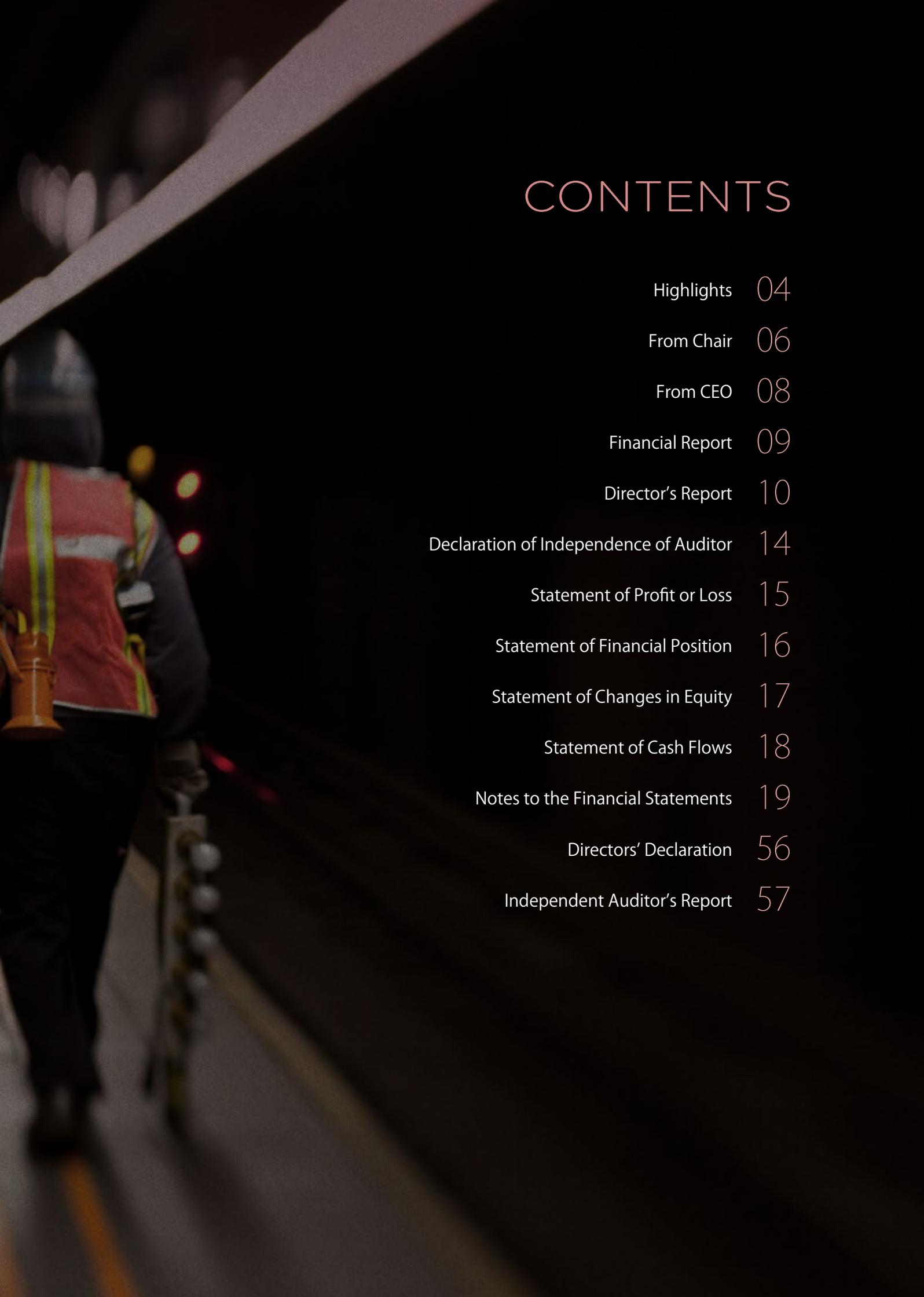




ANNUAL REPORT 2015

Railways Credit Union Ltd

Registered Office	Level 1, 179 Ann Street Brisbane QLD 4000
ABN	ABN 91 087 651 090
AFSL/Australian Credit License No.	234536
Postal Address	GPO Box 648, Brisbane QLD 4001
Phone	1300 362 216
Facsimile	(07) 3221 1672
Email	info@railwayscreditunion.com.au
Website	www.railwayscreditunion.com.au
Member Care Centre	Central Station, Brisbane
Auditors	BDO Audit Pty Ltd
Affiliated with	Customer Owned Banking Association
Board of Directors	Michael Scanlan - <i>Chair</i> John Harnischfeger - <i>Vice Chair</i> Bronwyn Davies Kellie Dyer Andrew Haynes Andrew Hughes Henry Scheuber
Credit Union Management	Julianne Plath - <i>Chief Executive Officer</i> Gavin Burkhardt - <i>Executive Manager Commerce & Marketing</i> Grant Freeman - <i>Executive Manager Operations</i> Jason Bawden - <i>Sales Manager</i> Ross Dadswell - <i>ICT Manager</i> Nikki Hutson - <i>HR Manager</i> Bernard Luton - <i>Legal & Compliance Manager, CRO and Company Secretary</i> Stephen Shorten - <i>Support Services Manager</i> Noeline Stewart - <i>Project Manager</i> Jeff Urquhart - <i>Chief Financial Officer</i> Rachel Young - <i>Corporate Relations Manager</i>



CONTENTS

Highlights	04
From Chair	06
From CEO	08
Financial Report	09
Director's Report	10
Declaration of Independence of Auditor	14
Statement of Profit or Loss	15
Statement of Financial Position	16
Statement of Changes in Equity	17
Statement of Cash Flows	18
Notes to the Financial Statements	19
Directors' Declaration	56
Independent Auditor's Report	57

HIGHLIGHTS

2014-2015



Electronic Loan Documents

In June we introduced a revolutionary way of speeding up getting a personal loan. Now members can accept and have the money in their account all with just a quick easy phone call – no more paper and waiting for Australia Post.

Travel Insurance

In April we added travel insurance to our range of CGU insurance products and now can ensure that when members travel they do so knowing they have everything covered.



First Home Saver Club

When the Government took away the First Home Saver Account, we gave back and introduced a First Home Saver Club to make owning your first home just that little bit easier.

FINANCIALS

\$26m lent to members
in our fixed rate product

170%
INCREASE

5% Growth in
MEMBER DEPOSITS

Reduction of **6%**
transaction fee income

Profit & Capital Adequacy

STRONG AND WELL

above regulatory requirements



New RailNet

Additional functionality was added to RailNet with members now being able to access any additional payments from their loan 24/7, free of charge. In addition you are now able to have your statement delivered via RailNet, speed up delivery and help the environment by reducing paper.

2015 Leadership Award

Melissa Treacy was awarded RCU's developing leader award and travelled to Cambodia to test her endurance and to give back to the children of Cambodia. Melissa is the Team Leader in our Support Services area and will have been with RCU for 2 years in January 2016.



PIN change

With the introduction of PIN change via RailNet in December over 580 members have now taken advantage of this simple, secure and convenient way to choose their own PIN.

FROM THE CHAIR

Dear Members,

During the previous year the board and management's strategic focus has been on the long term direction of Railways Credit Union. With feedback from our members and potential members we collectively formed the view that now was the right time to change our brand in order to be relevant to future members of the Credit Union. The significant changes in Aurizon, Queensland Rail and the rail industry generally have meant we need to develop wider appeal to extend our potential market base. Our new brand, MOVE People Driven Banking, was chosen as a brand that will resonate with employees of the broader transport and logistics industry.

Thanks to our predecessors we are indeed fortunate to have a strong foundation on which to base our future growth. By maintaining our efficient operations, our deposit and lending rates are among the best in the market and we have been able to build a strong capital position. This places us in a very strong financial position to undertake the necessary work in rebranding to MOVE. Unlike the larger banks that now have to increase their capital, RCU already has more than adequate capital for our circumstances. Our advocacy organisation the Customer Owned Banking Association (COBA) has been active in developing an industry wide strategy to improve the competitive environment of the financial services industry. We are well represented having our CEO, Julianne Plath elected on the COBA Board.

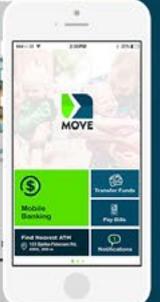
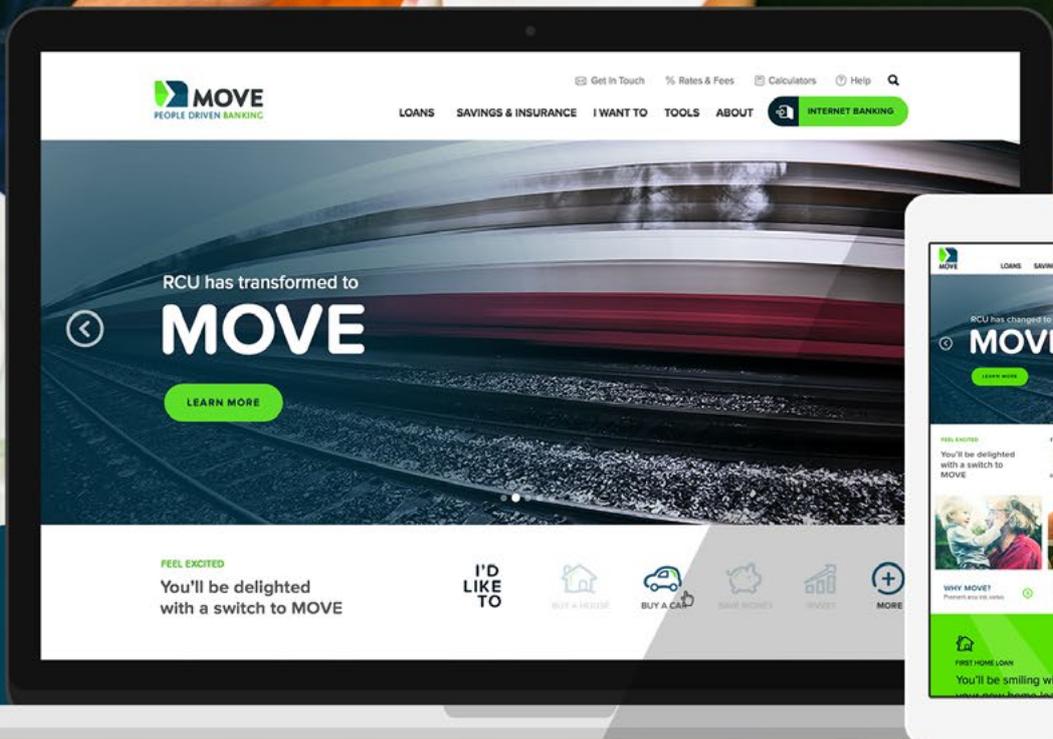
I would like to thank our CEO, Julianne Plath and her executive and management team for their passion and commitment in implementing our strategic direction and their preparation for rebranding. I would like to thank my fellow directors for their amazing commitment and willingness to ensure issues are adequately considered.

In closing I would like to thank you, our members, for your continue support and endorsement of Railways Credit Union as we transform into MOVE.

Kind Regards,



Michael Scanlan
Chair



Introducing our New Brand

RCU is transforming into MOVE

FROM THE CEO

Dear Members,

The management and staff are very excited to be working on your behalf to transform Railways Credit Union into MOVE People Driven Banking. As the Chair has said in his report it's time to build on the solid foundations of the past 47 years to ensure success for the next generation of members. With your support, we are looking forward to sharing with the broader transport and logistics sector the competitive products and exceptional service that is currently experienced by our members. During the past year we have been able to deliver some exciting new services that have enhanced the way our members do their banking. In December we introduced the ability for members to select a PIN for their Visa cards via RailNet. This is a fantastic addition and provides a no cost option to select a PIN in the comfort of your own home 24/7.

We introduced two new products during the year and now members can purchase travel insurance to ensure that you are covered for any unexpected expenses due to illness or theft. The team was excited to launch RCU's First Home Saver Club in response to the withdrawing of the Government's first home savings account. One of the most satisfying parts of what we do is helping members realise their dream of owning their own home.

In June we launched a new way of doing personal lending with the ability to accept and get access to the funds over the phone. It's now possible to apply and have the funds in your account all within hours!

It's been a busy year and I would like to take this opportunity to thank my executive and management team for their leadership through this period of great change and the staff for their ongoing enthusiasm. I also thank the Board for their courageous decision to recognise that change was required and for their support to make it happen.

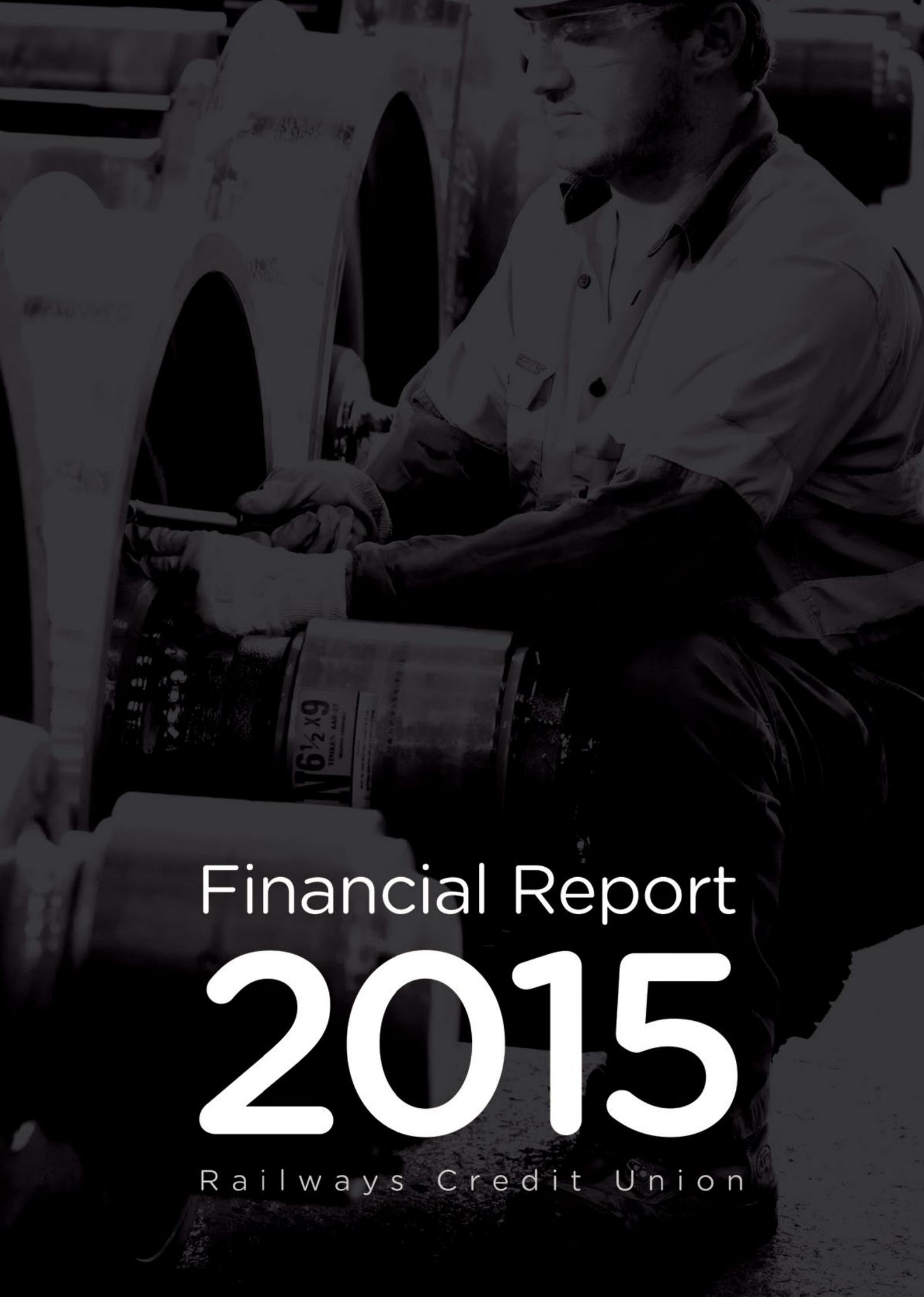
I am particularly thankful to you, our members, for your continued support and for the positive feedback we have received throughout the year. We are here to deliver competitive products with exceptional service and delivering on our promise every day is the cornerstone of how we do business.

I'm looking forward to the year ahead where we will be transforming Railways Credit Union into MOVE People Driven Banking!

Kind Regards,



Julianne Plath
Chief Executive Officer



Financial Report

2015

Railways Credit Union

Directors' Report

Your Directors submit their report on Railways Credit Union Ltd (the 'Credit Union') for the financial year ended 30 June 2015.

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

DIRECTORS

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

Michael (Mike) G Scanlan (Chair)
 John P Harnischfeger (Vice Chair)
 Bronwyn (Bron) D Davies
 Kellie L Dyer
 Andrew R Haynes
 Andrew J Hughes
 Henry C Scheuber

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

Bernard Luton
 Julianne Pfath

Qualifications, experience and special responsibilities

<i>Michael (Mike) G Scanlan</i> Position:	B.Eng, Grad Dip - Management, MBA, FAICD, MAMI, FAIM, FCILT, MIE, FAMI Transportation Consultant and Company Director Mike has been a company Director for 17 years, including Railways Credit Union Ltd 1989-90, 1991-96 and since November 2009. Mike has been Chair of the Board since 2012. Mike is a member of the Risk Management Committee, Audit & Compliance Committee and the Remuneration & Succession Committee.
<i>John P Harnischfeger</i> Position:	B.Com, CPA, MAMI, GAICD Employee of a Federal Government Agency John has been a Director of the Credit Union since 2005. John is Vice Chair of the Board and the Chair of the Risk Management Committee.
<i>Bronwyn (Bron) D Davies</i> Position:	B. Econ, CPA, CIA, GAICD Head of Internal Audit, Sydney Trains Bron has been a Director of the Credit Union since 2012. Bron is the Chair of the Audit & Compliance Committee.
<i>Kellie L Dyer</i> Position:	Bachelor of Business (Marketing), MBA (Tech Mgt), Graduate Diploma of Management, MAMI, GAICD CRC Legacy Manager - CRC for Rail Innovation Kellie has been a Director of the Credit Union since 2009. Kellie is a member of the Audit & Compliance Committee and the Chair of the Remuneration & Succession Committee.
<i>Andrew R Haynes</i> Position:	B.A., LL.B., H Dip IS, Cert Legal Practice, FCIS, GAICD, MAMI, JP (Qual) Board Secretary at Mackay Hospital and Health Service and Company Director. Andrew has been a Director of the Credit Union since 2009. Prior to his current employment Andrew held various roles in governance including Company Secretary of QR Limited. Andrew is a member of the Audit & Compliance Committee.
<i>Andrew J Hughes</i> Position:	B. Com., FCPA, Master of Commerce (Accounting), Associate Diploma in Civil Engineering, GAICD, MAMI Group Finance Manager, Network Business - Queensland Rail Andrew has been a Director of the Credit Union since 2009. Andrew is a member of the Risk Management Committee and the Remuneration & Succession Committee.

Directors' Report

Qualifications, experience and special responsibilities (continued)

Henry C Scheuber B.Bus, FCPA, GAICD, MAMI
Position: Company Director
 Henry has been a company Director for 13 years, including being a Director of the Credit Union since 2006. Henry is a member of the Risk Management Committee and the Remuneration & Succession Committee.

Company Secretaries:

Qualifications and experience

Bernard Luton Bachelor of Laws, Grad Dip Applied Corporate Governance, GAICD
Position: Company Secretary
 Bernard was appointed as Company Secretary on 13 November 2009.

Julianne Plath Advanced Diploma of Business (Accounting), GAICD
Position: Company Secretary
 Julianne was appointed Company Secretary of the Credit Union on 29 February 2012.

All Directors have held their office from 1 July 2014 to the date of this report unless otherwise stated.

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	Meetings of committees			
	Board	Risk Management	Audit & Compliance	Remuneration & Succession
Number of meetings held:	12	5	5	2
Number of meetings attended:	Attended/Eligible to attend	Attended/Eligible to attend	Attended/Eligible to attend	Attended/Eligible to attend
Michael (Mike) G Scanlan (Chair)	12/12	5/5	4/5	2/2
John P Harnischfeger (Vice Chair)	11/12	5/5	n/a	n/a
Bronwyn (Bron) D Davies	12/12	n/a	5/5	n/a
Kellie L Dyer	12/12	n/a	5/5	2/2
Andrew R Haynes	11/12	1/1	3/3	1/1
Andrew J Hughes	12/12	4/4	3/3	2/2
Henry C Scheuber	11/12	5/5	n/a	2/2

INSURANCE AND INDEMNIFICATION OF OFFICERS OR AUDITOR

Insurance premiums have been paid to insure each of the Directors and officers of the Credit Union, against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as an officer of the Credit Union. In accordance with normal commercial practice disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract.

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

No indemnities have been given to the officers or auditor other than an agreement to indemnify Directors to the extent permitted by law.

Directors' Report

PRINCIPAL ACTIVITIES

The principal activities of the Credit Union during the year were the provision of financial services to members as prescribed by the Constitution.

No significant changes in the nature of these activities occurred during the year.

OPERATING RESULTS

Review of operations

The results of the Credit Union's operations from its activities of providing financial services to its members did not change significantly from the previous financial year.

Operating Results for the Year

The net profit of the Credit Union for the year ended 30 June 2015 after providing for income tax was \$2,558,230 (2014: \$2,953,764).

DIVIDENDS

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

OPTIONS

No options over unissued shares or interests in the Credit Union were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors there have been no significant changes in the state of affairs during the year.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The operations of the Credit Union and the results of those operations are not expected to change significantly in future financial years.

Further information about likely developments in the operations of the Credit Union and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Credit Union.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Credit Union is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

PROCEEDINGS

No person has applied for leave of the Court to bring proceedings on behalf of the Credit Union or to 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 part of those proceedings. The Credit Union was not a party to any such proceedings during the year.

Directors' Report

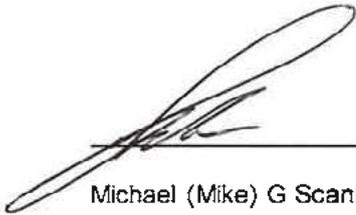
REGULATORY DISCLOSURES

The disclosures required by APS 330 Public Disclosures (namely the common disclosures in Attachment A and the Regulatory Capital Reconciliation) may be seen on our website at www.railwayscreditunion.com.au/regulatory-disclosures.

AUDITOR INDEPENDENCE

The Directors received an independence declaration from the auditor, BDO Audit Pty Ltd. A copy has been included on the following page of the report.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Michael (Mike) G Scanlan

Chair



John P Harnischfeger

Vice Chair

Brisbane, 30 September 2015



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF RAILWAYS CREDIT UNION LTD

As lead auditor of Railways Credit Union Ltd for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

P A Gallagher
Director

BDO Audit Pty Ltd

Brisbane, 30 September 2015

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
Interest income	5(a)	28,481,591	30,117,688
Interest expense	6(a)	(16,794,260)	(18,650,890)
Net interest income		11,687,331	11,466,798
Other revenue and income	5(b)	2,552,407	2,645,745
Employee benefits expense	6(b)	(5,247,858)	(4,857,566)
Depreciation and amortisation expense	6(c)	(558,884)	(500,246)
Impairment loss on loans and advances	6(d), 13(c)	(412,721)	(575,629)
Other expenses	6(e)	(4,388,081)	(4,008,573)
Profit before income tax		3,632,194	4,170,529
Income tax expense	7	(1,073,964)	(1,216,765)
Profit for the year		2,558,230	2,953,764
Other comprehensive income, net of income tax			
<i>Items that will not be reclassified to profit or loss</i>			
Net gain on revaluation of land and buildings		-	153,988
Income tax relating to these items		-	(46,196)
Other comprehensive income for the year, net of income tax		-	107,792
Total comprehensive income for the year		2,558,230	3,061,556

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2015

	Note	2015 \$	2014 \$
ASSETS			
Cash and cash equivalents	8	14,134,450	20,237,377
Financial assets available for sale	9	825,775	825,775
Other receivables	10	615,729	829,360
Financial assets held to maturity	11	94,638,820	67,692,935
Loans and advances	12	474,790,079	480,643,662
Property, plant and equipment	14	5,080,747	5,150,298
Intangible assets	15	599,577	450,252
Other assets		6,190	15,090
TOTAL ASSETS		590,691,367	575,844,749
LIABILITIES			
Deposits	16	529,705,149	517,416,128
Other payables	17	998,123	685,247
Income tax payable		71,120	311,621
Provisions	18	553,652	567,464
Deferred tax liabilities	7	268,786	327,982
TOTAL LIABILITIES		531,596,830	519,308,442
NET ASSETS		59,094,537	56,536,307
EQUITY			
Redeemed preference share capital	19	164,070	158,420
Reserves	20	58,930,467	56,377,887
TOTAL EQUITY		59,094,537	56,536,307

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2015

	<i>Redeemed preference share capital</i> \$	<i>Retained earnings</i> \$	<i>Reserves (note 20)</i> \$	<i>Total equity</i> \$
At 1 July 2014	158,420	-	56,377,887	56,536,307
Profit for the year	-	2,558,230	-	2,558,230
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	2,558,230	-	2,558,230
Transfers				
Redeemed preference share capital	5,650	(5,650)	-	-
Transfers to/(from) reserves (Note 20)	-	(2,552,580)	2,552,580	-
Total transfers	5,650	(2,558,230)	2,552,580	-
Transactions with owners in their capacity as owners	-	-	-	-
At 30 June 2015	164,070	-	58,930,467	59,094,537
At 1 July 2013	151,120	-	53,323,631	53,474,751
Profit for the year	-	2,953,764	-	2,953,764
Other comprehensive income				
Net gain on revaluation of land and buildings, net of tax	-	-	107,792	107,792
Total comprehensive income for the year	-	2,953,764	107,792	3,061,556
Transfers				
Redeemed preference share capital	7,300	(7,300)	-	-
Transfers to/(from) reserves (Note 20)	-	(2,946,464)	2,946,464	-
Total transfers	7,300	(2,953,764)	2,946,464	-
Transactions with owners in their capacity as owners	-	-	-	-
At 30 June 2014	158,420	-	56,377,887	56,536,307

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
Operating activities			
Interest received		28,534,708	30,024,952
Payments to suppliers and employees		(9,550,291)	(9,082,832)
Dividends received		116,983	151,390
Fees and commissions received		2,440,089	2,526,590
Other income		39,436	51,287
Interest and other costs of finance paid		(17,025,116)	(19,077,352)
Income tax paid		(1,373,661)	(1,184,298)
Net movement in financial assets held to maturity		(26,945,885)	(2,636,156)
Net movement in loans and advances		5,521,908	6,600,611
Net movement in deposits		12,777,560	(4,819,280)
Net cash flows from/(used in) operating activities	21(b)	(5,464,269)	2,554,912
Investing activities			
Purchase of property, plant and equipment		(286,463)	(109,672)
Purchase of intangible assets		(352,195)	(358,833)
Net cash flows used in investing activities		(638,658)	(468,505)
Net increase/(decrease) in cash and cash equivalents		(6,102,927)	2,086,407
Cash and cash equivalents at 1st July		20,237,377	18,150,970
Cash and cash equivalents at 30th June	8	14,134,450	20,237,377

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2015

1 CORPORATE INFORMATION

The financial statements cover Railways Credit Union Ltd (the 'Credit Union') for the financial year ended 30 June 2015 and were authorised for issue in accordance with a resolution of the Directors on 30 September 2015.

Railways Credit Union Ltd is an unlisted public company limited by shares, incorporated and domiciled in Australia.

For the purpose of preparing the financial statements, the Credit Union is a for profit entity.

The registered office and principal place of business of the Credit Union is: Level 1, 179 Ann Street, Brisbane, QLD 4000.

The nature of the operations and principal activities of the Credit Union are described in the Directors' report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Credit Union in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards including Australian Accounting Interpretations, and the Prudential Standards set down by the Australian Prudential Regulation Authority (APRA).

The financial statements have been prepared on an accruals basis and are based on historical costs except for land and buildings and certain financial assets and financial liabilities that are measured at fair value.

The presentation currency of the financial statements is Australian Dollars.

(b) Compliance with IFRS

The financial statements comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) New and amended accounting standards and interpretations adopted during the year

The Credit Union applied, for the first time, certain standards and amendments which are effective for annual periods beginning on or after 1 July 2014. The nature and the impact of each new standard and/or amendment are described below:

New/revised pronouncements	Nature of change	Impact on the Credit Union
Offsetting Financial Assets and Financial Liabilities — Amendments to AASB 132 <i>Financial Instruments: Presentation</i>	These amendments add application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	These amendments have no impact on the Credit Union. These amendments merely clarify existing requirements in AASB 132 and the credit union doesn't have any legally enforceable offsetting arrangements.
Recoverable Amount Disclosures for Non-Financial Assets — Amendments to AASB 136 <i>Impairment of Assets</i>	These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.	These amendments have no impact on the Credit Union given that they are largely of the nature of clarification of existing requirements and the Credit Union has no non-financial assets impaired at 30 June 2015.

Notes to the Financial Statements

For the year ended 30 June 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New and amended accounting standards and interpretations adopted during the year (continued)

New/revised pronouncements	Nature of change	Impact on the Credit Union
AASB 1031 <i>Materiality</i>	The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn.	These amendments have no impact on the Credit Union.

(d) New and amended accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the Credit Union. The Credit Union's assessment of the impact of these new standards and interpretations is set out below.

New/revised pronouncements	Nature of change	Application date to the Credit Union	Impact on the Credit Union
AASB 9 <i>Financial Instruments</i> (December 2014)	The AASB has issued the complete AASB 9. The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. This supersedes AASB 9 (issued in December 2009-as amended) and AASB 9 (issued in December 2010).	30 June 2019	AASB 9 may have a potential increase in the Credit Union's loans and advances provisioning. However, the Credit Union has not yet fully assessed the impact of AASB 9 as this standard does not apply mandatorily before 1 January 2018.
AASB 15 <i>Revenue from Contracts with Customers</i>	The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.	30 June 2018	The Credit Union has not yet assessed the full impact of this Standard.

The following standards and interpretations which are not applicable to the Credit Union have been issued by the AASB but are not yet effective for the period ended 30 June 2015:

New/revised pronouncements	Application date to the Credit Union
AASB 14 <i>Regulatory Deferral Accounts</i>	30 June 2017
AASB 2014-4 <i>Amendments to Australian Accounting Standards-Clarification of Acceptable Methods of Depreciation and Amortisation</i>	30 June 2017

Notes to the Financial Statements

For the year ended 30 June 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial assets and financial liabilities

Introduction

(i) Initial recognition

The Credit Union initially recognises loans and advances to members, deposits from members, debt securities and subordinated liabilities on the date that they are originated. All other financial assets and financial liabilities (including financial assets and financial liabilities designated at fair value through profit and loss) are initially recognised on trade date when the related contractual rights or obligations exist.

(ii) Derecognition

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

(iii) Offsetting

Financial assets and liabilities are set-off and the net amount presented in the Statement of Financial Position when, and only when, the Credit Union has a legal right to set-off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(iv) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(v) Identification and measurement of impairment

Refer Note 2(f) for details.

Application

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held in banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risks of changes in their value, and are used by the Credit Union in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

Loans and advances to members

Loans and advances to members are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Credit Union does not intend to sell immediately or in the near term. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Notes to the Financial Statements

For the year ended 30 June 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial assets and financial liabilities (continued)

Application (continued)

Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity or available for sale.

(i) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Credit Union has a positive intent and ability to hold to maturity, and which are not designated as available for sale.

Held-to-maturity investments are carried at amortised cost using the effective interest rate method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Credit Union from classifying investment securities as held-to-maturity for the current and the following two financial years.

The Credit Union assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in estimated future cash flows.

Impairment losses are measured as the difference between the investment's carrying amount and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the investment's original effective interest rate. Impairment losses are recognised in profit or loss.

(ii) Available-for-sale

Available-for-sale investments are non-derivative investments that are not designated as another category of financial asset.

After initial recognition, available-for-sale investments are measured at fair value. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. Unrealised gains or losses arising from changes in the fair value of available-for-sale investments are recognised directly in other comprehensive income in the available-for-sale investments revaluation reserve. On sale, the amount held in the available-for-sale reserve associated with that asset is recognised in profit or loss as a reclassification adjustment.

Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset below its cost (which constitutes objective evidence of impairment) the cumulative loss recognised in other comprehensive income is reclassified from the available-for-sale investments revaluation reserve to profit and loss as a reclassification adjustment. Reversals of impairment losses on equity instruments classified as available-for-sale cannot be reversed through profit or loss. Reversals of impairment losses on debt instruments classified as available-for-sale can be reversed through profit or loss where the reversal relates to an increase in the fair value of the debt instrument occurring after the impairment loss was recognised in profit or loss.

Interest income from available-for-sale investments is recognised in profit or loss using the effective interest method. Dividend income from available-for-sale investments is recognised in profit or loss when the Credit Union becomes entitled to the dividend.

Notes to the Financial Statements

For the year ended 30 June 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial assets and financial liabilities (continued)

Application (continued)

Deposits

Deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method. Interest on deposits is brought to account on an accrual basis. Interest accrued at the end of the reporting period is shown as a part of deposits.

Borrowings

Refer to note 2(l) for details.

(f) Impairment – member loans & advances

A provision for losses on impaired loans is recognised when there is objective evidence that impairment of a loan has occurred. All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden to the borrower.

Impairment losses on loans and advances are measured as the difference between the carrying amount of loans and advances and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan and advances original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The amount provided for impairment of loans is determined by Management and the Board. The Prudential Standards issued by APRA enable the minimum provision to be based on specific percentages of the loan balance, contingent upon the length of time the repayments are in arrears, and the security held. This approach is adopted by the Credit Union. Management and the Board also make a provision for loans in arrears where the collectability of the debt is considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impracticable. Note 3(c) details the credit risk management approach to loan impairment.

In addition, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolio. Movements in the general reserve for credit losses are recognised as an appropriation of retained earnings.

Bad debts are written off, as determined by Management and the Board, when it is reasonable to expect that the recovery of the loan is unlikely. All write-offs are on a case-by case basis, taking into account the exposure at the date of the write-off. On secured loans, the write-off takes place following ultimate realisation of collateral value.

Bad debts are written off against the provision for impairment where an impairment has previously been recognised in relation to a loan. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in profit or loss.

Renegotiated loans are loans and other similar facilities where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties of the member or group of members.

Notes to the Financial Statements

For the year ended 30 June 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Fair Value Measurement

Fair values may be used for financial and non-financial asset and liability measurement as well as sundry disclosures.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the Credit Union.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

In measuring fair value, the Credit Union uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

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.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(h) Property, plant and equipment

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

Property

Freehold land and buildings are measured at their fair value, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, less subsequent depreciation. 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.

A revaluation increase is credited to other comprehensive income unless it reverses a revaluation decrease on the same asset previously recognised in profit or loss. A revaluation decrease is recognised in profit or loss unless it directly offsets a previous revaluation increase on the same asset in the asset revaluation reserve. On disposal, any revaluation surplus relating to sold assets is transferred to retained earnings.

It is the policy of the Credit Union to have an independent valuation every three years, with annual appraisals being made by the Directors.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses, if any.

Notes to the Financial Statements

For the year ended 30 June 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment (continued)

Depreciation

The depreciable amount of all property, plant and equipment including buildings and capitalised leased assets but excluding freehold land, is depreciated over their useful lives to the Credit Union commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

Property, plant and equipment is depreciated on a straight-line basis.

A summary of the rates used is:

Buildings: 4%

Computer Hardware: 33.3%

Leasehold improvements: 10% - 48.5%

Office furniture and equipment: 10% - 15%

Motor vehicles: 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

(i) Leases

Lease payments for operating leases, where substantially all the risks and benefits incidental to ownership of the asset remain with the lessor, are recognised as expenses (net of incentives received from the lessor) on a straight line basis over the lease term.

(j) Impairment of assets (excluding financial assets)

At each reporting date, 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 (except for items carried at revalued amount).

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives, if applicable.

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.

(k) Intangibles

Computer Software

Items of computer software which are not integral to the computer hardware owned by the Credit Union are classified as intangible assets with a finite life. Computer software is amortised on a straight line basis over the expected useful life of the software. These lives range from 3 – 5 years.

(l) Borrowings

Borrowings are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Credit Union chooses to carry the liabilities at fair value through the profit or loss. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Notes to the Financial Statements

For the year ended 30 June 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Employee benefits

Provision is made for the liability of employee benefits arising from services rendered by employees to the end of the reporting period.

Short-term employee benefits

Liabilities for wages, salaries and sick leave and bonuses and the value of fringe benefits received (including non-monetary benefits) that are expected to be settled wholly within twelve months of the end of the reporting period are recognised in other payables in respect of employee services provided to the end of the reporting period and are measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Long-term employee benefits

Liabilities for long service leave and annual leave are not expected to be settled within twelve months of the end of the reporting period. They are recognised as provisions for employee benefits and other payables and are measured at the present value of the expected future payments to be made in respect of services provided to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salary and wage increases, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions are made by the Credit Union to employee superannuation funds and are recognised in profit or loss when incurred.

(n) Revenue

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the members loan account on the last day of each month. Loan interest revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset to the net carrying amount of the asset.

When a loan is classified as impaired, the Credit Union ceases to recognise interest and other income earned but not yet received. Loan interest is generally not brought to account if a loan has been transferred to a debt collection agency, a judgement has been obtained, or where repayments are in arrears and the prospect of a contribution from the member is minimal. However, accrued interest may be recovered as part of the recovery of the debt.

Loan origination fee income and loan transaction costs that are direct and incremental to the establishment of loans are deferred and amortised as a component of the calculation of the effective interest rate in relation to the originated loans.

Fees charged on loans after origination of the loan are recognised in profit or loss when the service is provided.

Fees and commissions are recognised on an accruals basis when service to the customer has been rendered and a right to receive the consideration has been attained.

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

Notes to the Financial Statements

For the year ended 30 June 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of deductible temporary differences brought to account as deferred tax assets is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Credit Union will derive sufficient future assessable income to enable the deferred tax asset to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Credit Union has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

3 FINANCIAL RISK MANAGEMENT

By their nature, the activities of the Credit Union are principally related to the use of financial instruments. The Credit Union accepts deposits at both fixed and floating rates for various periods. Surplus liquidity is invested in high quality assets. Accordingly, the activities of the Credit Union expose it to the following key financial risks; market risk (including interest rate risk), credit risk and liquidity risk.

Treasury risk management is carried out by an appropriately skilled and trained management team and is monitored by an independent Risk Management Committee, under Board mandated and approved risk policies. The management team identifies, evaluates and if deemed appropriate, hedges financial risk, in close co-operation with the operating units. The Board approves written principles for overall risk management, as well as detailed policies covering specific areas, such as mitigating interest and credit risk, specific large credit exposures and loan arrears.

(a) Risk management

Oversight of risk management is the responsibility of the Risk Management Committee operating in accordance with formal risk policies approved by the Board. The Risk Management Committee, which meets regularly, comprises independent non-executive Directors. It recommends to the Board the risk management policies which the Audit and Compliance Committee monitor. This includes the identification, assessment and reporting of risks. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations.

Notes to the Financial Statements

For the year ended 30 June 2015

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Risk management (continued)

The Audit and Compliance Committee, which comprises independent non-executive Directors, oversees the testing and assessment of internal controls implemented by management to manage material risk. The internal audit program is approved by this committee, and it considers the outcome of both internal and external audit reports. The committee monitors compliance with Board policies as well as prudential and statutory requirements. The committee reviews annual financial statements prior to sign off by the Board, and oversees breach reporting to regulatory bodies such as APRA and ASIC.

The Chief Executive Officer (CEO) annually certifies to APRA that senior management and the Board have identified key risks facing the Credit Union, established systems to monitor those risks, including setting and requiring adherence to a series of prudential limits and adequate, timely reporting processes, and they ensure that these risk management systems are operating effectively and are adequate having regard to the risks they are designed to control. Any breaches in compliance are reported to the Board in a timely manner in accordance with the applicable policy.

(b) Market risk

Market risk is the potential adverse change in the Credit Union's income or the value of the Credit Union's net worth arising from movements in interest rates or other market prices. The objective of the Credit Union is to manage and control market risk exposure in order to minimise risk and optimise return. The Credit Union is not exposed to currency risk or any other significant price risk. It does not trade in the financial instruments it holds on its books and is only exposed to interest rate risk arising from changes in market interest rates.

The management of market risk is the joint responsibility of the Chief Financial Officer (CFO) (formerly Finance Manager) and CEO.

Market risk is measured and reported using a variety of techniques, according to the appropriateness of the technique to the exposure concerned. The techniques used to measure interest rate risk include interest rate repricing gap analysis, sensitivity analysis and interest rate risk management profiles which are conducted by management using a system developed by an independent risk management consultancy. Refer to 3(e) below for the detail of these policies and for quantitative disclosures in respect of interest rate risk.

(c) Credit risk

Credit risk is the risk of financial loss as a result of a default by counterparties to discharge contractual obligations. The Credit Union assumes credit risk predominantly from its lending activities. Exposure also arises from investment activities and off balance sheet financial instruments such as loan commitments.

Credit risk policy

Credit risk, being the most significant risk faced by the Credit Union, is managed to ensure exposure is minimised while supporting sound growth.

(i) Loans and advances

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loan is approved and close monitoring of defaults in the repayment of loans thereafter. The credit policy has been endorsed by the Board to ensure that loans are only made to members who are considered capable of meeting loan repayments. A regular review of compliance with these policies is conducted as part of the scope of internal audit.

(ii) Liquid investments

Credit risk in relation to liquid investments is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Credit Union. Refer to note 3(d).

Notes to the Financial Statements

For the year ended 30 June 2015

3 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

Credit risk management

(i) Loans and advances

Concentrations of risk arise when loans are extended to customers of similar risk characteristics, such as industry and geographic location. Credit risk is minimised by dealing with a large number of individual members. A sizeable portion of the loan book is represented by residential mortgages. The primary means of reducing the risk on these loans is the acquisition of security, which is normally residential property in Australia.

The Credit Union has a concentration in retail lending to members who are employees of Queensland Rail or Aurizon. This concentration is considered acceptable as the Credit Union was formed to service these members, and the employment concentration is not exclusive. Should members leave the industry, the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans.

It is the policy of the Credit Union to allow members with a secured loan or advance reasonable assistance and opportunity to rectify a breach prior to recovery procedures being initiated. However, if a counterparty has failed to make a payment when contractually due, various actions are triggered such as re-negotiation, enforcement of covenants or legal proceedings and the impairment and provisioning policies are actioned.

Concentrations of credit risk on loans greater than 10% of capital currently arise in the following categories:

Industry	Maximum credit exposure			
	% of total loans		\$	
	2015	2014	2015	2014
Queensland Rail employees	26.39%	27.06%	125,579,190	130,304,670
Aurizon employees	24.18%	25.41%	115,061,478	122,400,099

At the balance date there were no concentrations of credit risk on loans to individual members (including associated members) greater than 10% of capital.

(ii) Liquid investments

There is presently no concentration of credit risk with respect to the investment receivable of the Credit Union. To limit the concentration of risk, the Credit Union uses the following credit rating limits:

S&P Credit Rating	Eligible Capital Base	
	Investment in an individual ADI	Investment in a number of ADIs
	Maximum	Maximum
AAA to A-	50%	N/A
BBB+ to BBB-	25%	75%
Unrated*	5%	15%

* Deposits with Indue Limited (Indue) are excluded from the calculation relevant to these limits. Indue provides transaction and settlement services and the Credit Union must deposit with Indue a security amount calculated on the basis of previous twelve month's average banking transactions provided by Indue to the Credit Union.

Notes to the Financial Statements

For the year ended 30 June 2015

3 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

Measurement of credit risk

(i) Loans and advances

Lending conditions are continually monitored to compare the position of the Credit Union to the rest of the market to ensure that opportunities are maximised and the Credit Union is prepared for downturns.

Comprehensive reports are tabled on a regular basis to the Board and senior executive dissecting the loan book balance into various risk profiles. For example, in relation to retail loans risk characteristics such as geographic distribution of loans, security type, occupancy type, loan to value ratios, and mortgage insurance percentages are detailed.

Stress testing is an integral tool in the management of credit risk exposure, by projecting financial impacts of movements in market conditions, particularly movements in interest rates. Recent stress testing has indicated that the Credit Union is resistant to moderate interest rate fluctuations.

(ii) Liquid investments

The Credit Union uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure.

Prior to placing an investment with an acceptable unrated ADI, Management must ensure sufficient due diligence is undertaken to satisfy itself that the unrated ADI is a financially viable and stable entity. As part of this process, Management will review the unrated ADI's most recent annual report, and such other financial information as may be available. Management will also ensure the unrated ADI is licensed with APRA.

The carrying values associated with each credit quality step for the Credit Union are as follows:

	2015	2014
	<i>Carrying value</i>	<i>Carrying value</i>
	\$	\$
ADI's – rated AAA to A-	63,507,442	58,057,530
ADI's – rated BBB+ to BBB-	38,007,428	23,088,435
ADI's – unrated	7,258,400	6,784,347
Total	<u>108,773,270</u>	<u>87,930,312</u>

Impairment and provisioning policies

(i) Loans and advances

The Credit Union recognises an impairment allowance for impairment losses in relation to loans based on losses that have been incurred at balance date using objective evidence for impairment.

Once a loan is past due by 90 days (14 days for overdrafts) it is considered impaired unless other factors indicate that the impairment should be recognised sooner. Management make judgements about a counterparty's financial situation and the net realisable value of any underlying collateral to estimate future cash flows.

Due to the different methodologies used, the allowance for impairment losses calculated for the purposes of Australian Accounting Standards is significantly different to the required prescribed provision as determined for APRA reporting purposes.

Key assumptions in determining the provision for impairment

In the course of the preparation of the financial statements, the Credit Union has determined the likely impairment loss on loans and overdrafts which have not maintained loan repayments in accordance with the contract, or where there is other evidence of potential impairment such as bankruptcy, industrial restructuring, job losses or economic circumstances.

Notes to the Financial Statements

For the year ended 30 June 2015

3 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

Impairment and provisioning policies (continued)

In identifying the impairment likely from these events the Credit Union is required to estimate the potential impairment, using the length of time the loan is in arrears, and the historical losses arising in past years. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses. An estimate is based on the period of impairment.

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

Period of impairment	Unsecured Overdrafts % of balance	Unsecured Loans % of balance	Secured Loans and Overdrafts % of balance
Less than 14 days	-	-	-
14 to 89 days	40%	-	-
90 days to 181 days	75%	40%	5%
182 days to 272 days	100%	60%	10%
273 days to 364 days	100%	80%	15%
Over 364 days	100%	100%	20%

Quantitative disclosures in respect of the calculation and aging analysis of loans and advances is set out in Note 13.

Credit risk exposure

The Credit Union's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the Statement of Financial Position where the maximum credit risk exposure is \$563,310,225 (2014: \$576,747,034).

In relation to loans, the maximum credit exposure is the value of the Statement of Financial Position plus the undrawn facilities (loans approved not advanced, overdraft limits). Details of undrawn facilities are shown in Note 22(b). Details of collateral held as security are disclosed in Note 13(i).

(d) Liquidity risk

Liquidity risk is the risk that the Credit Union may encounter difficulties raising funds to meet commitments associated with financial instruments e.g. borrowing repayments or member withdrawal demands. It is the policy of the Board that the Credit Union maintains adequate cash reserves so as to meet the member withdrawal demands when requested.

Liquidity risk management

The Credit Union manages liquidity risk by:

- ▶ Continuously monitoring actual daily cash flows and longer term forecast cash flows;
- ▶ Monitoring the maturity profiles of financial assets and liabilities;
- ▶ Maintaining adequate reserves, liquidity support facilities and borrowing facilities; and
- ▶ Monitoring the prudential liquidity ratio daily.

The Credit Union has a long standing arrangement with the industry liquidity support scheme, CUFSS, which can access industry funds to provide support to the Credit Union should this be necessary at short notice.

The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours under the APRA Prudential Standards. The Credit Union's policy is to apply an operational minimum of 12.5% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level the Management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits and the borrowing facilities available. Note 25 describes the borrowing facilities as at balance date.

Notes to the Financial Statements

For the year ended 30 June 2015

3 FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

Liquidity risk management (continued)

The ratio of liquid funds over the past year is set out below:

	2015	2014
Ratio to total adjusted liabilities:		
- As at 30 June	18.28%	14.88%
- Average for the year	17.38%	14.69%
- Minimum during the year	14.97%	14.52%

Ratio to total deposits:

- As at 30 June	18.57%	15.21%
-----------------	--------	--------

Maturity profile of financial liabilities

The table below shows the undiscounted cash flows on the Credit Union's financial liabilities, including unrecognised loan commitments on the basis of the earliest possible contractual maturity.

These values will not agree to the statement of financial position.

The Credit Union's expected cash flows on financial liabilities vary significantly from this analysis. For example, on-call deposits from customers are expected to maintain a stable or increasing balance and unrecognised loan commitments are not all expected to be drawn down immediately.

To manage the liquidity risk arising from financial liabilities, the Credit Union holds liquid assets comprising cash and cash equivalents and investment grade investment securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. Hence, the Credit Union believes that it is not necessary to disclose a maturity analysis in respect of these assets to enable the users to evaluate the nature and extent of liquidity risk.

The maturity profile of the Credit Union's financial liabilities is shown in the following table:

Year ended 30 June 2015	Carrying value	Within 1 month	1-3 months	3-12 months	1-5 years	No maturity	Gross nominal outflows
	\$	\$	\$	\$	\$	\$	\$
FINANCIAL LIABILITIES							
Deposits	529,705,149	452,889,402	25,983,036	45,775,427	6,111,564	-	530,769,429
Other payables	998,123	756,680	-	-	-	241,443	998,123
Total financial liabilities	530,703,272	453,646,082	25,983,036	45,775,427	6,111,564	241,443	531,767,552

Off balance sheet items
undrawn (note 22(b)).

- 87,503,911

Year ended 30 June 2014	Carrying value	Within 1 month	1-3 months	3-12 months	1-5 years	No maturity	Gross nominal outflows
	\$	\$	\$	\$	\$	\$	\$
FINANCIAL LIABILITIES							
Deposits	517,416,128	428,431,662	30,900,487	52,773,434	7,129,500	-	519,235,083
Other payables	685,247	446,394	-	-	-	238,853	685,247
Total financial liabilities	518,101,375	428,878,056	30,900,487	52,773,434	7,129,500	238,853	519,920,330

Off balance sheet items
undrawn (note 22(b)).

- 95,118,264

Notes to the Financial Statements

For the year ended 30 June 2015

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Interest rate risk

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

The policy of the Credit Union is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The Credit Union aims to limit any loss due to a change in interest rates to be no greater than 3% of regulatory capital. The gap is measured monthly to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposit liabilities to rectify the imbalance to within acceptable levels. The Credit Union can undertake derivative transactions to reduce the interest rate risks.

A review of the interest rate risk management profile is conducted by Management. The Board monitors interest rate risk through these reviews and other Management reports.

Based on calculations as at 30 June 2015, the profit before tax and equity impact for a 1% (2014: 1%) movement in interest rates would be as follows:

Movement in interest rates	2015		2014	
	Impact on Profit after tax	Impact on Equity	Impact on Profit after tax	Impact on Equity
1% Increase	63,350	63,350	344,050	344,050
1% Decrease	(63,350)	(63,350)	(344,050)	(344,050)

The method used in determining the sensitivity is to evaluate the profit impact based on the timing of the interest repricing on the banking book of the Credit Union for the next 12 months. In doing the calculation the assumptions applied were that:

- ▶ the interest rate change would be applied equally to loans, term deposits and savings;
- ▶ the rate change would be as at the beginning of the 12 month period and no other rate changes would be effective during the period;
- ▶ the term deposits would all reprice to the new interest rate at the term maturity;
- ▶ savings that are considered by the Credit Union to be sensitive to interest rate changes would all reprice in the event of a rate change within 30 days;
- ▶ savings that are not considered by the Credit Union to be sensitive to interest rate changes and are as a consequence less likely to change in the future, would reprice no earlier than 1 year;
- ▶ variable interest rate mortgage loans would all reprice to the new interest rate within 30 days;
- ▶ fixed rate mortgage loans would all reprice at a new interest rate at the expiry of their fixed rate period.
- ▶ personal loans would reprice to the new interest rate within 30 days;
- ▶ all loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms);
- ▶ the value and mix of call savings to term deposits will be unchanged; and
- ▶ the value and mix of personal loans to mortgage loans will be unchanged.

There has been no significant change to the Credit Union's exposure to market risk or the way the Credit Union manages and measures interest rate risk in the reporting period.

Notes to the Financial Statements

For the year ended 30 June 2015

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Interest rate risk (continued)

Interest rate risk maturity profile

The Credit Union's exposure to interest rate risk, which is the risk that a financial instrument's value or cash flows will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate on classes of financial assets and financial liabilities, is set out below.

	Floating interest rate \$	Fixed interest rate maturing			Non-interest sensitive \$	Total \$	Effective interest rate
		Within 1 year \$	1-5 years \$	Over 5 years \$			
2015							
Assets							
Cash and cash equivalents	13,133,847	1,000,603	-	-	-	14,134,450	2.70%
Financial assets available for sale	-	-	-	-	825,775	825,775	N/A
Other receivables	-	-	-	-	615,729	615,729	N/A
Financial assets held to maturity	-	94,638,820	-	-	-	94,638,820	2.85%
Loans and advances	433,927,958	7,403,677	33,458,444	-	-	474,790,079	4.96%
	447,061,805	103,043,100	33,458,444	-	1,441,504	585,004,853	
Liabilities							
Deposits from members	426,241,688	97,488,512	5,974,949	-	-	529,705,149	2.88%
Other payables	-	-	-	-	998,123	998,123	N/A
	426,241,688	97,488,512	5,974,949	-	998,123	530,703,272	
2014							
Assets							
Cash and cash equivalents	20,237,377	-	-	-	-	20,237,377	2.97%
Financial assets available for sale	-	-	-	-	825,775	825,775	N/A
Other receivables	-	-	-	-	829,360	829,360	N/A
Financial assets held to maturity	-	67,692,935	-	-	-	67,692,935	3.22%
Loans and advances	465,686,527	3,142,651	11,814,484	-	-	480,643,662	5.52%
	485,923,904	70,835,586	11,814,484	-	1,655,135	570,229,109	
Liabilities							
Deposits from members	397,636,702	112,765,610	7,013,816	-	-	517,416,128	3.36%
Other payables	-	-	-	-	685,247	685,247	N/A
	397,636,702	112,765,610	7,013,816	-	685,247	518,101,375	

Notes to the Financial Statements

For the year ended 30 June 2015

3 FINANCIAL RISK MANAGEMENT (continued)

(f) Operational risk

Operational risk is the risk of loss to the Credit Union resulting from deficiencies in 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 legal, compliance, business continuity, data infrastructure, outsourced services, fraud, and employee errors.

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses through the implementation of controls, whilst avoiding procedures which inhibit innovation and creativity. These risks are managed through the implementation of policies and systems to monitor the likelihood of the events and minimise the impact.

Systems of internal control are enhanced through:

- ▶ The segregation of duties between employee duties and functions, including approval and processing duties;
- ▶ Documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour;
- ▶ Implementation of whistle blowing policies to promote a compliance culture and awareness of duty to report exceptions by staff;
- ▶ Education of members to review their account statements and report exceptions to the Credit Union promptly;
- ▶ Effective dispute resolution procedures to respond to member complaints;
- ▶ Effective insurance arrangements to reduce the impact of losses;
- ▶ Contingency plans for dealing with loss of functionality of systems or premises or staff; and
- ▶ The use of a software system designed to manage controls and compliance related tasks.

Fraud

Fraud can arise from members' banking activities including where either PIN or passwords are being compromised and are not protected adequately by the member. It can also arise from other system failures. The Credit Union has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail ADIs fraud is potentially a real cost to the Credit Union. Fraud losses have arisen from Visa card transactions and internet banking activity.

IT Systems

The Credit Union manages the majority of its IT environment with the contracted support of specialist organisations. The Credit Union's investment in its IT environment and training of the IT staff is significant so as to ensure that the Credit Union is able to meet member expectations and service requirements. Other network suppliers are engaged on behalf of the Credit Union by Indue Limited to service the settlements with other financial institutions for direct entry, Visa cards, member chequing and BPay.

The Credit Union's disaster recovery site is sufficiently equipped to mitigate the risk of a disaster having a significant impact on the Credit Union's financial position.

(g) Capital management

The Credit Union is regulated by APRA. As a result the Credit Union must, for capital adequacy purposes, hold the minimum levels of capital required by Australian Prudential Standard (APS) 110 Capital Adequacy. As part of these requirements the Credit Union must hold Tier 1 capital and may also include tier 2 capital as part of its required capital holding up to certain prescribed limits.

Tier 1 capital comprises the highest quality components of capital that fully satisfy the following essential characteristics:

- (a) provide a permanent and unrestricted commitment of funds;
- (b) are freely available to absorb losses;
- (c) do not impose any unavoidable servicing charge against earnings; and
- (d) rank behind claims of depositors and other creditors in the event of winding up.

Notes to the Financial Statements

For the year ended 30 June 2015

3 FINANCIAL RISK MANAGEMENT (continued)

(g) Capital management (continued)

For the purpose of calculating the Credit Union's capital base, Tier 1 capital consists of retained earnings, realised reserves, available for sale reserve (which arises from the revaluation of financial instruments categorised as available for sale and reflects the net gains in the fair value of those assets) and current year earnings. The Credit Union's Tier 1 capital accordingly consists of only Common Equity Tier 1 capital.

Tier 2 capital includes other components that, to varying degrees, fall short of the quality of Tier 1 capital, but nonetheless contribute to the overall strength of an institution as a going concern. Tier 2 capital consists of a general reserve for credit losses.

Capital in the Credit Union is made up as follows:

	2015 \$	2014 \$
Tier 1 Capital		
General reserve	52,184,830	49,225,065
Retained earnings	2,558,230	2,953,764
Asset revaluation reserve	3,235,725	3,235,725
Capitalised loan origination and settlement costs	(71,868)	-
Prescribed deductions	(1,425,352)	(1,276,027)
Net Tier 1 capital	<u>56,481,565</u>	<u>54,138,527</u>
Tier 2 Capital		
Reserve for credit losses	951,680	963,325
Net Tier 2 capital	<u>951,680</u>	<u>963,325</u>
Total Tier 1 & Tier 2 Capital	<u>57,433,245</u>	<u>55,101,852</u>
Less deductions from total capital	-	-
Total Capital	<u>57,433,245</u>	<u>55,101,852</u>

Credit Unions are required to maintain a minimum total capital level of 8% of risk weighted assets at any given time in accordance with APRA Prudential Standards.

The capital ratio as at the end of the financial year and for the past 4 years was as follows:

2015	2014	2013	2012	2011
<u>20.00%</u>	19.90%	18.90%	17.45%	16.28%

The level of capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets.

To manage the Credit Union's capital, the Credit Union reviews the ratio monthly and monitors major movements in asset levels. Policies have been implemented which require reporting to the Board and the regulator if the capital ratio falls below 15%.

The capital ratio requirements were met at all times during the financial year.

Notes to the Financial Statements

For the year ended 30 June 2015

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant accounting judgements

Impairment of non-financial assets

The Credit Union assesses impairment of all assets at each reporting date by evaluating conditions specific to the Credit Union and to the particular asset that may lead to impairment. No impairment indicators were noted during this review.

Taxation

The Credit Union's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of profit or loss and other comprehensive income.

(ii) Significant accounting estimates and assumptions

Estimation of useful life of an asset

The estimation of the useful life of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment), remainder of lease term (for leasehold improvements) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life and adjustments are made when considered necessary. Depreciation charges are included in Note 14.

Impairment of financial assets

Refer to note 3(c) for policies regarding impairment of financial assets.

Notes to the Financial Statements

For the year ended 30 June 2015

5 INCOME	2015	2014
	\$	\$
(a) Interest income on assets carried at amortised cost		
Cash and cash equivalents	524,623	568,373
Financial assets held to maturity	2,678,823	2,494,624
Loans and advances	25,278,145	27,054,691
Total interest income	<u>28,481,591</u>	<u>30,117,688</u>
(b) Non-interest income		
Fees and commissions	2,395,988	2,443,068
Dividends received - other corporations	116,983	151,390
Bad debts recovered	32,803	48,992
Frauds recovered	6,164	-
Other	469	2,295
	<u>2,552,407</u>	<u>2,645,745</u>
TOTAL INCOME	<u>31,033,998</u>	<u>32,763,433</u>
6 EXPENSES	2015	2014
	\$	\$
(a) Interest expense on liabilities carried at amortised cost		
Borrowings	3,089	6,261
Deposits	16,791,171	18,644,629
Total interest expense	<u>16,794,260</u>	<u>18,650,890</u>
(b) Employee benefits expense		
Wages, salaries and other employee benefits expense	4,834,107	4,472,138
Workers' compensation costs	7,730	9,591
Defined contribution superannuation expense	406,021	375,837
Total employee benefits expense	<u>5,247,858</u>	<u>4,857,566</u>
(c) Depreciation and amortisation expense		
Depreciation of non-current assets		
Buildings	117,996	117,996
Plant and equipment	238,018	241,987
Total depreciation of non-current assets	<u>356,014</u>	<u>359,983</u>
Amortisation of non-current assets		
Computer software	202,870	140,263
Total amortisation of non-current assets	<u>202,870</u>	<u>140,263</u>
Total depreciation and amortisation expense	<u>558,884</u>	<u>500,246</u>
(d) Impairment		
Impairment of financial assets	412,721	575,629
	<u>412,721</u>	<u>575,629</u>
(e) Other expenses		
Information technology expenses	857,942	822,650
Marketing and promotion expenses	689,125	461,516
Member withdrawal expenses	909,812	894,760
Operating lease expenses	132,038	132,006
Other occupancy expenses	171,795	171,277
Other expenses	1,627,375	1,526,364
Total other expenses	<u>4,388,087</u>	<u>4,008,573</u>

Notes to the Financial Statements

For the year ended 30 June 2015

7 INCOME TAX	2015	2014
	\$	\$
(a) Income tax expense		
The major components of income tax expense are:		
<i>Current income tax</i>		
Current income tax charge	1,133,159	1,277,766
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(59,195)	(61,001)
Income tax expense	<u>1,073,964</u>	<u>1,216,765</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Credit Union's applicable income tax rate is as follows:		
Accounting profit before tax	<u>3,632,194</u>	<u>4,170,529</u>
<i>At Company's statutory income tax rate of 30% (2013: 30%)</i>	<u>1,089,658</u>	<u>1,251,159</u>
Adjustments in respect of current income tax of previous years		-
Non-deductible entertainment	12,845	11,021
Rebateable fully franked dividends	(35,096)	(45,415)
Tax building depreciation / building allowance		-
Other non-deductible items	6,557	-
Aggregative income tax expense	<u>1,073,964</u>	<u>1,216,765</u>
(c) Recognised deferred tax assets and liabilities		
Deferred income tax at 30 June relates to the following:		
<i>(i) Deferred tax liabilities</i>		
Land & buildings - recognised in other comprehensive income	249,146	249,146
Land & buildings - recognised in profit or loss	602,728	638,606
Gross deferred tax liabilities	<u>851,874</u>	<u>887,752</u>
<i>(ii) Deferred tax assets</i>		
Provisions	510,983	475,110
Deferred application fees	-	459
Depreciation	56,933	69,029
Other	15,172	15,172
Gross deferred tax assets	<u>583,088</u>	<u>559,770</u>
Net deferred tax liabilities	<u>268,786</u>	<u>327,982</u>

Notes to the Financial Statements

For the year ended 30 June 2015

7 INCOME TAX (continued)	2015	2014
	\$	\$
(d) The movement in deferred tax assets and liabilities for each temporary difference during the year is as follows:		
Deferred income tax at 30 June relates to the following:		
<i>(i) Deferred tax liabilities</i>		
<u>Land & buildings – recognised in other comprehensive income</u>		
Opening balance	249,146	202,950
Change recognised in other comprehensive income	-	46,196
Closing balance	<u>249,146</u>	<u>249,146</u>
<u>Land & buildings – recognised in profit or loss</u>		
Opening balance	638,606	674,005
Change recognised in profit or loss	(35,878)	(35,399)
Closing balance	<u>602,728</u>	<u>638,606</u>
Gross deferred tax liabilities	<u>851,874</u>	<u>887,752</u>
<i>(ii) Deferred tax assets</i>		
<u>Provisions</u>		
Opening balance	475,110	442,604
Change recognised in profit or loss	35,873	32,506
Closing balance	<u>510,983</u>	<u>475,110</u>
<u>Deferred application fees</u>		
Opening balance	459	7,255
Change recognised in profit or loss	(459)	(6,796)
Closing balance	<u>-</u>	<u>459</u>
<u>Depreciation</u>		
Opening balance	69,029	69,062
Change recognised in profit or loss	(12,096)	(33)
Closing balance	<u>56,933</u>	<u>69,029</u>
<u>Other</u>		
Opening balance	15,172	15,244
Change recognised in profit or loss	-	(72)
Closing balance	<u>15,172</u>	<u>15,172</u>
Gross deferred tax assets	<u>583,088</u>	<u>559,770</u>
Net deferred tax liabilities	<u>268,786</u>	<u>327,982</u>
(e) Franking credit balance		
Balance of the franking account at year-end adjusted for franking credits or debits arising from payment of the provision for income tax or receipt of dividends receivable at the end of the reporting period based on a tax rate of 30% (2014: 30%)	22,212,670	20,795,823
	<u>22,212,670</u>	<u>20,795,823</u>

Notes to the Financial Statements

For the year ended 30 June 2015

8 CASH AND CASH EQUIVALENTS	2015	2014
	\$	\$
Deposits with ADI's	14,134,450	20,237,377
	<u>14,134,450</u>	<u>20,237,377</u>

(a) Reconciliation to Statement of Cash Flows

For the purposes of the statement of cash flows, cash includes cash on hand and 'at call' deposits, net of overdrafts with other financial institutions. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2015	2014
	\$	\$
Deposits with ADI's	14,134,450	20,237,377
	<u>14,134,450</u>	<u>20,237,377</u>

(b) Fair value

Refer to Note 29(c) for details of the fair value of these financial instruments.

9 FINANCIAL ASSETS AVAILABLE-FOR-SALE	2015	2014
	\$	\$
<i>At Cost</i>		
Shares in other entities	825,775	825,775
	<u>825,775</u>	<u>825,775</u>
Amount of financial assets available for sale expected to be recovered more than 12 months after the reporting date	825,775	825,775

Shares in Cuscal Limited (Cuscal)

The shareholding in Cuscal is measured at cost as its fair value cannot be measured reliably. This company provides transactional banking solutions to various financial institutions across Australia. The shares are not publicly traded and are not redeemable.

The financial statements of Cuscal record net tangible assets backing these shares exceeding their cost value. Based on the net assets of Cuscal any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily. The Credit Union is not intending, nor able to dispose of these shares, without the Board's approval.

10 OTHER RECEIVABLES	2015	2014
	\$	\$
Accrued interest	574,671	627,788
Sundry debtors	41,058	201,572
	<u>615,729</u>	<u>829,360</u>

Fair value

Refer to Note 29(c) for details of the fair value of these financial instruments.

Notes to the Financial Statements

For the year ended 30 June 2015

11 FINANCIAL ASSETS HELD TO MATURITY

	2015	2014
	\$	\$
Deposits with Cuscal Limited	1,000,000	7,000,000
ADI interest bearing deposits	93,638,820	60,692,935
	94,638,820	67,692,935
Amount of financial assets held to maturity expected to be recovered more than 12 months after the reporting date	23,000,000	10,000,000

Fair value

Refer to note 29(c) for details of the fair value of these financial instruments.

12 LOANS AND ADVANCES

	2015	2014
	\$	\$
Overdrafts	105,346,794	114,693,156
Term loans	370,459,520	366,935,614
Gross loans and advances	475,806,314	481,628,770
Deferred application fees	(284,446)	(302,192)
Deferred loan document and settlement costs	71,868	8,485
Specific provisions for impairment (note 13)	(803,657)	(691,401)
Net loans and advances	474,790,079	480,643,662
Amount of loans and advances expected to be recovered more than 12 months after the reporting date	451,015,925	457,695,431

Fair value

Refer to note 29(c) for details of the fair value of these financial instruments.

13 IMPAIRMENT OF LOANS AND ADVANCES

	2015	2014
	\$	\$
(a) Provisions for impairment		
Opening balance	691,401	454,980
Doubtful debts (income)/expense	112,256	236,421
Closing balance	803,657	691,401
Details of credit risk management are set out in Note 3(c).		
(b) Provision for impairment calculation		
Provision prescribed by Prudential Standards	529,391	412,852
Additional specific provision	274,266	278,549
Closing balance	803,657	691,401
(c) Impairment expense on loans and advances		
Movement in provision for impairment	112,256	236,421
Bad debts written off directly to profit or loss	300,465	339,208
	412,721	575,629

Notes to the Financial Statements

For the year ended 30 June 2015

13 IMPAIRMENT OF LOANS AND ADVANCES (continued)

(d) Assets acquired from loan recovery

There were no assets acquired by the Credit Union during the financial year. The policy of the Credit Union is to exercise its power to sell the assets via auction at the earliest opportunity, after the measures to assist the members to repay the debts have been exhausted.

(e) Loans and advances by impairment class	2015 \$	2014 \$
Net impaired loans and advances – refer 13 (f)	972,060	479,107
Past due but not impaired – refer 13(g)	3,009,944	2,803,796
Neither past due or impaired – refer 13(h)	470,808,075	477,360,759
Net loans and advances	<u>474,790,079</u>	<u>480,643,662</u>
(f) Impaired loans and advances		
Impaired loans	1,775,717	1,170,508
Provision for impairment	(803,657)	(691,401)
	<u>972,060</u>	<u>479,107</u>

Individually impaired loans and advances to members at reporting date:

Purpose analysis

Housing	924,095	320,895
Personal including revolving credit	851,622	849,613
Provision for impairment	(803,657)	(691,401)
Carrying amount	<u>972,060</u>	<u>479,107</u>

(g) Past due but not impaired loans and advances

These loans are not considered impaired as the value of the related security over residential property is in excess of the loan due. Refer Note 13(i) for details of security held. Past due values are the 'on-balance sheet' loan balances.

Purpose analysis	2015 \$	2014 \$
Housing	2,694,287	2,557,732
Personal including revolving credit	315,657	246,064
Provision for impairment	-	-
Carrying amount	<u>3,009,944</u>	<u>2,803,796</u>
Aging analysis		
Past due [0-90] days in arrears	2,038,113	2,094,176
Past due [90-180] days in arrears	971,831	149,427
Past due [180-270] days in arrears	-	560,193
Carrying amount	<u>3,009,944</u>	<u>2,803,796</u>

Notes to the Financial Statements

For the year ended 30 June 2015

13 IMPAIRMENT OF LOANS AND ADVANCES (continued)

(h) Neither past due nor impaired loans and advances

	2015	2014
	\$	\$
Purpose analysis		
Housing	436,412,359	438,619,918
Personal including revolving credit	34,395,716	38,740,841
Provision for impairment	-	-
Carrying amount	<u>470,808,075</u>	<u>477,360,759</u>

All loans and advances that are neither past due nor impaired are with customers who are meeting the terms and conditions of their credit agreements. The above values include the balance of restructured loans and advances.

(i) Collateral held

The Credit Union holds collateral against loans and advances to customers as detailed below:

	2015	2014
	\$	\$
Loans and advances with no collateral	23,380,620	25,236,020
Loans and advances with collateral	452,425,694	456,392,750
Gross loans and advances	<u>475,806,314</u>	<u>481,628,770</u>

Where collateral is held, it is in the form of mortgage interests over property, other registered securities over assets, mortgage insurance and guarantees. The fair value of the collateral is measured at the time of providing the loan or advance and is required to be no less than 100% of the loan or advance not including capitalised fees and insurances. The fair value of the collateral is generally not updated except when a loan or advance is individually assessed as impaired. Collateral is usually not held over loans and advances to, or deposits with, other financial institutions. Collateral is usually not held against investment securities.

14 PROPERTY, PLANT AND EQUIPMENT

	2015	2014
	\$	\$
<i>Land and buildings</i>		
At valuation - 2014	4,250,000	4,250,000
Accumulated depreciation	(117,996)	-
Net carrying amount	<u>4,132,004</u>	<u>4,250,000</u>
<i>Plant and equipment</i>		
At cost	2,325,372	3,048,816
Accumulated depreciation	(1,376,629)	(2,148,518)
Net carrying amount	<u>948,743</u>	<u>900,298</u>
Total property, plant and equipment		
At valuation - 2014	4,250,000	4,250,000
At cost	2,325,372	3,048,816
Accumulated depreciation and impairment	(1,494,625)	(2,148,518)
Net carrying amount	<u>5,080,747</u>	<u>5,150,298</u>

Notes to the Financial Statements

For the year ended 30 June 2015

14 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliation of carrying amounts at the beginning and end of the period

	2015 \$	2014 \$
<i>Land and buildings</i>		
Net carrying amount at beginning of the year	4,250,000	4,214,008
Net revaluation movement	-	153,988
Depreciation charge	(117,996)	(117,996)
Balance at the end of the year	<u>4,132,004</u>	<u>4,250,000</u>
<i>Plant and equipment</i>		
Net carrying amount at beginning of the year	900,298	1,032,613
Additions	286,463	109,672
Depreciation charge for the year	(238,018)	(241,987)
Balance at the end of the year	<u>948,743</u>	<u>900,298</u>

(b) Revaluation of land and buildings

The valuations of freehold land and buildings were carried out by an independent firm, John Watt and Associates Valuers and Development Consultants on 2 April 2014.

The current market value of the property has been assessed on the basis of direct comparison reflecting a rate per square metre of floor area with a check valuation carried out on the basis of a capitalisation of the estimated net return. The revaluation was based on this market value. The revaluation was made in accordance with a policy to revalue land and buildings every three years. Land and buildings were revalued to \$4,250,000 as at 30 June 2014 based upon this independent valuation.

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

	2015 \$	2014 \$
Cost	1,347,967	1,347,967
Accumulated depreciation	(1,016,217)	(962,298)
Net book value	<u>331,750</u>	<u>385,669</u>

15 INTANGIBLE ASSETS

	2015 \$	2014 \$
<i>Computer software</i>		
At cost	1,820,431	1,687,697
Accumulated amortisation	(1,220,854)	(1,237,445)
Net carrying amount	<u>599,577</u>	<u>450,252</u>

(a) Reconciliation of carrying amount at beginning and end of the period

<i>Computer software</i>		
Balance at the beginning of the year at cost	450,252	231,682
Additions	352,195	358,833
Amortisation expense	(202,870)	(140,263)
Balance at the end of the year	<u>599,577</u>	<u>450,252</u>

Notes to the Financial Statements

For the year ended 30 June 2015

16 DEPOSITS	2015 \$	2014 \$
Current		
Call deposits (including withdrawable shares)	426,241,689	397,636,702
Term deposits	103,463,460	119,779,426
	529,705,149	517,416,128
 Amount of deposits expected to be settled more than 12 months after the reporting date	 5,900,679	 6,924,997

(a) Concentration of deposits

There are no concentrations of deposits greater than 10%.

(b) Fair value

Refer to note 29(c) for details of the fair value of these financial instruments.

17 OTHER PAYABLES	2015 \$	2014 \$
Annual leave	241,443	238,853
Sundry creditors and accrued expenses	756,680	446,394
	998,123	685,247

Fair value

Refer to Note 29(c) for details of the fair value of these financial instruments.

18 PROVISIONS	2015 \$	2014 \$
Long service leave and associated costs	553,652	567,464
	553,652	567,464

19 REDEEMED PREFERENCE SHARE CAPITAL	2015 \$	2014 \$
Redeemed preference share capital	164,070	158,420
	164,070	158,420

Under the *Corporations Act 2001* member shares are classified as redeemable preference shares. The redemption of these shares is required under the Act to be made from profits. The value of the shares that have been paid to members is in accordance with the terms and conditions of the share issue and the redemption account represents the amount of profits appropriated.

Notes to the Financial Statements

For the year ended 30 June 2015

20 RESERVES

	<i>Credit loss reserve (a)</i>	<i>Asset revaluation reserve (b)</i>	<i>General reserve (c)</i>	<i>Total</i>
	\$	\$	\$	\$
At 1 July 2013	977,204	3,127,933	49,218,494	53,323,631
Net gain on revaluation of buildings, net of tax	-	107,792	-	107,792
<i>Transfers</i>				
- Credit loss reserve	(13,879)	-	13,879	-
- General reserve	-	-	2,946,464	2,946,464
At 30 June 2014	963,325	3,235,725	52,178,837	56,377,887
<i>Transfers</i>				
- Credit loss reserve	(11,645)	-	11,645	-
- General reserve	-	-	2,552,580	2,552,580
At 30 June 2015	951,680	3,235,725	54,743,062	58,930,467

Nature and purpose of reserves

(a) *Credit loss reserve*

The credit loss reserve records amounts previously set aside as a general provision and is maintained to comply with the Prudential Standards as set down by APRA.

(b) *Asset revaluation reserve*

The asset revaluation reserve records revaluations of non-current assets.

(c) *General reserve*

The general reserve records funds set aside for future expansion of the Credit Union.

Notes to the Financial Statements

For the year ended 30 June 2015

21 CASH FLOW STATEMENT RECONCILIATION

(a) 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:

- (a) Deposits in and withdrawals from savings, money market and other deposit accounts;
- (b) Sales and purchases of dealing securities (if applicable);
- (c) Sales and purchases of maturing certificates of deposit;
- (d) Short-term borrowings; and
- (e) Provision of member loans and the repayment of such loans.

	2015 \$	2014 \$
(b) Reconciliation of net profit after tax to net cash flows from operating activities		
Net profit	2,558,230	2,953,764
<i>Adjustments for:</i>		
Depreciation	356,014	359,983
Amortisation	202,870	140,263
Impairment and write-off of non-current assets	412,721	575,629
 <i>Changes in assets and liabilities</i>		
(Increase)/Decrease in other receivables	213,631	430,679
(Increase)/Decrease in financial assets held to maturity	(26,945,885)	(2,636,156)
(Increase)/Decrease in loans and advances	5,440,862	6,549,701
(Increase)/Decrease in other assets	8,900	103,217
(Decrease)/Increase in current tax payable	(240,501)	88,549
(Decrease)/Increase in provisions	(13,812)	(52,064)
(Decrease)/Increase in other payables	312,876	(138,878)
(Decrease)/Increase in deferred tax liabilities	(59,196)	(61,004)
(Decrease)/Increase in deposits	12,289,021	(5,758,771)
Net cash flows from/(used in) operating activities	<u>(5,464,269)</u>	<u>2,554,912</u>

22 COMMITMENTS

(a) Leasing commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements, payable monthly in advance:

	2015 \$	2014 \$
Within one year	195,465	91,052
After one year but not more than five years	970,393	-
After more than five years	39,651	-
Total minimum lease payments	<u>1,205,509</u>	<u>91,052</u>

Notes to the Financial Statements

For the year ended 30 June 2015

22 COMMITMENTS (continued)

(a) Leasing commitments (continued)

Operating lease commitments comprise 4 leases:

- (i) Central Railway Station, Brisbane - a five year lease with monthly payments in advance. The lease expired on 30 April 2014 however we are continuing to lease this building on a month to month basis.
- (ii) Ground Floor, 179 Ann Street, Brisbane - a five year lease with monthly payments in advance. The option to extend this lease for a further 5 years was exercised during the current financial year and now the lease expires on 30 June 2020.
- (iii) Rockhampton Regional Office - a five year lease with monthly payments in advance. The lease expired on 30 April 2013. We are continuing to lease this building with a notice period of 3 months by either party.
- (iv) Central Railway Station, Brisbane – Heads of Agreement has been signed for a 5 year lease with monthly payments in advance effective from 1 October 2015 and expiring 30 September 2020.

(b) Outstanding loan commitments

Loans and credit facilities approved but not funded or drawn at the end of the financial year:

	2015 \$	2014 \$
Loans approved but not funded	5,848,591	9,367,992
Undrawn overdrafts	81,655,320	85,750,272

23 CONTINGENCIES

Credit Union Financial Support Scheme (CUFSS)

The Credit Union is a participant in CUFSS. The purpose of the CUFSS is to protect the interests of Credit Union members, increase stability in the industry and provide liquidity in excess of current borrowing limits in times of need.

The balance of the debt at 30 June 2015 was Nil (2014: Nil).

24 AUDITORS' REMUNERATION

The auditor of Railways Credit Union Ltd is BDO Audit Pty Ltd.

	2015 \$	2014 \$
<i>Amounts received or due and receivable by BDO Audit Pty Ltd for:</i>		
• An audit or review of the financial report of the Credit Union	67,750	65,900
• Regulatory or prudential audits	43,250	37,000
	111,000	102,900

Notes to the Financial Statements

For the year ended 30 June 2015

25 STANDBY BORROWING FACILITIES

The Credit Union has a gross borrowing facility of:

	Approved Facility \$	Current Borrowing \$	Net Available \$
2015			
Corporate Online Funds Transfer (NAB)	500,000	-	500,000
	<u>500,000</u>	<u>-</u>	<u>500,000</u>
2014			
Corporate Online Funds Transfer (NAB)	500,000	-	500,000
	<u>500,000</u>	<u>-</u>	<u>500,000</u>

The borrowing facilities are not secured and there are no restrictions in relation to these facilities.

26 KEY MANAGEMENT PERSONNEL

(a) Directors

The names of the Directors of the Credit Union who have held office during the financial year are:

Michael (Mike) G Scanlan
 John P Harnischfeger
 Bronwyn (Bron) D Davies
 Kellie L Dyer
 Andrew R Haynes
 Andrew J Hughes
 Henry C Scheuber

(b) Remuneration of Key Management Personnel

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

KMP comprises the Directors and the members of the Executive Management responsible for the day-to-day financial and operational management of the Credit Union.

The names of the KMP in addition to the Directors of the Credit Union who have held office during the financial year are:

Julianne Plath	Chief Executive Officer
Gavin Burkhardt	Executive Manager Commerce & Marketing
Grant Freeman	Executive Manager Operations

Notes to the Financial Statements

For the year ended 30 June 2015

26 KEY MANAGEMENT PERSONNEL (continued)

(b) Remuneration of Key Management Personnel (continued)

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

	Directors		Other KMP	
	2015 \$	2014 \$	2015 \$	2014 \$
Short-term	244,790	238,610	826,375	721,117
Post-employment (including superannuation)	23,255	22,211	64,822	55,289
Other Long-term (including long-service leave and annual leave)	-	-	77,938	67,907
	268,045	260,821	969,135	844,313

Remuneration shown as short term benefits means (where applicable) wages, salaries, sick leave, bonuses and the value of fringe benefits received, but excludes out of pocket expense reimbursements.

All remuneration to Directors was approved by the members at the previous Annual General Meeting of the Credit Union.

(c) Loans to Key Management Personnel and their Close Family Members

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

KMP who are not Directors receive a concessional rate of interest on their loans and facilities. These benefits, where subject to fringe benefits tax, are included in the remuneration in (b) above.

There are no benefits or concessional terms and conditions applicable to the close family members of the KMP. There are no loans that are impaired in relation to the loan balances with close family relatives of KMP.

	2015 \$	2014 \$
The aggregate value of loans	3,342,809	2,251,027
The total value of other credit facilities to KMP as at the balance date amounted to:	425,000	745,000
Less amounts drawn down and included in the above balance	(121,840)	(548,840)
Net balance available	303,160	196,160
During the year the aggregate value of loans disbursed to KMP amounted to:		
Term loans	1,710,735	1,254,858
	1,710,735	1,254,858
During the year the aggregate value of revolving credit facility limits granted or increased to KMP amounted to:	150,000	460,000
Interest and other revenue earned on loans and revolving credit facilities to KMP and related parties	145,376	140,377

Notes to the Financial Statements

For the year ended 30 June 2015

26 KEY MANAGEMENT PERSONNEL (continued)

(d) Other Transactions of KMP's and their Close Family Members

KMP have received interest on 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.

	2015 \$	2014 \$
Total value term and savings deposits at year end	813,776	757,864
Total interest paid on deposits	21,662	23,309

The Credit Union's policy for receiving deposits from other related parties and in respect of other related party transactions, is that all transactions are approved and deposits accepted on the same terms and conditions that apply to members for each type of deposit.

There are no benefits paid or payable to the close family members of the KMP. There are no service contracts to which KMP or their close family members are an interested party.

27 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 29 July 2015, the Board committed to purchasing 918 Indue Limited shares for \$302,940.

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

28 CLASSES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following is a summary of financial instruments by class.

	2015 \$	2014 \$
<i>Loans and receivables - measured at amortised cost</i>		
Cash and cash equivalents	14,134,450	20,237,377
Other receivables	615,729	829,360
Loans and advances	474,790,079	480,643,662
	489,540,258	501,710,399
<i>Held to maturity investments - measured at amortised cost</i>		
Financial assets held to maturity	94,638,820	67,692,935
<i>Financial assets available for sale or at cost</i>		
Financial assets	825,775	825,775
<i>Financial liabilities measured at amortised cost</i>		
Deposits	529,705,149	517,416,128
Other payables	998,123	685,247
	530,703,272	518,101,375

Notes to the Financial Statements

For the year ended 30 June 2015

29 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

The Credit Union measures fair values of assets and liabilities 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 instrument;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using:
 - quoted market prices in active markets for similar instruments
 - quoted prices for identical or similar instruments in markets that are considered less than active; or
 - other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values for assets and liabilities traded in active markets are based on quoted market prices at reporting date. The quoted market price for financial assets is the current bid price. The fair value of assets and liabilities 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.

(b) Fair value estimates

The fair value estimates were determined as follows:

Cash and cash equivalents and other receivables

The carrying values approximate their fair value as they are short term in nature or are receivable on demand.

Investments

- (i) Assets measured at cost: Fair value is not reasonably determinable due to the unpredictable nature of cashflow and lack of suitable method of arriving at a reliable fair value.

The shareholding in Cuscal is measured at cost as its fair value cannot be measured reliably. This Company was created by credit unions to supply services to the shareholding credit unions. Originally shares were held to enable the Credit Union to receive essential banking services. The shares are not publicly traded and are not redeemable.

The financial reports of Cuscal record net tangible assets backing of these shares exceeding their cost value. Based on net assets of Cuscal, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily. Shares may be sold to another shareholder of the Company. The Credit Union does not currently intend to dispose of these shares.

- (ii) Assets measured at fair value: Fair values of financial assets available for sale are determined based on quoted market prices.
- (iii) Assets measured at amortised cost: The carrying values of financial assets held to maturity approximate their fair value due to the short-term maturities of these securities.

Notes to the Financial Statements

For the year ended 30 June 2015

29 FAIR VALUE MEASUREMENT (continued)

(b) Fair value estimates (continued)

Loans and advances

For variable rate loans the carrying value is a reasonable estimate of fair value. The fair value for fixed rate loans was calculated by utilising discounted cash flow models based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio as at 30 June 2015.

Other payables

The carrying value approximates their fair value as they are short term in nature.

Deposits

The fair value of at call and variable rate deposits, and fixed rate deposits repriced within twelve months, approximates the carrying value. Discounted cash flow models based upon deposit types and related maturities were used to calculate net fair value of other term deposits. The discount rates applied were based on the current benchmark rate offered for the actual remaining term of the portfolio as at 30 June 2015.

(c) Financial assets and liabilities

The table below summarises the fair values of financial assets and liabilities at reporting date.

	Note	2015		2014	
		Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Financial Assets					
Cash and cash equivalents	8	14,134,450	14,134,450	20,237,377	20,237,377
Other receivables	10	615,729	615,729	829,360	829,360
Financial assets held to maturity	11	94,638,820	94,638,820	67,692,935	67,692,935
Loans and advances	12	474,790,079	476,457,187	480,643,662	481,338,838
Financial assets available for sale or at cost (iii)	9	825,775	825,775	825,775	825,775
Financial Liabilities					
Deposits	16	529,705,149	530,192,101	517,416,128	517,947,079
Other payables	17	998,123	998,123	685,247	685,247

The values reported have not been adjusted for the changes in credit ratings of the assets.

(d) Fair value hierarchy levels

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 \$
2015				
Land and buildings	-	-	4,250,000	4,250,000
2014				
Land and buildings	-	-	4,250,000	4,250,000

Transfers into and out of the different fair value hierarchy levels are recognised at the date the event or change in circumstances that caused the transfer to occur. There have been no significant transfers into or out of each level during the year ended 30 June 2015 or the prior year.

Notes to the Financial Statements

For the year ended 30 June 2015

29 FAIR VALUE MEASUREMENT (continued)

(e) Level 3 fair value hierarchy

<i>Movements in level 3 of the fair value hierarchy</i>	2015	2014
	\$	\$
Balance at the beginning of the financial year	4,250,000	4,214,008
Losses recognised in profit or loss	(117,996)	(117,996)
Gains recognised in other comprehensive income	-	153,988
Balance at the end of the financial year	<u>4,132,004</u>	<u>4,250,000</u>
Total gains/losses for the period included in other income in profit or loss that relate to assets held at the end of the reporting period	<u>-</u>	<u>-</u>

Valuation techniques used to derive level 3 fair values recognised in the financial statements

The following table sets out the valuation techniques used to measure fair value within Level 3, including details of the significant unobservable inputs used and the relationship between unobservable inputs and fair value.

Description	Valuation approach	Unobservable inputs	Range of inputs	Relationship between unobservable inputs and fair value
Land and Buildings	Sale price comparison approach undertaken by an external valuer or the Board. Sale prices of comparable land and buildings in a similar location are adjusted for differences in key attributes such as property size and standard. The valuation model is based on a price per square meter.	Sale Prices	\$2,600 to \$6,500 per square metre	The greater the standard of the property the greater the fair value.

Directors' Declaration

The Directors of Railways Credit Union Ltd declare that:

- (a) The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the Corporations Act 2001 and:
 - (i) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date.
- (b) The Credit Union has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards: and
- (c) In the Directors' opinion, there are reasonable grounds to believe that Railways Credit Union Ltd will be able to pay its debts as and when they become due and payable.

Signed for and on behalf of the Directors in accordance with a resolution of the Board of Directors



Michael (Mike) G Scanlan
Chair
Brisbane



Bronwyn (Bron) D Davies
Chair - Audit & Compliance Committee
Brisbane

Dated this 30th day of September 2015.

INDEPENDENT AUDITOR'S REPORT

To the members of Railways Credit Union Ltd

Report on the Financial Report

We have audited the accompanying financial report of Railways Credit Union Ltd, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the 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 company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, 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*.

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 about 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 company'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 company'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.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Railways Credit Union Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Railways Credit Union Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2015 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 2.

BDO Audit Pty Ltd

P A Gallagher
Director

Brisbane, 30 September 2015

Our Values

Railways Credit Union



Integrity | Commitment | Exceptional Service | Innovation | Mutuality

Postal: GPO Box 648, Brisbane QLD 4001

Phone: 1300 362 216

Fax: 07 3221 1672

Website: www.railwayscreditunion.com.au

E-mail: info@railwayscreditunion.com.au

Facebook: www.facebook.com/RailwaysCU

Twitter: www.twitter.com/RailwaysCU

AFSL/Australian Credit License number 234 536

ABN 91 087 651 090