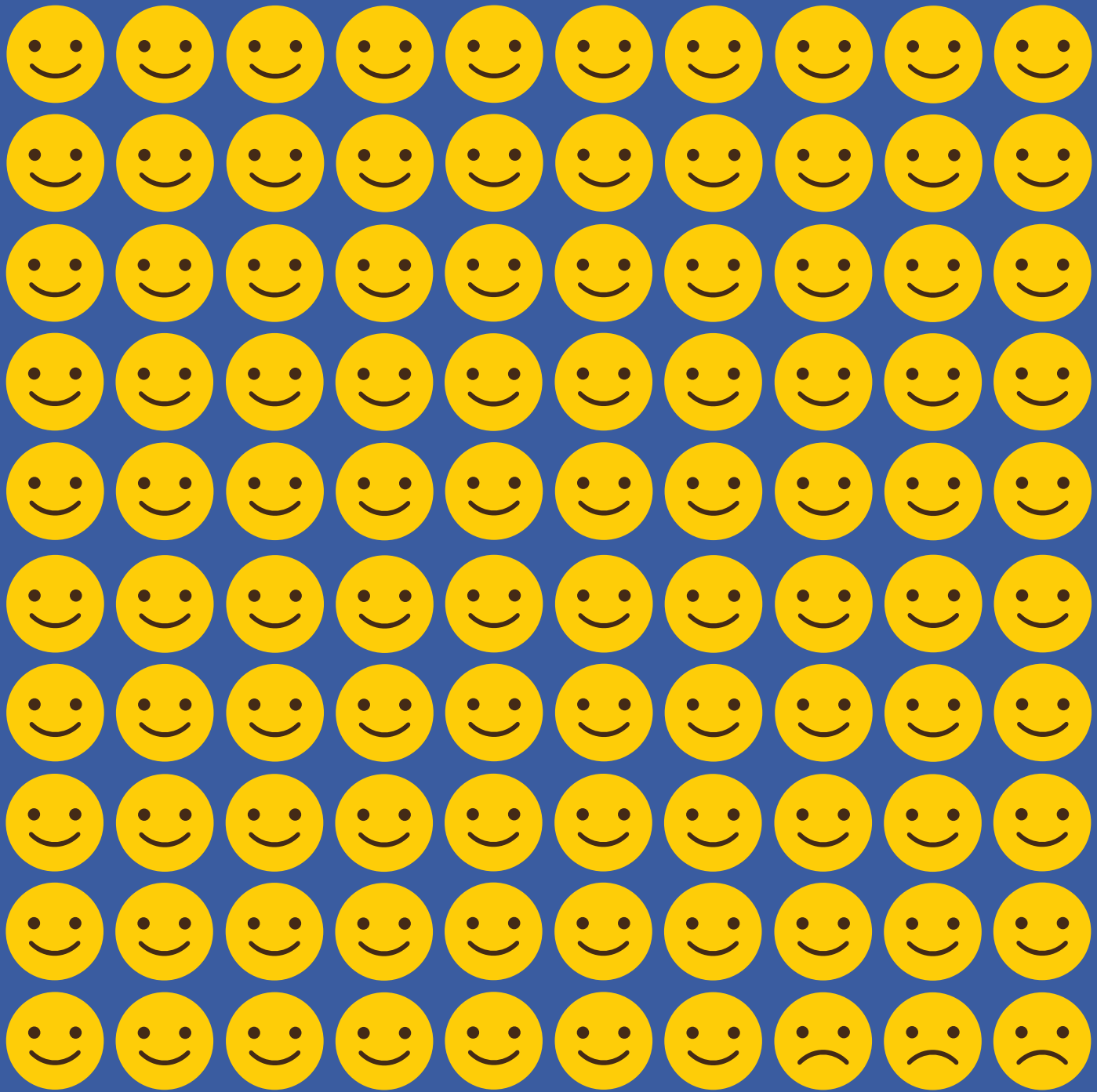




Coastline's organisational purpose is to help our Members achieve their goals by reducing the cost of banking and maximising returns, supporting the community, being accessible and convenient and by maintaining competitive pricing. We seek annual feedback from Members on how we rate on these key organisation goals. **This year Coastline achieved a satisfaction rating of 97% - which is considered outstanding”.**

ALLAN HUDSON, CHAIRMAN. Read more of the Chairman's Report inside.



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Coastline Credit Union Limited

ABN 88 087 649 910

Financial Statements

For the Year Ended 30 June 2014

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COASTLINE CREDIT UNION LIMITED

A.B.N. 88 087 649 910

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For the Year Ended 30 June 2014

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

Performance

On behalf of the Board of Directors it is my pleasure to present the Chairman's Report for the 48th Annual General Meeting of Coastline Credit Union.

Despite a challenging business environment your Board is pleased to report that 2013/14 was a strong year of achievement and progress. Coastline recorded a pre-tax profit of \$2.140 million up 43% and total assets increased by 2.2% to \$327 million. Our loan book grew by 5% to \$269 million which is above the industry growth rate of 4.13% and reflects the confidence members have in doing business with Coastline. We are in a prudentially sound position with a capital adequacy level well above regulatory requirements, low levels of loan arrears and a strategic plan to grow the organisation and to continue to return value to members.

Organisational Purpose

Coastline's organisational purpose is to help our members achieve their goals by reducing the cost of banking and maximising returns, supporting the community, being accessible and convenient and by maintaining competitive pricing. We seek annual feedback from members on how we rate on these key organisation goals. This year Coastline achieved a satisfaction rating of 97% which is considered outstanding.

Website

Our new website has been well received by members with its improved functionality and navigation. Designed to be more user friendly, visitors can access the site from a wide variety of devices from desktop PCs and tablets through to basic smartphone handsets. With our online calculators, the website has proven to be a very easy and accessible tool for mobile and pc users. We will continue to refine and enhance the website's member benefits as new digital tools and ways of doing business are adopted.

Mobile App

During the year we launched our Mobile Banking App - MyCOAST - for both Apple and Android devices. Coastline's mobile banking options make it convenient, easy, and secure to connect to your accounts anytime and anywhere. With a range of great features, MyCOAST allows members to conveniently transfer funds, make payments, BPAY and check recent transactions. You can calculate how much you can save with our savings calculator, locate and get directions to your nearest ATM or branch, access our product information, rates and fees and keep up to date with the latest news from Coastline.

Concept Branch Rollout

Following the successful launch of our concept branch in the Manning Mall at Taree the Port Macquarie Branch was modernised and now combines the best of face to face contact and technology. The branches have received a very positive reaction from customers and staff.

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

Fee-Free Banking

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

ATM Network

During the year we upgraded our ATM Network to the latest NCR machines and we installed a second machine at our West Kempsey Branch for the convenience of members. Coastline members have access to one of the largest fee free ATM networks in Australia. The fee free ATM network includes Westpac, St George, Bank SA and Bank Melbourne ATMs across Australia and Coastline and BCU ATMs locally.

Coastline Community Foundation

Since inauguration in 2002, Coastline has provided over \$745,000 to over 200 worthy local causes who have benefited from Foundation grants. The Foundation's goal is to provide support to organisations that provide benefits to local communities. Each year Coastline provides 5% of its operating profit to the Coastline Community Foundation as a way of showing our tangible support to the community.

People and leadership

Every year the Board of Directors undergoes a renewal process and continues to review the skill mix of Directors to ensure that it is well positioned to deal with the regulatory and competitive challenges of the future. The Board also undertakes annual appraisals of its own performance and for each individual Director. During the process of renewal over the last few years a number of long standing Directors have retired. The 2014 AGM marks the retirement of Director and former Chairman Peter Hinchcliffe from the Board. Peter was first elected in January 1985 and was Chairman from 1987 to 1991 when he resigned. Peter was re-elected to the Board in October 1999 and with his retirement this year completes 21 years of service to Coastline.

Closing

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

Allan Hudson

Chairman

18th September 2014

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

Overview

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

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

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

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

Board Meetings

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

Introduction and Continuing Education

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

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

Performance Evaluation

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

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

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

Remuneration of Directors

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

Performance and Remuneration of Senior Management

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

Access to Management

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

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

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

Board Committees

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

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

Audit Committee

Principle Responsibilities

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

Risk Committee

Principle Responsibilities

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

Executive Committee

Principle Responsibilities

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

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

Loans Committee

Principle Responsibilities

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

Remuneration Committee

Principle Responsibilities

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

Nominations Committee

Principle Responsibilities

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

Coastline Community Foundation Committee

Principle Responsibilities

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

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

Your Directors present their report on the Credit Union for the financial year ended 30 June 2014.

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

1. DIRECTORS

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

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

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

2. COMPANY SECRETARY

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

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

3. PRINCIPAL ACTIVITIES

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

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

4. OPERATING RESULTS AND REVIEW OF PERFORMANCE

Financial Performance

The profit of the Credit Union after providing for income tax amounted to \$1,514,000 for the financial year ended 30 June 2014 (2013: \$1,068,000). The financial performance was influenced by the following factors:

Interest revenue decreased by \$767,000 to \$16.8 million. Interest expense decreased by \$1.38 million to \$9.4 million resulting in net interest income of \$7.4 million.

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

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

Financial Performance (Cont'd)

Non-interest expenses increased by \$0.1m to \$7.14 million which can be attributed to a decrease in employee benefits expense of \$0.2 million offset by an increase in other expenses of \$0.3 million.

Financial Position

Total assets increased by 2.2% to \$327 million. Net assets increased by 5.8% for the year and loans and advances increased to \$269 million, representing a growth of 5.0% on the prior year. This growth was largely funded by member deposits which increased by 4.3% to \$288 million. Total liquid assets held at year end was \$51.9 million, a decrease of \$6.6 million on the previous year.

The Credit Union maintains a strong financial position with its liquidity ratio of 15.17% (2013: 16.15%) and Capital Adequacy Ratio of 16.21% (2013: 15.18%) well above the Australian Prudential Regulation Authority (APRA) and the Credit Union's own internal limits.

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

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

5. DIVIDENDS

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

6. SIGNIFICANT CHANGES IN STATE AFFAIRS

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

7. EVENTS OCCURRING AFTER BALANCE DATE

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

8. FUTURE DEVELOPMENTS

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

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

9. ENVIRONMENTAL REGULATION

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

10. AUDITOR'S INDEPENDENCE DECLARATION

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

11. ROUNDING

The amounts contained in the financial statements and directors' report have been rounded to the nearest thousand dollars in accordance with the option available to the Credit Union under ASIC Class Order 98/100. The Credit Union is permitted to round to the nearest thousand dollars for all amounts except prescribed disclosures that are shown in whole dollars.

12. DIRECTORS' BENEFITS

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

13. INDEMNIFYING OFFICERS OR AUDITORS

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

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

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

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

14. MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Credit Union's Directors (including meetings of committees of Directors) held during the year ended 30 June 2014 and the number of meetings attended by each Director.

	Directors' Meetings		Committee Meetings	
	Number eligible to Attend	Number Attended	Number eligible to Attend	Number Attended
A. Hudson	11	10	8	8
M. Ryan	11	10	10	9
P. Hinchcliffe	11	11	8	8
D. Bevan	11	10	9	9
V. McNeilly	11	9	13	10
T. Ferris	11	11	14	14
J. Pike	11	11	9	9

15. INFORMATION ON CURRENT DIRECTORS

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

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

15. INFORMATION ON CURRENT DIRECTORS (CONT'D)

Name	Roles, Experience & Qualifications	Experience / Occupation
P. Hinchcliffe	Director, Chairman of Coastline Community Foundation Committee, Executive Committee, Remuneration Committee and Loans Committee.	Retired Manager and Retained Fire Fighter
	Board Member since 1999. Previously a Director for 6 years.	
	1 Ordinary Share in the Credit Union.	
	Member of Australasian Mutuals Institute.	
D. Bevan	Director, Audit Committee, Risk Committee and Nominations Committee.	Investor
	Appointed 27 October 2010.	
	1 Ordinary Share in the Credit Union.	
	Dip Business Administration (Accounting). Member of Australasian Mutuals Institute.	
V. McNeilly	Director, Chairman of Loans Committee, Coastline Community Foundation Committee and Nominations Committee.	Solicitor
	Appointed 9 November 2011.	
	1 Ordinary Share in the Credit Union.	
	Diploma in Law, Sydney University. Member of Australasian Mutuals Institute.	
T. Ferris	Director, Chairman of Audit Committee, Risk Committee, Nominations Committee and Coastline Community Foundation Committee.	Retired
	Appointed 24 October 2012.	
	1 Ordinary Share in the Credit Union.	
	Bachelor of Business (HR) Southern Cross University, Master of Business Administration, Southern Cross University. Member of Australasian Mutuals Institute.	

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

15. INFORMATION ON CURRENT DIRECTORS (CONT'D)

Name	Roles, Experience & Qualifications	Experience / Occupation
J. Pike	Director, Audit Committee and Risk Committee.	Probity Manager, Essential Energy
	Appointed 1 February 2013.	
	1 Ordinary Share in the Credit Union.	
	Bachelor of Economics, Macquarie University. Member of Australasian Mutuals Institute. CPA.	

16. PROCEEDINGS ON BEHALF OF CREDIT UNION

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

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

17. ACKNOWLEDGEMENTS

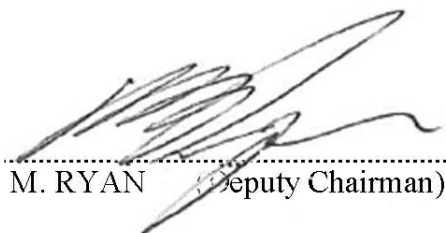
The Board expresses its appreciation to management and staff for the significant progress and achievements made during the 2014 financial year and to the members who continue to show support and confidence in their Credit Union.

Signed in accordance with a Resolution of Directors.

Dated at West Kempsey this 18th day of September 2014



A. HUDSON (Chairman)



M. RYAN (Deputy Chairman)



PARTNERS
Robert Magnussen B Bus FCA
Paul Fahey B Bus CA
Rodney Smith B Fin Admin FCA
Tony Faulder B Com CPA Affiliate ICAA
Bart Lawler B Com CA
Patrick Brennan B Com CA
CONSULTANT
Mark Hatherly B Com FCA

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

This declaration is made in connection with the audit of the financial report of Coastline Credit Union Limited for the year ended 30 June 2014 and in accordance with the provisions of the Corporations Act 2001.

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

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

NorthCorp Accountants

Robert Magnussen
Partner

10-12 Short Street
Port Macquarie NSW 2444

Dated: 18 September 2014



**Chartered
Accountants**

Chartered Accountants
Suites 1-3 Bourne House, 10-12 Short Street, PO Box 166, Port Macquarie NSW 2444
51 Cameron Street, PO Box 75, Wauchope NSW 2446
T 02 6588 4444 F 02 6583 4527 E northcorp@northcorp.com.au www.northcorp.com.au
Liability Limited by a scheme approved under Professional Standards Legislation

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$'000	2013 \$'000
Interest Revenue	2	16,755	17,522
Interest Expense	2	<u>(9,379)</u>	<u>(10,762)</u>
Net Interest Income		7,376	6,760
Other Revenue and Income	2	<u>1,909</u>	<u>1,776</u>
Net Operating Income		<u>9,285</u>	<u>8,536</u>
Non-Interest Expenses			
Impairment Losses on Loans and Advances	3	(29)	(90)
Revaluation Decrement on Valuation of Land and Buildings	3	(91)	-
Depreciation and Amortisation Expense	3	(253)	(299)
Employee Benefits Expense	3	(2,825)	(3,003)
Other Expenses	3	<u>(3,947)</u>	<u>(3,644)</u>
Total Non-Interest Expenses		<u>(7,145)</u>	<u>(7,036)</u>
Profit Before Income Tax		2,140	1,500
Income Tax Expense	4	<u>(626)</u>	<u>(432)</u>
Profit for the Year		<u>1,514</u>	<u>1,068</u>
Other Comprehensive Income			
Net Gain on Revaluation of Land and Buildings, Net of Tax		<u>2</u>	<u>-</u>
Total Other Comprehensive Income for the Year		<u>2</u>	<u>-</u>
Total Comprehensive Income for the Year		<u>1,516</u>	<u>1,068</u>
Profit Attributable to Members of the Credit Union		<u>1,514</u>	<u>1,068</u>
Total Comprehensive Income Attributable to Members of the Credit Union		<u>1,516</u>	<u>1,068</u>

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

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 \$'000	2013 \$'000
ASSETS			
Cash and Cash Equivalents	5	10,690	24,204
Receivables Due from Other Financial Institutions	6	41,244	34,300
Other Receivables	7	187	236
Other Assets	8	1,507	562
Loans and Advances	9	269,193	256,349
Other Financial Assets	11	626	626
Property, Plant and Equipment	12	3,381	3,540
Intangible Assets	13	120	39
Taxation Assets	17	483	469
TOTAL ASSETS		<u>327,431</u>	<u>320,325</u>
LIABILITIES			
Deposits from Other Financial Institutions	14	7,500	13,000
Deposits from Members	15	288,004	276,075
Payables and Other Liabilities	16	2,900	3,810
Taxation Liabilities	17	128	91
Provisions	18	652	618
TOTAL LIABILITIES		<u>299,184</u>	<u>293,594</u>
NET ASSETS		<u><u>28,247</u></u>	<u><u>26,731</u></u>
EQUITY			
Redeemed Share Capital Account		42	41
Reserves	19	2,653	2,659
Retained Earnings		25,552	24,031
TOTAL EQUITY		<u><u>28,247</u></u>	<u><u>26,731</u></u>

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

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Redeemed Share Capital Account \$'000	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	General Reserve for Credit Losses \$'000	Other Reserve for Credit Losses \$'000	Total \$'000
2014						
Balance at 1 July 2013	41	24,031	1,248	1,347	64	26,731
Profit for the year	-	1,514	-	-	-	1,514
Other comprehensive income						
Net gain on revaluation of land and buildings	-	-	2	-	-	2
Total comprehensive income for the year	-	1,514	2	-	-	1,516
Transfers						
Share redemption	1	(1)	-	-	-	-
Transfers to / (from) reserves	-	8	-	35	(43)	-
Balance at 30 June 2014	42	25,552	1,250	1,382	21	28,247
2013						
Balance at 1 July 2012	39	23,059	1,249	1,237	79	25,663
Profit for the year	-	1,068	-	-	-	1,068
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	1,068	-	-	-	1,068
Transfers						
Share redemption	2	(2)	-	-	-	-
Transfers to / (from) reserves		(94)	(1)	110	(15)	-
Balance at 30 June 2013	41	24,031	1,248	1,347	64	26,731

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

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Interest received		16,803	17,856
Dividends received		66	66
Other Income		1,152	1,891
Payments to suppliers and employees		(7,574)	(6,108)
Interest paid		(9,722)	(10,703)
Income tax paid		(603)	(539)
<i>Movement in operating assets and liabilities</i>			
Net (increase) / decrease in receivables due from other financial institutions		(6,944)	5,495
Net (increase) / decrease in member loans and advances		(12,851)	(18,180)
Net increase / (decrease) in deposits from members		11,929	16,586
Net increase / (decrease) in deposits from other financial institutions		<u>(5,500)</u>	<u>11,500</u>
Net cash (used in) / provided by operating activities			
	20(a)	<u>(13,244)</u>	<u>17,864</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		28	49
Acquisition of property, plant and equipment		(179)	(535)
Proceeds from disposal of other investments		-	288
Acquisition of intangible assets		<u>(119)</u>	<u>(38)</u>
Net cash used in investing activities		<u>(270)</u>	<u>(236)</u>
Net (decrease) / increase in cash and cash equivalents		(13,514)	17,628
Cash and cash equivalents at beginning of year		<u>24,204</u>	<u>6,576</u>
Cash and cash equivalents at the end of the year	5	<u><u>10,690</u></u>	<u><u>24,204</u></u>

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). The entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

The financial report was authorised for issue on 18 September 2014 by the Directors of the Credit Union.

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

(a) Income Tax

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to the relevant taxation authority.

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

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

(a) Income Tax (Cont'd)

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

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

(b) Cash and Cash Equivalents

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

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

(c) Receivables Due from Other Financial Institutions

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

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

(d) Fair Value of Assets and Liabilities

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

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

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

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

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

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

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

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

(e) Financial Instruments

Initial Recognition and Measurement

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

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

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

(e) Financial Instruments

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

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

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

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

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

(ii) *Loans and receivables*

Loans and receivables comprise of loans and advances to members. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

(e) Financial Instruments (Cont'd)

Classification and Subsequent Measurement (cont'd)

(iii) *Held-to-maturity investments*

Held-to-maturity financial assets are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Credit Union's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

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

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

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

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

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

(v) *Financial liabilities*

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

Impairment

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

(e) Financial Instruments (Cont'd)

Impairment (Cont'd)

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

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

The various components of impaired assets are as follows:

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

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

Assets acquired through the enforcement of security - are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

(ii) *General reserve for credit losses*

In addition to the specific provision for impairment, the Credit Union has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties. The reserve, at a minimum, is based on .8% of risk-weighted assets at each balance date (2013: 0.8%).

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

(e) Financial Instruments (Cont'd)

Impairment (Cont'd)

(iii) *Bad debts*

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

Financial Guarantees

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

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

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

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

(f) Property, Plant and Equipment

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

Property

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

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

Property (Cont'd)

Increases in the carrying amount arising on revaluation of land and buildings are credited to an asset revaluation reserve in equity. 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 and loss.

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

Plant and equipment

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

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

Depreciation

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

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

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

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

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

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

(g) Intangible Assets

Software

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

(h) Impairment of Assets (excluding financial assets)

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

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

(i) Members' Deposits

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

(j) Payables and Other Liabilities

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

(k) Employee Benefits

Short-term employee benefits

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

(k) Employee Benefits (Cont'd)

Other long-term employee benefits

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

Refer to Note 22 for superannuation commitments information.

(l) Provisions

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

(m) Revenue

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

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

Fees and commissions

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

Interest

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

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

(m) Revenue (Cont'd)

Loan origination fees

Loan origination fees are initially deferred as part of the loan balance, and are brought to account as income over the expected life of the loan. The amounts brought to account are included as part of interest revenue.

(n) Leases

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

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

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

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

(o) Goods and Services Tax (GST)

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

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of the GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included where applicable GST is collected. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the statement of financial position.

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

(p) Comparative Figures

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

(q) Rounding of Amounts

The Credit Union has applied the relief available to it under ASIC Class Order 98/100. Accordingly amounts in the financial statements have been rounded to the nearest \$1,000 unless otherwise stated.

(r) Critical Accounting Estimates and Judgments

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

Key estimates - Impairment

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

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

(s) New Accounting Standards for Application in Future Periods

The following Australian Accounting Standards and Interpretations issued or amended are applicable to the Credit Union but are not yet effective for the 2014 financial year and have not been adopted in preparation of the financial statements at reporting date.

Title of Standards	Future Reporting Requirements	Operative Date
AASB 9: Financial Instruments and Associated Amending Standards	This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments and revised recognition and derecognition requirements for financial instruments.	1 January 2017
AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities.	This Standard provides clarifying guidance relating to the offsetting of financial instruments.	1 January 2014
AASB 2013-3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.	This Standard amends the disclosure requirements in AASB 136: Impairment of Assets, pertaining to the use of fair value in impairment assessment.	1 January 2014
AASB Interpretation 21: Levies	This Interpretation clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised and whether that liability should be recognised in full at a specific date or progressively over a period of time.	1 January 2014

The abovementioned Standards and Interpretations are applicable for annual reporting periods commencing on the operative date. These pronouncements are not expected to significantly impact on the Credit Union's financial statements.

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$'000	2013 \$'000
NOTE 2 - INTEREST INCOME AND INTEREST EXPENSE			
Interest Revenue			
<i>Assets at amortised cost</i>			
Cash and cash equivalents		11	21
Deposits with other financial institutions		1,703	2,152
Loans and advances		<u>15,041</u>	<u>15,349</u>
Total interest revenue		<u>16,755</u>	<u>17,522</u>
Interest Expense			
<i>Liabilities at amortised cost</i>			
Members' deposits		9,348	10,733
Borrowings		<u>31</u>	<u>29</u>
Total interest expense		<u>9,379</u>	<u>10,762</u>
Net Interest Income		<u><u>7,376</u></u>	<u><u>6,760</u></u>
Other Income			
Dividends received		66	67
Fees and commissions		1,810	1,688
Bad debts recovered	10(c)	20	6
Profit on sale of property, plant and equipment		-	2
Rent received		<u>13</u>	<u>13</u>
Total other income		<u>1,909</u>	<u>1,776</u>
Net Operating Income		<u><u>9,285</u></u>	<u><u>8,536</u></u>

NOTE 3 - PROFIT BEFORE INCOME TAX

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

Impairment Losses on Loans and Advances

Bad debts written off	10(c)	16	16
Impairment expense - loans and advances	10(a)	<u>13</u>	<u>74</u>
		<u>29</u>	<u>90</u>
Revaluation Decrement on Valuation of Land and Buildings	12(b)	<u>91</u>	<u>-</u>

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$'000	2013 \$'000
NOTE 3 - PROFIT BEFORE INCOME TAX (CONT'D)			
Depreciation and Amortisation Expense			
<i>Depreciation</i>			
Buildings		33	36
Freehold and leasehold improvements		45	30
Plant and equipment		137	215
	12(b)	<u>215</u>	<u>281</u>
<i>Amortisation</i>			
Intangible assets	13	<u>38</u>	<u>18</u>
		<u>253</u>	<u>299</u>
Employee Benefits			
Salaries and wages		1,879	2,036
Provision for employee benefits		231	253
Superannuation		374	375
Other		<u>341</u>	<u>339</u>
		<u>2,825</u>	<u>3,003</u>
Other Operating Expenses			
Marketing and promotion		471	505
Member protection		305	294
General administration		445	407
Member service costs		884	743
Communications		776	654
Operating lease payments		170	178
Other occupancy costs		185	224
Loss on sale of property, plant and equipment		6	-
Loan administration fees		319	301
Sundry expenses		<u>386</u>	<u>338</u>
		<u>3,947</u>	<u>3,644</u>
Total Non-Interest Expense		<u><u>7,145</u></u>	<u><u>7,036</u></u>

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$'000	\$'000

NOTE 4 - INCOME TAX EXPENSE

(a) The income tax expense comprise amounts set aside as:

Current tax	639	449
Deferred tax	(13)	(17)
	626	432

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

Prima facie tax payable on profit from ordinary activities before income tax at 30% (2013: 30%)

	642	450
Add:		
Tax effect of:		
- other assessable amounts	-	1
- other non-allowable items	4	2
	646	453
Less:		
Tax effect of:		
- rebateable fully franked dividends	20	20
- tax losses utilised	-	1
	20	21
Income tax attributable to the Credit Union	626	432
The applicable weighted average effective tax rates are as follows:	29%	29%

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$'000	2013 \$'000
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NOTE 5 - CASH AND CASH EQUIVALENTS

Cash on hand	928	1,434
Deposits at call	7,153	5,668
Short term bank deposits	2,609	17,102
	10,690	24,204
	10,690	24,204

Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	10,690	24,204
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NOTE 6 - RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS

Interest earning deposits	41,244	34,300
Maturity Analysis		
Not longer than 3 months	32,327	20,300
Longer than 3 and not longer than 12 months	8,917	14,000
Longer than 1 and not longer than 5 years	-	-
	41,244	34,300

NOTE 7 - OTHER RECEIVABLES

Interest receivable	184	232
Other accrued income	3	4
	187	236

NOTE 8 - OTHER ASSETS

Prepayments	57	41
Sundry Debtors	1,450	521
	1,507	562

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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	Note	2014 \$'000	2013 \$'000
NOTE 9 - LOANS AND ADVANCES			
Overdrafts and line of credit loans		7,458	7,808
Term loans		262,186	248,985
Gross loans and advances		269,644	256,793
Less: Unamortised loan origination fees		(414)	(361)
Gross loans and advances net of unamortised loan origination fees		269,230	256,432
Less: Provision for impairment	10	(37)	(83)
Net loans and advances		269,193	256,349
(a) Maturity Analysis			
Overdrafts and revolving credit		7,455	7,786
Not longer than 3 months		1,873	3,446
Longer than 3 and not longer than 12 months		14,956	15,672
Longer than 1 and not longer than 5 years		70,181	69,761
Longer than 5 years		174,728	159,684
		269,193	256,349
(b) Concentration of Loans			
Details of concentrations of credit risk to individual members (including associated members) greater than 10% of capital are contained in Note 26(b).			
Loans to members are concentrated solely in Australia and principally in the following regions:			
New South Wales		254,682	243,516
Other states		14,511	12,833
		269,193	256,349
(c) Security Analysis			
Secured by mortgage over business assets		8,421	7,685
Secured by mortgage over real estate		249,662	238,208
Partly secured by goods mortgage		6,693	6,247
Wholly unsecured		4,417	4,209
		269,193	256,349

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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$'000	2013 \$'000
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NOTE 10 - IMPAIRMENT OF LOANS AND ADVANCES

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

Provision for impairment	37	83
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(a) Movement in provision

Balance at beginning of year	83	49
Transfer from / (to) statement of profit or loss	13	74
Bad debts written off against provision	(59)	(40)
Provision balance at end of year	37	83

(b) The provision consists of:

Prescribed provision required under the APRA Prudential Standards	28	120
Addition / (reduction) to specific provision	9	(37)
	37	83

(c) Impaired loans written off

Amounts written off against the provision for impaired loans	59	40
Amounts written off directly to statement of profit or loss	16	16
	75	56

Bad debts recovered in period	20	6
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(d) Key assumptions in determining the provision for impairment

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

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10 - IMPAIRMENT OF LOANS AND ADVANCES (CONT'D)

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

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

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

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

(e) Analysis of impaired loans by class

	Carrying Value \$ '000	Impaired Loans \$'000	Provision for Impairment \$ '000
2014			
Housing - owner occupied	181,885	403	10
Housing - investment	48,124	-	-
Personal	9,724	26	24
Revolving credit	4,971	4	3
Commercial	24,940	-	-
Total	269,644	433	37
2013			
Housing - owner occupied	180,065	155	10
Housing - investment	40,405	-	-
Personal	9,358	52	33
Revolving credit	5,334	57	39
Commercial	21,631	229	1
Total	256,793	493	83

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

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

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

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

	2014 Impaired Loans \$'000	2014 Provision for Impairment \$'000	2013 Impaired Loans \$'000	2013 Provision for Impairment \$'000
Up to 90 days in arrears	15	15	29	26
91 to 180 days in arrears	11	9	40	13
181 to 270 days in arrears	-	-	170	20
271 to 365 days in arrears	-	-	-	-
Over 365 days in arrears	404	11	232	4
Over limit facilities 14 days and over	3	2	22	20
Total	433	37	493	83

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

(g) Loans with repayments past due but not impaired

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

	Housing Loans (owner occupied) \$'000	Housing Loans (Investment) \$'000	Personal Loans \$'000	Revolving Credit \$'000	Commercial \$'000	Total \$'000
2014						
Days in arrears:						
Less than 3 months	5,570	901	215	344	666	7,696
3 to 6 months	735	-	19	-	-	754
6 to 12 months	454	-	-	-	-	454
Total	6,759	901	234	344	666	8,904
2013						
Days in arrears:						
Less than 3 months	4,328	1,021	183	198	-	5,730
3 to 6 months	530	-	-	11	-	541
6 to 12 months	383	-	-	-	-	383
Total	5,241	1,021	183	209	-	6,654

(h) Assets acquired via enforcement of security

	2014 \$'000	2013 \$'000
Real estate	-	-
Other	-	-
	-	-

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

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
Note	\$'000	\$'000

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

(i) Renegotiated loans not impaired

Renegotiated loans arise when the borrower is granted a concession due to continual difficulties in meeting the original terms and the revised terms are not comparable to new or existing loan facilities.

Balance of loans that were previously past due or impaired which had been renegotiated by the Credit Union at balance date:

-	-
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(j) Revenue on impaired loans

Interest and other revenue recognised as revenue earned

22	23
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Interest foregone on impaired loans

63	155
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NOTE 11 - OTHER FINANCIAL ASSETS

Available-For-Sale Investments

Shares in Unlisted Entities - at cost

Indue Limited

626	626
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Indue Limited

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

The Credit Union is not intending, nor is able to dispose of these shares as the services supplied by the company are relevant to the day to day activities of the Credit Union.

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$'000	2013 \$'000
NOTE 12 - PROPERTY, PLANT AND EQUIPMENT			
Freehold land			
At fair value	12(a)	1,000	830
Subsequent additions at cost		-	413
Total freehold land		<u>1,000</u>	<u>1,243</u>
Buildings			
At fair value	12(a)	1,475	1,050
Subsequent additions at cost		-	391
Accumulated depreciation		-	(84)
Total buildings		<u>1,475</u>	<u>1,357</u>
Total land and buildings		<u>2,475</u>	<u>2,600</u>
Freehold and leasehold improvements			
At cost		663	806
Accumulated depreciation		(148)	(294)
Total leasehold improvements		<u>515</u>	<u>512</u>
Plant and equipment			
At cost		1,385	1,656
Accumulated depreciation		(994)	(1,228)
Total plant and equipment		<u>391</u>	<u>428</u>
Total property, plant and equipment		<u><u>3,381</u></u>	<u><u>3,540</u></u>

(a) Valuations

An independent valuation of freehold land and buildings was carried out by James Flanagan (Registered Valuer 3992). The revaluation of freehold land and buildings was based on an assessment of the current market values of the Credit Union's South West Rocks premises as at 16 June 2014 and the Central Kempsey and West Kempsey premises as at 25 June 2014.

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

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

(b) Movements in Carrying Amounts

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

	Land \$'000	Buildings \$'000	Freehold and Leasehold Improvements \$'000	Plant and Equipment \$'000	Total \$'000
2014					
Balance at the beginning of the financial year	1,243	1,357	512	428	3,540
Additions	-	-	51	131	182
Disposals	-	-	(3)	(31)	(34)
Revaluation increments/(decrements)	(243)	151	-	-	(92)
Depreciation expense	-	(33)	(45)	(137)	(215)
Carrying amount at the end of the financial year	1,000	1,475	515	391	3,381
2013					
Balance at the beginning of the financial year	1,243	1,393	356	339	3,331
Additions	-	-	184	351	535
Transfers	-	-	2	(2)	-
Disposals	-	-	-	(45)	(45)
Depreciation expense	-	(36)	(30)	(215)	(281)
Carrying amount at the end of the financial year	1,243	1,357	512	428	3,540

(c) Historical Cost of Land and Buildings

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

	2014 \$'000	2013 \$'000
Land - at cost	509	509
Buildings - at cost	1,390	1,390
Provision for depreciation on buildings	(561)	(526)
Total land and buildings at written down value	1,338	1,373

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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	Note	2014 \$ '000	2013 \$ '000
NOTE 13 - INTANGIBLE ASSETS			
Software - at cost		576	496
Accumulated amortisation		<u>(456)</u>	<u>(457)</u>
Carrying value		<u><u>120</u></u>	<u><u>39</u></u>
Movement in carrying value			
Balance at beginning of year		39	19
Additions		114	38
Transfers		5	-
Amortisation Expense	3	<u>(38)</u>	<u>(18)</u>
Balance at end of year		<u>120</u>	<u>39</u>

NOTE 14 - DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

Term Deposits	<u>7,500</u>	<u>13,000</u>
	<u><u>7,500</u></u>	<u><u>13,000</u></u>

NOTE 15 - DEPOSITS FROM MEMBERS

Member deposits at call (including withdrawable shares)	176,223	156,809
Member term deposits	<u>111,781</u>	<u>119,266</u>
	<u><u>288,004</u></u>	<u><u>276,075</u></u>

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

Concentration of deposits

New South Wales	273,371	261,737
Other States	<u>14,633</u>	<u>14,338</u>
	<u><u>288,004</u></u>	<u><u>276,075</u></u>

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$'000	\$'000
NOTE 16 - PAYABLES AND OTHER LIABILITIES		
Accrued interest payable	998	1,341
Trade payables and accrued expenses	<u>1,902</u>	<u>2,469</u>
	<u><u>2,900</u></u>	<u><u>3,810</u></u>

NOTE 17 - TAXATION

(a) Taxation Liabilities

Current Tax Liabilities

Income tax payable	<u>128</u>	<u>91</u>
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(b) Taxation Assets

Deferred Tax Assets

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

	Opening Balance \$'000	Charged to Income \$'000	Charged directly to Equity \$'000	Closing Balance \$'000
Property, plant and equipment	72	4	-	76
Employee benefits	173	(10)	-	163
Impairment of loans	15	10	-	25
Accrued expenses	61	5	-	66
Accrued income	1	-	-	1
Deferred loan origination fees	100	8	-	108
Capital losses	30	(1)	1	30
Balance at 30 June 2013	<u>452</u>	<u>16</u>	<u>1</u>	<u>469</u>
Property, plant and equipment	76	30	-	106
Employee benefits	163	32	-	195
Impairment of loans	25	(23)	-	2
Accrued expenses	66	(35)	-	31
Accrued income	1	1	-	2
Deferred loan origination fees	108	16	-	124
Capital losses	30	-	(7)	23
Balance at 30 June 2014	<u>469</u>	<u>21</u>	<u>(7)</u>	<u>483</u>

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$'000	\$'000
NOTE 18 - PROVISIONS		
Employee benefits	545	520
Directors' retirement benefits	33	31
Other provisions	74	67
	<u>652</u>	<u>618</u>

(a) Movements in Carrying Amounts

	Employee Benefits \$'000	Directors' Retirement Benefits \$'000	Other Provisions \$'000	Total \$'000
Balance at the beginning of the year	520	31	67	618
Additional provision	205	2	74	281
Amounts paid during the year	(180)	-	(67)	(247)
Carrying amount at the end of the year	<u>545</u>	<u>33</u>	<u>74</u>	<u>652</u>

Provision for employee benefits

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

Provision for directors' retirement benefits

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

NOTE 19 - RESERVES

(a) Asset Revaluation Reserve

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

(b) General Reserve for Credit Losses

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

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 19 - RESERVES (CONT'D)

(c) Other Reserve for Credit Losses

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

(d) Redeemed Share Capital Account

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

	2014	2013
	\$'000	\$'000

NOTE 20 - CASH FLOW INFORMATION

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

Profit for the year	1,514	1,068
Non-cash flows in profit:		
Impairment of loans and advances	(46)	34
Movement in unamortised loan origination fees	53	26
Depreciation and amortisation	253	299
Revaluation decrement on valuation of land and buildings	91	-
Net (gain) / loss on disposal of property, plant and equipment	6	(3)
Changes in assets and liabilities:		
(Increase) / decrease in receivables due from other financial institutions	(6,944)	5,495
(Increase) / decrease in accrued receivables	49	333
(Increase) / decrease in other assets	(945)	13
(Increase) / decrease in loans and advances to members	(12,851)	(18,180)
(Increase) / decrease in deferred tax assets	(14)	(17)
Increase / (decrease) in deposits from members	11,929	28,086
Increase / (decrease) in deposits from other financial institutions	(5,500)	-
Increase / (decrease) in payables and other liabilities	(910)	832
Increase / (decrease) in current tax liabilities	37	(90)
Increase / (decrease) in provisions	34	(32)
Net cash (used in)/provided by operating activities	(13,244)	17,864

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 20 - CASH FLOW INFORMATION (CONT'D)

(b) Cash Flows Presented on a Net Basis

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

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

	2014	2013
	\$'000	\$'000
(c) Credit Standby Arrangements		
Overdraft facility	5,000	5,000
Amount utilised	-	-
	<u>5,000</u>	<u>5,000</u>

NOTE 21 - CAPITAL AND LEASING COMMITMENTS

	2014	2013
	\$'000	\$'000
(a) Capital Expenditure Commitments		
Estimated capital expenditure contracted for at balance date:		
- payable not later than 12 months	-	51
- payable between 12 months and 5 years	-	-
- payable later than 5 years	-	-
	<u>-</u>	<u>51</u>

(b) Operating Lease Commitments

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

Operating lease payments for the lease of the

- not later than 12 months	370	356
- between 12 months and 5 years	1,204	1,201
- later than 5 years	-	-
	<u>1,574</u>	<u>1,557</u>

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

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

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

Defined Benefits Plan

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

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

The last full actuarial valuation of the Plan was at 30 June 2011. Quarterly financial updates for the Plan are provided by NGS Super's actuary with the latest one available effective 31 March 2014. The actuary confirmed that the Schedule One Part B sub-group of the Plan was in a satisfactory position at 31 March 2014 with assets of \$5.280 million, vested benefits of \$4.080 million and the present value of accrued benefits being \$4.952 million.

The key long term assumptions used to calculate the present value of accrued benefits as at 31 March 2014 being; annual investment returns (after tax and investment fees) of 6.6% and general salary increases forecast to be 4.5% per annum.

From 1 July 2012 employers continue to contribute at the same rates to the defined benefit element of the members' benefits other than for expenses which are allocated to employers on a per member basis. The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuary's assumptions and therefore a surplus or deficit arises; however, any adjustment to the contribution rate to reflect a surplus / deficit would be the same for all sponsoring employers (subject to the comments below).

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

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

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

	2014	2013
	\$'000	\$'000
(a) Contingent Liabilities		
(i) Guarantees and Security Deposits		
The Credit Union holds security deposits of certain members as a guarantee for a third party. These deposits are not released to the member without written authority from the third party.	<u>148</u>	<u>160</u>
(ii) Credit Union Liquidity Support System		
The Credit Union is a member of the Credit Union Financial Support System Limited (CUFSS), a company established to provide financial support to credit unions in the event of a liquidity or capital problem arising. As a member, the Credit Union is committed to maintaining an amount equivalent to 3.2% of total assets in deposits with an Authorised Deposit Taking Institution. These funds can then be used by CUFSS to provide financial support to other credit unions, backed by a floating charge over assets of the borrowing credit union. No claims have been made during the financial year.		
(b) Credit Related Commitments		
Binding commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.		
Approved but undrawn loans and credit limits	20,660	20,647
Loans approved but not advanced	<u>2,543</u>	<u>2,189</u>
	<u>23,203</u>	<u>22,836</u>

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 24 - DISCLOSURES ON KEY MANAGEMENT PERSONNEL

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

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

(a) Key Management Personnel Compensation

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

	Short-term benefits	Post - employment benefits	Other long-term benefits	Termination benefits	Total
	\$	\$	\$	\$	\$
2014					
KMP	818,037	80,568	7,624	-	906,229
2013					
KMP	893,106	88,579	15,865	85,187	1,082,737

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

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

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

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

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

(b) Loans to Key Management Personnel

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

	Balance at beginning of year \$	Interest charged \$	Balance at end of year \$	Impaired amount \$
2014				
Term loans	1,951,950	101,656	2,389,876	-
Revolving credit loans	7,769	286	11,489	-
Total Loans	<u>1,959,719</u>	<u>101,942</u>	<u>2,401,365</u>	<u>-</u>
2013				
Term loans	2,629,661	114,037	2,058,355	-
Revolving credit loans	198,670	636	7,067	-
Total Loans	<u>2,828,331</u>	<u>114,673</u>	<u>2,065,422</u>	<u>-</u>

	2014 \$	2013 \$
Aggregate value of revolving credit facilities available to Key Management Personnel as at balance date	73,500	128,577
Less: amounts drawn-down	<u>(11,489)</u>	<u>(7,067)</u>
Net balance available	<u>62,011</u>	<u>121,510</u>

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

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 key management personnel remuneration. There are no benefits or concessional terms and conditions applicable to the close family members of KMP.

(c) Other Transactions with Related Parties

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

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

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

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

NOTE 25 - AUDITOR'S REMUNERATION

	2014	2013
	\$	\$
Audit Services:		
- Audit of the financial statements	43,000	41,850
- Other regulatory audit services	9,900	9,550
	<u>52,900</u>	<u>51,400</u>
Other Services:		
- Internal audit services	40,200	38,300
- Taxation services	1,600	6,200
- Other assurance services	4,500	4,400
	<u>46,300</u>	<u>48,900</u>
	<u><u>99,200</u></u>	<u><u>100,300</u></u>

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NOTE 26 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Classes of Financial Assets and Liabilities

The Credit Union has the following financial assets and liabilities:	2014	2013
	\$'000	\$'000
Financial Assets		
<i>Measured at amortised cost</i>		
Cash and Cash Equivalents	10,690	24,204
Receivables Due from Other Financial Institutions	41,244	34,300
Other Receivables	187	236
Loans and Advances	269,193	256,349
Total	321,314	315,089
<i>Measured at cost</i>		
Available-for-Sale Financial Assets	626	626
Total Financial Assets	321,940	315,715
Financial Liabilities		
<i>Measured at amortised cost</i>		
Deposits from Other Financial Institutions	7,500	13,000
Deposits from Members	288,004	276,075
Payables and Other Liabilities	2,900	3,810
Total Financial Liabilities	298,404	292,885

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 26 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT'D)

(a) Risk Management Framework

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

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

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

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

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

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

(b) Credit Risk

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

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

(b) Credit Risk (Cont'd)

Management of Credit Risk

Loans and Advances

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 26 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit Risk (Cont'd)

Management of Credit Risk

Collateral Securing Loans

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

Liquid Investments and Receivables Due from Other Financial Institutions

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

Concentration of Credit Risk

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

Concentrations of credit risk arise in the following categories:

	Loans and Advances to Members		Receivables Due from Other Financial Institutions	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
New South Wales	254,682	243,516	-	1,300
Other States and Territories	14,511	12,833	41,244	33,000
	<u>269,193</u>	<u>256,349</u>	<u>41,244</u>	<u>34,300</u>

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

(b) Credit Risk (Cont'd)

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

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

Exposure to Credit Risk

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

(c) Liquidity Risk

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

Management of Liquidity Risk

The Credit Union's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Credit Union's reputation.

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 26 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity Risk (cont'd)

Exposure to Liquidity Risk

The key measure used by the Credit Union for managing liquidity risk is the ratio of liquid assets to total adjusted liabilities. The Credit Union's regulator, APRA, has set a minimum ratio of at least 9% of liquid assets to total liabilities. The Credit Union's minimum internal liquidity ratio is 12% (2013: 12%).

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

	2014	2013
Liquidity Ratios	%	%
As at 30 June	15.17	16.15
Average liquidity for the period	15.48	14.73
Minimum liquidity for the period	13.88	13.21
Maximum liquidity for the period	17.97	16.45

Financial Instrument Maturity Analysis

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

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NOTE 26 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Residual contractual maturities of financial assets and financial liabilities

	At call		Not longer than 3 months		Longer than 3 and not longer than 12 months		Longer than 1 and not longer than 5 years		Longer than 5 years		No Maturity		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Financial assets - cash flows realisable														
Cash and cash equivalents	7,153	5,668	2,609	17,102	-	-	-	-	-	-	928	1,434	10,690	24,204
Receivables due from other financial institutions	-	-	32,327	20,300	8,917	14,000	-	-	-	-	-	-	41,244	34,300
Accrued receivables	-	-	102	218	82	14	-	-	-	-	3	4	187	236
Loans and advances	7,455	7,786	1,873	3,446	14,956	15,672	70,181	69,761	174,728	159,684	-	-	269,193	256,349
Other financial assets	-	-	-	-	-	-	-	-	-	-	626	626	626	626
Total anticipated inflows	14,608	13,454	36,911	41,066	23,955	29,686	70,181	69,761	174,728	159,684	1,557	2,064	321,940	315,715
Financial liabilities due for payment														
Deposits from other financial institutions	-	-	3,500	7,500	4,000	5,500	-	-	-	-	-	-	7,500	13,000
Deposits from members	176,223	156,809	53,422	49,794	53,460	64,087	4,899	5,385	-	-	-	-	288,004	276,075
Payables and other liabilities	-	-	-	-	-	-	-	-	-	-	2,900	3,810	2,900	3,810
Total anticipated outflows	176,223	156,809	56,922	57,294	57,460	69,587	4,899	5,385	-	-	2,900	3,810	298,404	292,885
Net inflow / (outflow) on financial instruments	(161,615)	(143,355)	(20,011)	(16,228)	(33,505)	(39,901)	65,282	64,376	174,728	159,684	(1,343)	(1,746)	23,536	22,830

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

(d) Market Risk

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

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

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

Interest Rate Risk

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

Management of Interest Rate Risk

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

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

Exposure to Interest Rate risk

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

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

It is the Board's policy that the net potential exposure to market rate changes should not exceed 1% of the capital base.

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

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

(d) Market Risk (Cont'd)

Exposure to Interest Rate Risk (Cont'd)

	Interest Rate Sensitivity		
	+ / - 0.5%	+ / - 1.0%	+ / - 2.0%
Effect on profit / equity	+ / -\$7,836	+ / -\$15,673	+ / -\$31,346
Percentage of capital base	+ / -0.03%	+ / -0.06%	+ / -0.11%
Impact on 2014 pre-tax profit	+ / -0.37%	+ / -0.73%	+ / -1.46%

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

(e) Capital Management - Regulatory Capital

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

The Credit Union's regulatory capital comprises two tiers:

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

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

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

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	2014	2013
	\$'000	\$'000

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

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

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

Tier 1 Capital	26,132	24,213
Tier 2 Capital	<u>1,382</u>	<u>1,347</u>
Total Regulatory Capital	<u><u>27,514</u></u>	<u><u>25,560</u></u>
Total risk weighted assets	<u><u>169,763</u></u>	<u><u>168,343</u></u>

Capital Ratios	2014	2013
	%	%
Total regulatory capital expressed as a percentage of total risk weighted assets	16.21	15.18
Total Tier 1 capital expressed as a percentage of total risk weighted assets	15.39	14.38

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

(f) Operational Risk

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

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

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

(f) Operational Risk (Cont'd)

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

Compliance with Credit Union standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and the Board of Directors of the Credit Union.

Fraud risk

Fraud can arise from member card PINs, and internet passwords being compromised where not protected adequately by the member. It can also arise from other systems failures. The Credit Union has systems in place which allows it to identify material risks and implement controls that are designed to detect and prevent material fraud from occurring. The controls designed to mitigate the risk of material fraud are reviewed and tested on a regular basis.

IT Systems

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

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 27 - FAIR VALUE

(a) Fair Value Estimates Methodology and Assumptions

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 27 - FAIR VALUE (CONT'D)

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

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

	2014		2013	
	Carrying amount	Net Fair value	Carrying amount	Net Fair value
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and cash equivalents	10,690	10,690	24,204	24,204
Receivables due from other financial institutions	41,244	41,244	34,300	34,300
Accrued receivables	187	187	236	236
Loans and advances	269,193	269,193	256,349	256,349
Other financial assets	626	626	626	626
Total financial assets	321,940	321,940	315,715	315,715
Financial Liabilities				
Deposits from other financial institutions	7,500	7,500	13,000	13,000
Deposits from members	288,004	288,004	276,075	276,075
Payables and other liabilities	2,900	2,900	3,810	3,810
Total financial liabilities	298,404	298,404	292,885	292,885

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

- land and buildings

(c) Fair Value Hierarchy

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 27 - FAIR VALUE (CONT'D)

(c) Fair Value Hierarchy (cont'd)

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

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

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

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
2014				
Recurring fair value measurements				
- land and buildings	-	2,475	-	2,475
2013				
Recurring fair value measurements				
- land and buildings	-	2,600	-	2,600

There have been no transfers into or out of each level during the year ended 30 June 2014 or the prior year.

(d) Disclosed Fair Values

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

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

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NOTE 27 - FAIR VALUE (CONT'D)

(d) Disclosed Fair Values (cont'd)

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

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

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

Land and Buildings

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

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

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 28 - ECONOMIC DEPENDENCY

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

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

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

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

NOTE 29 - SECURITISATION

The Credit Union has an arrangement with Indue Securitisation Pty Limited whereby it acts as an agent to on sell loans to Trinity Mortgage Origination Trust securities program. The Credit Union also manages the loans portfolio on behalf of the Trust. The Credit Union bears no risk exposure in respect of these loans. The amount of securitised loans under management as at 30 June 2014 was \$1,754,090 (2013: \$2,135,517).

NOTE 30 - EVENTS SUBSEQUENT TO REPORTING DATE

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

NOTE 31 - COMPANY DETAILS

The registered office of the Credit Union is:

Coastline Credit Union Limited
64 Elbow Street
West Kempsey NSW 2440

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2014

The Directors of Coastline Credit Union Limited declare that:

1. The financial statements, comprising the Statement of Profit and Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to and forming part of the financial statements, are in accordance with the *Corporations Act 2001* and:
 - a) comply with Australian Accounting Standards, which, as stated in Accounting Policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b) give a true and fair view of the financial position as at 30 June 2014 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.

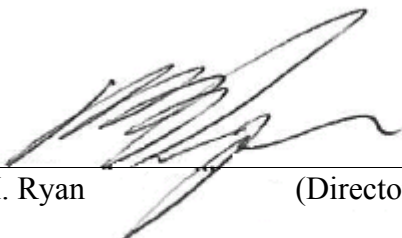
This declaration is made in accordance with a resolution of the Board of Directors.

Dated at West Kempsey this 18th day of September 2014

For and behalf of the Board



A. Hudson (Director
Chairman)



M. Ryan (Director)

PARTNERS

Robert Magnussen B Bus FCA

Paul Fahey B Bus CA

Rodney Smith B Fin Admin FCA

Tony Faulder B Com CPA Affiliate ICAA

Bart Lawler B Com CA

Patrick Brennan B Com CA

CONSULTANT

Mark Hatherly B Com FCA

INDEPENDENT AUDITOR'S REPORT

To the members of Coastline Credit Union Ltd

Report on the Financial Report

We have audited the accompanying financial report of Coastline Credit Union Ltd, which comprises the Statement of Financial Position as at 30 June 2014, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

Directors' Responsibility for the Financial Report

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

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Credit Union's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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



**Chartered
Accountants**

Chartered Accountants

Suites 1-3 Bourne House, 10-12 Short Street, PO Box 166, Port Macquarie NSW 2444

51 Cameron Street, PO Box 75, Wauchope NSW 2446

T 02 6588 4444 F 02 6583 4527 E northcorp@northcorp.com.au www.northcorp.com.au

Liability Limited by a scheme approved under Professional Standards Legislation

PARTNERS

Robert Magnussen B Bus FCA

Paul Fahey B Bus CA

Rodney Smith B Fin Admin FCA

Tony Faulder B Com CPA Affiliate ICAA

Bart Lawler B Com CA

Patrick Brennan B Com CA

CONSULTANT

Mark Hatherly B Com FCA

Independence

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Coastline Credit Union Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Credit Union's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

NorthCorp Accountants



Robert Magnussen
Partner

10 – 12 Short Street
Port Macquarie NSW 2444

Dated: 18 September 2014

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COASTLINE CREDIT UNION LIMITED ANNUAL REPORT 2013/2014

COASTLINE CREDIT UNION LIMITED ABN 88 087 649 910

REGISTERED OFFICE

64 Elbow Street West Kempsey NSW 2440.
Telephone: 02 6562 1066. Fax: 02 6562 8940.

CORRESPONDENCE

PO Box 3119 West Kempsey NSW 2440.
mail@coastline.com.au

ALL TELEPHONE ENQUIRIES: 1300 36 1066

WEBSITE & INTERNET BANKING

www.coastline.com.au

BRANCHES & AGENCY

64 Elbow Street (Corner of Elbow & Tozer Streets) West Kempsey.
65 Smith Street Kempsey.
2 Prince of Wales Avenue South West Rocks.
90 Horton Street Port Macquarie.
Shop 22 Manning Mall Manning Street Taree.
Crescent Head Agency Crescent Head Pharmacy 2-4 Rankine Street.

ATMs

64 Elbow Street West Kempsey.
65 Smith Street Kempsey.
2 Prince of Wales Avenue South West Rocks.
90 Horton Street Port Macquarie.
Growers Market Gordon Street Port Macquarie.
Settlement City Shopping Centre Port Macquarie.
Port Macquarie Base Hospital Wrights Road Port Macquarie.
Manning Mall Manning Street Taree.
Manning Base Hospital York Street Taree.
Plus all Westpac, St George (except those in BP Service Stations), Bank SA, and BCU ATMs.