					
2023	Land and Buildings	-	2,600	-	2,600
2022	Land and Buildings	-	2,350	-	2,350

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 27 - 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, new payments platform 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 28 - 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 29 - 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 30 - COMPANY DETAILS

The registered office of the Credit Union is:

Coastline Credit Union Limited
64 Elbow Street
West Kempsey NSW 2440

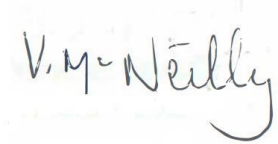
DIRECTORS' DECLARATION

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 2023 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 Central Kempsey this 21 September 2023

For and behalf of the Board



Vanessa McNeilly
Director - Chair



Matthew Ryan
Director - Deputy Chair

PARTNERS

Paul Fahey B Bus CA

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

Opinion

We have audited the financial report of Coastline Credit Union Limited, which comprises the Balance Sheet as at 30 June 2023, 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 2023 and of its financial 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 2023, 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.

PARTNERS

Paul Fahey B Bus CA

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

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

Paul Fahey B Bus CA

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
Registered Company Auditor

10 – 12 Short Street
Port Macquarie NSW 2444

21 September 2023