

Coastline Credit Union Limited

ABN 88 087 649 910

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

This page has been intentionally left blank.

COASTLINE CREDIT UNION LIMITED

A.B.N. 88 087 649 910

Contents

FOR THE YEAR ENDED 30 JUNE 2016

Annual Report	Page
Chairman's Report	4
Corporate Governance Report	6
Directors' Report	10
Auditor's Independence Declaration	16
Statement of Profit or Loss and Other Comprehensive Income	17
Statement of Financial Position	18
Statement of Changes in Equity	19
Statement of Cash Flows	20
Notes to the Financial Statements	21
Directors' Declaration	74
Independent Auditor's Report	75

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

On the 25th October 2016 Coastline celebrated its 50th Anniversary. Coastline was formed at a meeting held at the Macleay River County Council Chambers and was originally named the Macleay River County Council Employees Credit Union Ltd. The purpose of the original meeting was to provide members and employees of the Macleay river County Council an attractive savings scheme, an avenue for obtaining personal loans at low cost in time of need and thereby provide an opportunity for members to solve personal economic problems through mutual co-operation. I'm honored to say that today, as we celebrate 50 years of service to our members the basic principle of mutuality still applies.

The 2015/2016 was a year of strong results for Coastline as we continue to focus on our future direction. We are passionate about the financial well-being of our members and this is reflected in the growth and profitability of the organisation. Our net profit before tax was \$2.768 million and represents operating growth of 3.4% from the previous financial year. Our total assets grew by 10.8% to \$391 million with the loan book growing by 14.3% to \$329 million. Deposits increased by 11.1% to \$335 million which reflects the confidence members have in doing business with Coastline. We are in a prudentially sound position with strong capital and low levels of loan arrears.

Following the successful rollout of our shopping centre concept store in Taree we took the opportunity in Port Macquarie to move to Settlement City Shopping Centre. The new store is open and welcoming and strongly reflects Coastline's brand. Featuring an open plan layout with service booths, technology bar, member lounge, coin deposit machine and staff utilise a cash recycling dispenser. The inviting fit-out is a departure from the traditional looking bank branch. Our next branch to be refurbished is West Kempsey.

During the year our Credit Card, eSaver Account, Business Rewards and Personal Loan were awarded coveted Canstar Cannex 5 Star Ratings. Canstar Cannex is a leading financial research and ratings agency operating in Australia and New Zealand. Only the top 5% of all products analysed receive the prestigious Canstar Cannex 5 Star Rating.

Our website has continued to provide members with information on our products, services, rates, campaigns and corporate activities and we continue to refine and adapt the content for the benefit of our members. With our online calculators, the website has proven to be a very easy and accessible tool for mobile and pc web users.

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

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

Since the inauguration of the Coastline Community Foundation in 2002, Coastline has provided grants of over \$850,000 to over 240 worthy local causes. The Foundation gives financial 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.

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

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 each individual Director.

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

Allan Hudson
Chairman
22 September 2016

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

Overview

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

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

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

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

Board Meetings

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

Introduction and Continuing Education

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

COASTLINE CREDIT UNION LIMITED
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 assesses annually the performance of the General Manager and Senior Management against agreed objectives.

Remuneration of Directors

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

Performance and Remuneration of Senior Management

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

Access to Management

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

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

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

Principal Responsibilities

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

Risk Committee

Principal Responsibilities

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

Executive Committee

Principal Responsibilities

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

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

Loans Committee

Principal Responsibilities

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

Remuneration Committee

Principal Responsibilities

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

Nominations Committee

Principal Responsibilities

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

Coastline Community Foundation Committee

Principal Responsibilities

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

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2016

Your Directors present their report on the Credit Union for the financial year ended 30 June 2016.

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

1. DIRECTORS

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

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

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

2. COMPANY SECRETARY

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

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

3. PRINCIPAL ACTIVITIES

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

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

4. OPERATING RESULTS AND REVIEW OF PERFORMANCE

Financial Performance

The profit of the Credit Union after providing for income tax amounted to \$1,963,000 for the financial year ended 30 June 2016 (2015: \$1,891,000). The financial performance was influenced by the following factors:

Interest revenue increased by \$62,000 to \$16.9 million. Interest expense decreased by \$719,000 to \$8.0 million resulting in net interest income of \$8.9 million.

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2016

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

Financial Performance (Cont'd)

Non-interest expenses increased by \$0.9m to \$8.4 million which can be attributed to an increase in employee benefits expense of \$0.4 million, other expenses of \$0.4 million and impairment expenses of \$0.1 million.

Financial Position

Total assets increased by 10.80% to \$391 million. Net assets increased by 6.51% for the year and loans and advances increased to \$329 million, representing a growth of 14.31% on the prior year. This growth was largely funded by member deposits which increased by 11.13% to \$335 million. Total liquid assets held at year end were \$53.8 million, a decrease of \$3.1 million on the previous year.

The Credit Union maintains a strong financial position with its liquidity ratio of 13.61% (2015: 15.31%) and Capital Adequacy Ratio of 14.74% (2015: 15.20%) 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 2016

9. ENVIRONMENTAL REGULATION

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

10. AUDITOR'S INDEPENDENCE DECLARATION

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

11. ROUNDING

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

12. DIRECTORS' BENEFITS

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

13. INDEMNIFYING OFFICERS OR AUDITORS

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

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

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

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2016

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 2016 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	17	16
M.Ryan	11	11	20	20
D. Bevan	11	10	10	8
V. McNeilly	11	10	14	12
T. Ferris	11	11	12	12
J. Pike	11	11	15	15

15. INFORMATION ON CURRENT DIRECTORS

Name	Roles, Experience & Qualifications	Experience / Occupation
A. Hudson	Director, Chairman Board of Directors, Executive and Remuneration Committees.	Self Employed Consultant/Contractor
	Appointed 30 April 2007. Previously Deputy Chairman in 2010.	
	1 Ordinary Share in the Credit Union.	
	Associate Diploma - Business Accounting. F.FIN AIPA JP. Member of Australasian Mutuals Institute.	
M. Ryan	Director, Deputy Chairman Board of Directors, Chairman Risk Committee, Executive, Loans, Audit, Remuneration and Nomination Committees.	Education Officer, Department of Justice
	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 2016

15. INFORMATION ON CURRENT DIRECTORS (CONT'D)

Name	Roles, Experience & Qualifications	Experience / Occupation
D. Bevan	Director, Audit and Risk Committees.	Investor
	Appointed 27 October 2010.	
	1 Ordinary Share in the Credit Union.	
	Dip Business Administration (Accounting). Member of Australasian Mutuals Institute.	
V. McNeilly	Director, Chairman Loans Committee, Executive, Coastline Community Foundation 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, Nomination and Coastline Community Foundation Committees.	Retired
	Appointed 24 October 2012.	
	1 Ordinary Share in the Credit Union.	
	Bachelor of Business (HR) Southern Cross University, Master of Business Administration, Southern Cross University. Member of Australasian Mutuals Institute. Fellow of Finsia.	
J. Pike	Director, Chairman Coastline Community Foundation, Audit and Risk Committees.	Governance & Reporting 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.	

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2016

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

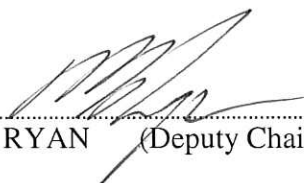
The Board expresses its appreciation to management and staff for the significant progress and achievements made during the 2016 financial year and to the members who continue to show support and confidence in their Credit Union.

Signed in accordance with a Resolution of Directors.

Dated at West Kempsey this 22nd day of September 2016



.....
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

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 2016 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

A handwritten signature in black ink, appearing to read "R Magnussen".

Robert Magnussen
Partner

10-12 Short Street
Port Macquarie NSW 2444

Dated: 22 September 2016



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 2016

	Note	2016 \$'000	2015 \$'000
Interest Revenue	2	16,869	16,807
Interest Expense	2	<u>(7,980)</u>	<u>(8,699)</u>
Net Interest Income		8,889	8,108
Other Revenue and Income	2	<u>2,237</u>	<u>2,067</u>
Net Operating Income		<u>11,126</u>	<u>10,175</u>
Non-Interest Expenses			
Impairment Losses on Loans and Advances	3	(200)	(72)
Depreciation and Amortisation Expense	3	(328)	(320)
Employee Benefits Expense	3	(3,347)	(2,979)
Other Expenses	3	<u>(4,483)</u>	<u>(4,128)</u>
Total Non-Interest Expenses		<u>(8,358)</u>	<u>(7,499)</u>
Profit Before Income Tax		2,768	2,676
Income Tax Expense	4	<u>(805)</u>	<u>(785)</u>
Profit for the Year		<u><u>1,963</u></u>	<u><u>1,891</u></u>
Other Comprehensive Income		<u>-</u>	<u>-</u>
Total Other Comprehensive Income for the Year		<u>-</u>	<u>-</u>
Total Comprehensive Income for the Year		<u><u>1,963</u></u>	<u><u>1,891</u></u>
Profit Attributable to Members of the Credit Union		<u><u>1,963</u></u>	<u><u>1,891</u></u>
Total Comprehensive Income Attributable to Members of the Credit Union		<u><u>1,963</u></u>	<u><u>1,891</u></u>

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

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
ASSETS			
Cash and Cash Equivalents	5	46,348	24,592
Receivables Due from Other Financial Institutions	6	7,412	32,313
Other Receivables	7	115	172
Other Assets	8	834	1,072
Loans and Advances	9	329,261	288,032
Other Financial Assets	11	2,796	2,700
Property, Plant and Equipment	12	3,557	3,347
Intangible Assets	13	26	73
Taxation Assets	17(b)	585	512
TOTAL ASSETS		<u>390,934</u>	<u>352,813</u>
LIABILITIES			
Deposits from Other Financial Institutions	14	20,450	16,900
Deposits from Members	15	334,822	301,297
Payables and Other Liabilities	16	2,637	3,613
Taxation Liabilities	17(a)	179	163
Provisions	18	745	702
TOTAL LIABILITIES		<u>358,833</u>	<u>322,675</u>
NET ASSETS		<u><u>32,101</u></u>	<u><u>30,138</u></u>
EQUITY			
Redeemed Share Capital Account		45	43
Reserves	19	2,834	2,882
Retained Earnings		29,222	27,213
TOTAL EQUITY		<u><u>32,101</u></u>	<u><u>30,138</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 2016

	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
2016						
Balance at 1 July 2015	43	27,213	1,250	1,428	204	30,138
Profit for the year	-	1,963	-	-	-	1,963
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	1,963	-	-	-	1,963
Transfers						
Share redemption	2	(2)	-	-	-	-
Transfers to / (from) reserves	-	48	-	156	(204)	-
Balance at 30 June 2016	45	29,222	1,250	1,584	-	32,101
2015						
Balance at 1 July 2014	42	25,552	1,250	1,382	21	28,247
Profit for the year	-	1,891	-	-	-	1,891
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	1,891	-	-	-	1,891
Transfers						
Share redemption	1	(1)	-	-	-	-
Transfers to / (from) reserves	-	(229)	-	46	183	-
Balance at 30 June 2015	43	27,213	1,250	1,428	204	30,138

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 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Interest received		16,926	16,821
Dividends received		96	68
Other income		2,689	2,628
Payments to suppliers and employees		(8,725)	(6,525)
Interest paid		(8,337)	(8,756)
Income tax paid		(862)	(779)
<i>Movement in operating assets and liabilities</i>			
Net (increase) / decrease in receivables due from other financial institutions		24,901	8,931
Net (increase) / decrease in member loans and advances		(41,389)	(18,868)
Net increase / (decrease) in deposits from members		33,525	13,293
Net increase / (decrease) in deposits from other financial institutions		<u>3,550</u>	<u>9,400</u>
Net cash (used in) / provided by operating activities	20(a)	<u>22,374</u>	<u>16,213</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		23	43
Acquisition of property, plant and equipment		(538)	(271)
Purchase of investments		(96)	(2,074)
Acquisition of intangible assets		<u>(7)</u>	<u>(9)</u>
Net cash used in investing activities		<u>(618)</u>	<u>(2,311)</u>
Net (decrease) / increase in cash and cash equivalents		21,756	13,902
Cash and cash equivalents at the beginning of the year		<u>24,592</u>	<u>10,690</u>
Cash and cash equivalents at the end of the year	5	<u><u>46,348</u></u>	<u><u>24,592</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 2016

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 Credit Union 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 22 September 2016 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. Current tax liabilities/(assets) are therefore measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

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

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

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

Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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 2016

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

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

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

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

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

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

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

(e) Financial Instruments

Initial Recognition and Measurement

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

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

(e) Financial Instruments (Cont'd)

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

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

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

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

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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 the 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 or loss when the right to receive the dividend has been established.

(v) *Financial liabilities*

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

Impairment

At the end of each reporting period, the Credit Union assesses whether there is objective evidence that a financial instrument has been impaired. 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 immediately in profit or loss.

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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 judgements used to determine the specific provision for impairment are outlined in Note 10(d).

The various components of impaired assets are as follows:

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

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

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

(ii) *General reserve for credit losses*

In addition to the specific provision for impairment, the Credit Union has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties. The reserve, at a minimum, is based on 0.8% of risk-weighted assets at each balance date (2015: 0.8%).

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

(e) Financial Instruments (Cont'd)

Impairment (Cont'd)

(iii) *Bad debts*

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

Financial Guarantees

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

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

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

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

(f) Property, Plant and Equipment

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

Property

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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 or loss.

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

Plant and equipment

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

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

Depreciation

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

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

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

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at 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 or 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
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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 or loss.

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

(i) Members' Deposits

Members' deposits are initially measured at fair value plus transaction costs and are subsequently measured at their amortised cost using the effective interest 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 2016

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 2016

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

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

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

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 Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included where applicable GST is collected. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the statement of financial

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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Accordingly amounts in the financial statements have been rounded to the nearest \$1,000 unless otherwise stated.

(r) Critical Accounting Estimates and Judgements

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

Key estimates - Impairment

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

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

(s) New Accounting Standards for Application in Future Periods

The following Australian Accounting Standards issued or amended are applicable to the Credit Union but are not yet effective for the 2016 financial year and have not been adopted in preparation of the financial statements at reporting date.

Title of Standards	Future Reporting Requirements	Operative Date
AASB 9: Financial Instruments and Associated Amending Standards.	This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments and revised recognition and derecognition requirements for financial instruments.	1 January 2018
AASB 15: Revenue from Contracts with Customers	This Standard provides a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118: Revenue.	1 January 2018
AASB 16: Leases	This Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.	1 January 2019
AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation	This Standard amends AASB116: Property, Plant and Equipment and AASB 138: Intangible Assets to disallow revenue-based methods of depreciation and amortisation.	1 January 2016
AASB 2014-5 Amendments to Australian Accounting Standards Arising from AASB 15	This Standard provides consequential amendments to Australian Accounting Standards arising from the issue of AASB 15.	1 January 2018

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

(s) New Accounting Standards for Application in Future Periods (Cont'd)

Title of Standards	Future Reporting Requirements	Operative Date
AASB 2014-7: Amendments to Australian Accounting Standards – Arising from AASB 9.	This Standard provides consequential amendments to Australian Accounting Standards arising from the issue of AASB 9 and additional disclosure requirements added to AASB 7: Financial Instruments - Disclosures, regarding credit risk exposures.	1 January 2018
AASB 2015-2: Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101.	This Standard focuses on clarifying the presentation and disclosure requirements in AASB 101: Presentation of Financial Statements, and permits entities to tailor the presentation of the financial statements to their particular circumstances and the needs of the users.	1 January 2016
AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107.	This Standard amends AASB 107: Statement of Cash Flows to require an entity to additionally disclose the details regarding movement of liabilities that arise from financing activities by way of reconciliation in the statement of financial position.	1 January 2017

The abovementioned Standards 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 2016

	Note	2016 \$'000	2015 \$'000
NOTE 2 - INTEREST INCOME AND INTEREST EXPENSE			
Interest Revenue			
<i>Assets at amortised cost</i>			
Cash and cash equivalents		126	93
Deposits with other financial institutions		1,207	1,440
Loans and advances		<u>15,536</u>	<u>15,274</u>
Total interest revenue		<u>16,869</u>	<u>16,807</u>
Interest Expense			
<i>Liabilities at amortised cost</i>			
Members' deposits		7,939	8,660
Borrowings		<u>41</u>	<u>39</u>
Total interest expense		<u>7,980</u>	<u>8,699</u>
Net Interest Income		<u><u>8,889</u></u>	<u><u>8,108</u></u>
Other Income			
Dividends received		96	68
Fees and commissions		2,112	1,966
Bad debts recovered	10(c)	16	17
Profit on sale of property, plant and equipment		-	3
Rent received		<u>13</u>	<u>13</u>
Total other income		<u>2,237</u>	<u>2,067</u>
Net Operating Income		<u><u>11,126</u></u>	<u><u>10,175</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)	55	28
Impairment expense - loans and advances	10(a)	<u>145</u>	<u>44</u>
		<u>200</u>	<u>72</u>

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
NOTE 3 - PROFIT BEFORE INCOME TAX (CONT'D)			
Depreciation and Amortisation Expense			
<i>Depreciation</i>			
Buildings		36	40
Freehold and leasehold improvements		79	75
Plant and equipment		159	149
	12(b)	<u>274</u>	<u>264</u>
<i>Amortisation</i>			
Intangible assets	13	<u>54</u>	<u>56</u>
		<u>328</u>	<u>320</u>
Employee Benefits			
Salaries and wages		2,195	1,964
Provision for employee benefits		252	230
Superannuation		435	402
Other		<u>465</u>	<u>383</u>
		<u>3,347</u>	<u>2,979</u>
Other Operating Expenses			
Marketing and promotion		547	572
Member protection		279	278
General administration		546	451
Member service costs		952	904
Communications		880	831
Operating lease payments		190	181
Other occupancy costs		149	168
Loss on sale of property, plant and equipment		31	-
Loan administration fees		470	324
Sundry expenses		<u>439</u>	<u>419</u>
		<u>4,483</u>	<u>4,128</u>
Total Non-Interest Expense		<u><u>8,358</u></u>	<u><u>7,499</u></u>

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$'000	\$'000
NOTE 4 - INCOME TAX EXPENSE		
(a) The income tax expense comprise amounts set aside as:		
Current tax	876	813
Deferred tax	<u>(71)</u>	<u>(28)</u>
	<u>805</u>	<u>785</u>
(b) The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2015: 30%)	831	803
Add:		
Tax effect of:		
- other assessable amounts	-	-
- other non-allowable items	<u>3</u>	<u>2</u>
	<u>834</u>	<u>805</u>
Less:		
Tax effect of:		
- rebateable fully franked dividends	29	20
- tax losses utilised	<u>-</u>	<u>-</u>
	<u>29</u>	<u>20</u>
Income tax attributable to the Credit Union	<u>805</u>	<u>785</u>
The applicable weighted average effective tax rates are as follows:	<u>29%</u>	<u>29%</u>

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$'000	\$'000
NOTE 5 - CASH AND CASH EQUIVALENTS		
Cash on hand	591	614
Deposits at call	9,880	12,070
Short term bank deposits	35,877	11,908
	<u>46,348</u>	<u>24,592</u>

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	<u>46,348</u>	<u>24,592</u>
---------------------------	---------------	---------------

NOTE 6 - RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS

Interest earning deposits	<u>7,412</u>	<u>32,313</u>
Maturity Analysis		
Not longer than 3 months	7,412	21,915
Longer than 3 and not longer than 12 months	-	10,398
Longer than 1 and not longer than 5 years	<u>-</u>	<u>-</u>
	<u>7,412</u>	<u>32,313</u>

NOTE 7 - OTHER RECEIVABLES

Interest receivable	113	170
Other accrued income	<u>2</u>	<u>2</u>
	<u>115</u>	<u>172</u>

NOTE 8 - OTHER ASSETS

Prepayments	141	67
Sundry debtors	<u>693</u>	<u>1,005</u>
	<u>834</u>	<u>1,072</u>

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
NOTE 9 - LOANS AND ADVANCES			
Overdrafts and line of credit loans		7,185	7,534
Term loans		322,716	280,978
Gross loans and advances		329,901	288,512
Less: Unamortised loan origination fees		(459)	(422)
Gross loans and advances net of unamortised loan origination fees		329,442	288,090
Less: Provision for impairment	10	(181)	(58)
Net loans and advances		329,261	288,032
(a) Maturity Analysis			
Overdrafts and revolving credit		7,181	7,531
Not longer than 3 months		3,655	4,411
Longer than 3 and not longer than 12 months		21,211	21,014
Longer than 1 and not longer than 5 years		93,925	82,772
Longer than 5 years		203,289	172,304
		329,261	288,032
(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		300,640	270,113
Other States		28,621	17,919
		329,261	288,032
(c) Security Analysis			
Secured by mortgage over business assets		9,664	8,958
Secured by mortgage over real estate		304,154	267,316
Partly secured by goods mortgage		9,030	7,286
Wholly unsecured		6,413	4,472
		329,261	288,032

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

2016
\$'000

2015
\$'000

NOTE 10 - IMPAIRMENT OF LOANS AND ADVANCES

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

Provision for impairment	181	58
--------------------------	-----	----

(a) Movement in provision

Balance at beginning of year	58	37
Transfer from / (to) statement of profit or loss	145	44
Bad debts written off against provision	(22)	(23)
Provision balance at end of year	181	58

(b) The provision consists of:

Prescribed provision required under the APRA Prudential Standards	28	249
Addition / (reduction) to specific provision	153	(191)
	181	58

(c) Impaired loans written off

Amounts written off against the provision for impaired loans	22	23
Amounts written off directly to statement of profit or loss	55	28
	77	51

Bad debts recovered	16	17
---------------------	----	----

(d) Key assumptions in determining the provision for impairment

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

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

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

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

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

(e) Analysis of impaired loans by class

	Carrying Value \$ '000	Impaired Loans \$'000	Provision for Impairment \$ '000
2016			
Housing - owner occupied	214,124	143	16
Housing - investment	68,082	-	-
Personal	13,958	57	53
Revolving credit	4,659	98	95
Commercial	29,078	30	17
Total	329,901	328	181
2015			
Housing - owner occupied	191,739	26	26
Housing - investment	55,361	-	-
Personal	10,517	24	12
Revolving credit	5,219	30	20
Commercial	25,676	-	-
Total	288,512	80	58

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

	2016 Impaired Loans \$'000	2016 Provision for Impairment \$'000	2015 Impaired Loans \$'000	2015 Provision for Impairment \$'000
Up to 90 days in arrears	140	127	-	-
91 to 180 days in arrears	178	46	22	9
181 to 270 days in arrears	7	7	-	-
271 to 365 days in arrears	-	-	6	5
Over 365 days in arrears	-	-	26	26
Over limit facilities 14 days and over	3	1	26	18
Total	328	181	80	58

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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
2016						
Period in arrears:						
Less than 3 months	7,305	546	507	245	505	9,108
3 to 6 months	470	57	-	-	-	527
6 to 12 months	95	-	-	-	-	95
Greater than 12 months	-	-	-	-	-	-
Total	7,870	603	507	245	505	9,730
2015						
Period in arrears:						
Less than 3 months	4,323	781	183	348	2,134	7,769
3 to 6 months	492	-	-	-	-	492
6 to 12 months	-	-	-	-	-	-
Greater than 12 months	9	-	-	-	-	9
Total	4,824	781	183	348	2,134	8,270

(h) Assets acquired via enforcement of security

	2016 \$'000	2015 \$'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
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
NOTE 10 - IMPAIRMENT OF LOANS AND ADVANCES (CONT'D)			
(i) Renegotiated loans not impaired			
Renegotiated loans arise when the borrower is granted a concession due to continual difficulties in meeting the original terms and the revised terms are not comparable to new or existing loan facilities.			
Balance of loans that were previously past due or impaired which had been renegotiated by the Credit Union at balance date:			
		-	-
(j) Revenue on impaired loans			
Interest and other revenue recognised as revenue earned		6	103
Interest foregone on impaired loans		24	53

NOTE 11 - OTHER FINANCIAL ASSETS

Available-For-Sale Investments

Shares in Unlisted Entities - at cost

Indue Limited	2,796	2,700
---------------	-------	-------

Indue Limited

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

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
NOTE 12 - PROPERTY, PLANT AND EQUIPMENT			
Freehold land			
At fair value	12(a)	1,000	1,000
Subsequent additions at cost		-	-
Total freehold land		<u>1,000</u>	<u>1,000</u>
Buildings			
At fair value	12(a)	1,475	1,475
Subsequent additions at cost		-	-
Accumulated depreciation		<u>(76)</u>	<u>(40)</u>
Total buildings		<u>1,399</u>	<u>1,435</u>
Total land and buildings		<u>2,399</u>	<u>2,435</u>
Freehold and leasehold improvements			
At cost		953	670
Accumulated depreciation		<u>(236)</u>	<u>(223)</u>
Total freehold and leasehold improvements		<u>717</u>	<u>447</u>
Plant and equipment			
At cost		1,281	1,395
Accumulated depreciation		<u>(840)</u>	<u>(930)</u>
Total plant and equipment		<u>441</u>	<u>465</u>
Total property, plant and equipment		<u><u>3,557</u></u>	<u><u>3,347</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
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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
2016					
Balance at the beginning of the financial year	1,000	1,435	447	465	3,347
Additions	-	-	386	152	538
Disposals	-	-	(37)	(17)	(54)
Depreciation expense	-	(36)	(79)	(159)	(274)
Carrying amount at the end of the financial year	1,000	1,399	717	441	3,557

2015

Balance at the beginning of the financial year	1,000	1,475	515	391	3,381
Additions	-	-	7	264	271
Disposals	-	-	-	(41)	(41)
Depreciation expense	-	(40)	(75)	(149)	(264)
Carrying amount at the end of the financial year	1,000	1,435	447	465	3,347

(c) Historical Cost of Land and Buildings

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

	2016 \$'000	2015 \$'000
Land - at cost	509	509
Buildings - at cost	1,390	1,390
Provision for depreciation on buildings	(631)	(596)
Total land and buildings at written down value	1,268	1,303

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$ '000	2015 \$ '000
NOTE 13 - INTANGIBLE ASSETS			
Software - at cost		544	582
Accumulated amortisation		<u>(518)</u>	<u>(509)</u>
Carrying value		<u><u>26</u></u>	<u><u>73</u></u>
Movement in carrying value			
Balance at beginning of year		73	120
Additions		7	9
Transfers		-	-
Amortisation Expense	3	<u>(54)</u>	<u>(56)</u>
Balance at end of year		<u>26</u>	<u>73</u>

NOTE 14 - DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

Term Deposits	<u>20,450</u>	<u>16,900</u>
	<u><u>20,450</u></u>	<u><u>16,900</u></u>

NOTE 15 - DEPOSITS FROM MEMBERS

Member deposits at call (including withdrawable shares)	270,778	207,190
Member term deposits	<u>64,044</u>	<u>94,107</u>
	<u><u>334,822</u></u>	<u><u>301,297</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	319,791	282,566
Other States	<u>15,031</u>	<u>18,731</u>
	<u><u>334,822</u></u>	<u><u>301,297</u></u>

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$ '000	2015 \$ '000
NOTE 16 - PAYABLES AND OTHER LIABILITIES		
Accrued interest payable	584	941
Trade payables and accrued expenses	<u>2,053</u>	<u>2,672</u>
	<u><u>2,637</u></u>	<u><u>3,613</u></u>

NOTE 17 - TAXATION

(a) Taxation Liabilities

Current Tax Liabilities

Income tax payable	<u>176</u>	<u>161</u>
--------------------	------------	------------

Non -Current Tax Liabilities

Deferred tax liabilities	<u>3</u>	<u>2</u>
	<u><u>179</u></u>	<u><u>163</u></u>

Deferred Tax Liabilities

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

	Opening Balance \$'000	Charged to Income \$'000	Charged Directly to Equity \$'000	Closing Balance \$'000
Prepayments	-	2	-	2
Balance at 30 June 2015	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>
Prepayments	2	1	-	3
Balance at 30 June 2016	<u>2</u>	<u>1</u>	<u>-</u>	<u>3</u>

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 17 - TAXATION (CONT'D)

(b) Taxation Assets

Deferred Tax Assets

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

	Opening Balance \$'000	Charged to Income \$'000	Charged Directly to Equity \$'000	Closing Balance \$'000
Property, plant and equipment	106	(7)	-	99
Employee benefits	195	15	-	210
Impairment of loans	2	16	-	18
Accrued expenses	31	3	-	34
Accrued income	2	-	-	2
Deferred loan origination fees	124	2	-	126
Capital losses	23	-	-	23
Balance at 30 June 2015	483	29	-	512
Property, plant and equipment	99	9	-	108
Employee benefits	210	13	-	223
Impairment of loans	18	37	-	55
Accrued expenses	34	3	-	37
Accrued income	2	-	-	2
Deferred loan origination fees	126	11	-	137
Capital losses	23	-	-	23
Balance at 30 June 2016	512	73	-	585

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$'000	\$'000
NOTE 18 - PROVISIONS		
Employee benefits	578	580
Directors' retirement benefits	45	24
Other provisions	122	98
	<u>745</u>	<u>702</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	580	24	98	702
Additional provision	231	21	122	374
Amounts paid during the year	(233)	-	(98)	(331)
Carrying amount at the end of the year	<u>578</u>	<u>45</u>	<u>122</u>	<u>745</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
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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.

	2016	2015
	\$'000	\$'000

NOTE 20 - CASH FLOW INFORMATION

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

Profit for the year	1,963	1,891
Non-cash flows in profit:		
Impairment of loans and advances	123	21
Movement in unamortised loan origination fees	37	8
Depreciation and amortisation	328	320
Net (gain) / loss on disposal of property, plant and equipment	31	(3)
Changes in assets and liabilities:		
(Increase) / decrease in receivables due from other financial institutions	24,901	8,931
(Increase) / decrease in accrued receivables	57	15
(Increase) / decrease in other assets	238	436
(Increase) / decrease in loans and advances to members	(41,389)	(18,868)
(Increase) / decrease in deferred tax assets	(73)	(29)
Increase / (decrease) in deposits from members	33,525	13,293
Increase / (decrease) in deposits from other financial institutions	3,550	9,400
Increase / (decrease) in payables and other liabilities	(976)	713
Increase / (decrease) in tax liabilities	16	35
Increase / (decrease) in provisions	43	50
Net cash (used in)/provided by operating activities	22,374	16,213

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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.

	2016	2015
	\$'000	\$'000
(c) Credit Standby Arrangements		
Overdraft facility	5,000	5,000
Amount utilised	-	-
	<hr/>	<hr/>
Unused Credit Facility	<u>5,000</u>	<u>5,000</u>

NOTE 21 - CAPITAL AND LEASING COMMITMENTS

	2016	2015
	\$'000	\$'000
(a) Capital Expenditure Commitments		
Estimated capital expenditure contracted for at balance date:		
- payable not later than 12 months	-	-
- payable between 12 months and 5 years	-	-
- payable later than 5 years	-	-
	<hr/>	<hr/>
	<hr/>	<hr/>
(b) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not recognised in the financial report		
Payable - minimum lease payments:		
- not later than 12 months	219	346
- between 12 months and 5 years	1,122	740
- later than 5 years	389	198
	<hr/>	<hr/>
	<u>1,730</u>	<u>1,284</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
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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-fund of 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 as at 30 June 2014. Quarterly financial updates for the Plan were provided by NGS Super's actuary with the latest one available effective 31 March 2016. The actuary confirmed that the Schedule One Part B sub-group of the Plan was in a satisfactory position at 31 March 2016 with assets of \$3.994 million, vested benefits of \$3.679 million and a present value of accrued benefits of \$4.097 million.

The key long term assumptions used to calculate the present value of accrued benefits as at 31 March 2016 being; annual investment returns (after tax and investment fees) of 6.3% and general salary increases forecast to be 4.5% per annum.

From 1 July 2014 employers continue to contribute at the same rates to the defined benefit element of the members' benefits other than for expenses which are allocated to employers on a per member basis. The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuary's assumptions and therefore a surplus or deficit arises; however, any adjustment to the contribution rate to reflect a surplus / deficit would be the same for all sponsoring employers (subject to the comments below).

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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.

	2016	2015
	\$'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>90</u>	<u>152</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	26,509	24,164
Loans approved but not advanced	<u>7,860</u>	<u>3,686</u>
	<u>34,369</u>	<u>27,850</u>

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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
	\$	\$	\$	\$	\$
2016					
KMP	793,072	94,665	15,151	-	902,888
2015					
KMP	791,472	90,318	6,963	22,267	911,020

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.

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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 \$
2016				
Term loans	1,837,255	43,945	1,007,040	-
Revolving credit loans	6,026	100	5,968	-
Total Loans	1,843,281	44,045	1,013,008	-
2015				
Term loans	2,389,876	93,120	1,837,255	-
Revolving credit loans	11,489	367	6,026	-
Total Loans	2,401,365	93,487	1,843,281	-

	2016 \$	2015 \$
Aggregate value of revolving credit facilities available to Key Management Personnel as at balance date	56,000	72,500
Less: amounts drawn-down	(5,968)	(6,026)
Net balance available	<u>50,032</u>	<u>66,474</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.

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

	2016	2015
	\$	\$
Audit Services:		
- Audit of the financial statements	45,400	44,250
- Other regulatory audit services	12,500	12,200
	<u>57,900</u>	<u>56,450</u>
Other Services:		
- Internal audit services	43,500	43,125
- Taxation services	-	-
- Other assurance services	4,100	3,950
	<u>47,600</u>	<u>47,075</u>
	<u><u>105,500</u></u>	<u><u>103,525</u></u>

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 26 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Classes of Financial Assets and Financial Liabilities

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

	2016	2015
	\$'000	\$'000
Financial Assets		
<i>Measured at amortised cost</i>		
Cash and Cash Equivalents	46,348	24,592
Receivables Due from Other Financial Institutions	7,412	32,313
Other Receivables	115	172
Loans and Advances	329,261	288,032
	<hr/>	<hr/>
Total	383,136	345,109
<i>Measured at cost</i>		
Available-for-Sale Financial Assets	2,796	2,700
	<hr/>	<hr/>
Total Financial Assets	<u>385,932</u>	<u>347,809</u>

Financial Liabilities

<i>Measured at amortised cost</i>		
Deposits from Other Financial Institutions	20,450	16,900
Deposits from Members	334,822	301,297
Payables and Other Liabilities	2,637	3,613
	<hr/>	<hr/>
Total Financial Liabilities	<u>357,909</u>	<u>321,810</u>

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

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

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

(a) Risk Management Framework

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

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

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

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

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

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

(b) Credit Risk

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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.

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

(b) Credit Risk (Cont'd)

Management of Credit Risk (Cont'd)

Collateral Securing Loans

The Credit Union holds collateral against loans and advances to members in the form of mortgage interests over property, other registered securities over assets and guarantees. Mortgage insurance contracts are entered into in order to manage the credit risk around the residential loan mortgage portfolio. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to other 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 APRA Prudential Standards to reduce the Credit Union's exposure to potential failure of counterparties to meet their obligations under the contract or arrangement.

Concentrations of credit risk arise in the following categories:

	Loans and Advances to Members		Receivables Due from Other Financial Institutions	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
New South Wales	300,640	270,113	-	1,987
Other States and Territories	28,621	17,919	7,412	30,326
	329,261	288,032	7,412	32,313

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

(b) Credit Risk (Cont'd)

Concentration of Credit Risk (Cont'd)

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

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

Exposure to Credit Risk

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

(c) Liquidity Risk

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

Management of Liquidity Risk

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

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

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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% (2015: 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:

	2016	2015
Liquidity Ratios	%	%
As at 30 June	13.61	15.31
Average liquidity for the period	14.47	14.72
Minimum liquidity for the period	12.48	13.17
Maximum liquidity for the period	16.35	16.21

Financial Instrument Maturity Analysis

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Financial assets - cash flows realisable														
Cash and cash equivalents	9,880	12,070	35,877	11,908	-	-	-	-	-	-	591	614	46,348	24,592
Receivables due from other financial institutions	-	-	7,412	21,915	-	10,398	-	-	-	-	-	-	7,412	32,313
Accrued receivables	-	-	113	143	-	27	-	-	-	-	2	2	115	172
Loans and advances	7,181	7,531	3,655	4,411	21,211	21,014	93,925	82,772	203,289	172,304	-	-	329,261	288,032
Other financial assets	-	-	-	-	-	-	-	-	-	-	2,796	2,700	2,796	2,700
Total anticipated inflows	17,061	19,601	47,057	38,377	21,211	31,439	93,925	82,772	203,289	172,304	3,389	3,316	385,932	347,809
Financial liabilities due for payment														
Deposits from other financial institutions	-	-	13,450	11,000	7,000	5,900	-	-	-	-	-	-	20,450	16,900
Deposits from members	270,778	207,190	30,621	43,627	31,523	46,990	1,900	3,490	-	-	-	-	334,822	301,297
Payables and other liabilities	-	-	-	-	-	-	-	-	-	-	2,637	3,613	2,637	3,613
Total anticipated outflows	270,778	207,190	44,071	54,627	38,523	52,890	1,900	3,490	-	-	2,637	3,613	357,909	321,810
Net inflow / (outflow) on financial instruments	(253,717)	(187,589)	2,986	(16,250)	(17,312)	(21,451)	92,025	79,282	203,289	172,304	752	(297)	28,023	25,999

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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:

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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	+ / - \$85,331	+ / - \$170,662	+ / - \$341,324
Percentage of capital base	+ / - 0.29%	+ / - 0.58%	+ / - 1.17%
Impact on 2016 pre-tax profit	+ / - 4.47%	+ / - 8.95%	+ / - 17.89%

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.

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$'000	2015 \$'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	27,592	25,648
Tier 2 Capital	<u>1,584</u>	<u>1,428</u>
Total Regulatory Capital	<u>29,176</u>	<u>27,076</u>
Total risk weighted assets	<u>197,985</u>	<u>178,154</u>

Capital Ratios	2016	2015
	%	%
Total regulatory capital expressed as a percentage of total risk weighted assets	14.74	15.20
Total Tier 1 capital expressed as a percentage of total risk weighted assets	13.94	14.40

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

(f) Operational Risk

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

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

(f) Operational Risk (Cont'd)

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

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

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

Fraud risk

Fraud 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.

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

(f) Operational Risk (Cont'd)

IT Systems

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

NOTE 27 - FAIR VALUE

(a) Fair Value Estimates Methodology and Assumptions

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

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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:

	2016		2015	
	Carrying amount	Net Fair value	Carrying amount	Net Fair value
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and cash equivalents	46,348	46,348	24,592	24,592
Receivables due from other financial institutions	7,412	7,412	32,313	32,313
Accrued receivables	115	115	172	172
Loans and advances	329,261	329,261	288,032	288,032
Other financial assets	2,796	2,796	2,700	2,700
Total financial assets	385,932	385,932	347,809	347,809
Financial Liabilities				
Deposits from other financial institutions	20,450	20,450	16,900	16,900
Deposits from members	334,822	334,822	301,297	301,297
Payables and other liabilities	2,637	2,637	3,613	3,613
Total financial liabilities	357,909	357,909	321,810	321,810

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.

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 27 - FAIR VALUE (CONT'D)

(c) Fair Value Hierarchy (Cont'd)

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

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

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

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
2016				
Recurring fair value measurements				
- land and buildings	-	2,399	-	2,399
2015				
Recurring fair value measurements				
- land and buildings	-	2,435	-	2,435

There have been no transfers into or out of each level during the year ended 30 June 2016 or the prior year.

(d) Disclosed Fair Values

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

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 27 - FAIR VALUE (CONT'D)

(d) Disclosed Fair Values (cont'd)

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

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

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

Land and Buildings

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

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

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

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 28 - ECONOMIC DEPENDENCY

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

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

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

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

NOTE 29 - SECURITISATION

The Credit Union has an arrangement with Indue Securitisation Pty Limited whereby it acts as an agent to on sell loans to Trinity Mortgage Origination Trust securities program. The Credit Union also manages the loans portfolio on behalf of the Trust. The Credit Union bears no risk exposure in respect of these loans. The amount of securitised loans under management as at 30 June 2016 was \$1,329,151 (2015: \$1,529,765).

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 2016

The Directors of Coastline Credit Union Limited declare that:

1. The financial statements, comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to and forming part of the financial statements, are in accordance with the *Corporations Act 2001* and:
 - a) comply with Australian Accounting Standards, which, as stated in Accounting Policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b) give a true and fair view of the financial position of the Credit Union as at 30 June 2016 and of its performance for the year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

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

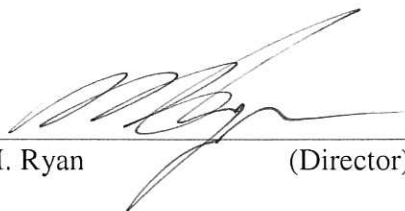
Dated at West Kempsey this 22nd September 2016

For and behalf of the Board



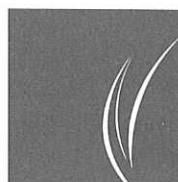
A. Hudson

(Director
Chairman)



M. Ryan

(Director)



NorthCorp
accountants

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

INDEPENDENT AUDITOR'S REPORT

To the members of Coastline Credit Union Limited

Report on the Financial Report

We have audited the accompanying financial report of Coastline Credit Union Limited, which comprises the Statement of Financial Position as at 30 June 2016, 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 judgement, 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 of the financial report that gives a true and fair view 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.



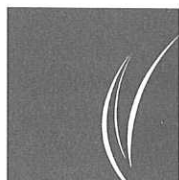
Chartered Accountants

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



NorthCorp
accountants

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

Independence

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Coastline Credit Union Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Credit Union's financial position as at 30 June 2016 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: 22 September 2016



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

This page has been intentionally left blank.