

QUEENSLAND POLICE CREDIT UNION LIMITED

# ANNUAL REPORT

2014-2015



**QPCU** 



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Queensland Police Credit Union Limited  
A.B.N. 79 087 651 036  
AFSL No. 241413  
Australian Credit Licence No. 241413  
30 June 2015

REGISTERED OFFICE  
Level 1, 231 North Quay, Brisbane QLD 4000

POSTAL ADDRESS  
PO Box 13003, George Street QLD 4003

DIRECTORS  
A Henderson J C Just  
D Keating J M Steinkamp  
I Leavers N J Ide  
L A Taylor R F Brownhill  
P A Wilson

CHIEF EXECUTIVE OFFICER  
G P Devine

COMPANY SECRETARY  
J King

AUDITORS  
BDO Audit Pty Ltd

BANKERS  
Westpac Banking Corporation

Member of Indue Ltd  
Member of the Federation of Police Mutuals  
Member of the Credit Union Financial Support System Ltd  
Member of Customer Owned Banking Association

# Directors' Report

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

## INFORMATION ON OFFICEHOLDERS

### JILLIAN STEINKAMP, APM (CHAIRMAN)

**LLB, Grad Cert App Mgt, GAICD**

Non-Executive Director since 2009.

Ms Steinkamp was the former Executive Officer and former Secretary/Treasurer of the Queensland Police Commissioned Officers' Union of Employees; State Secretary of the Queensland Retired Police Association Inc; retired Inspector of the Queensland Police Service and former Branch Official of the Queensland Police Union of Employees.

Special responsibilities:

- Member of the Governance and Remuneration Committee
- President of the Federation of Police Mutuals Inc.

### LAURIE TAYLOR (VICE CHAIRMAN)

**JP (QUAL), MAICD**

Non-Executive Director since 1994.

Mr Taylor was a retired Sergeant of the Queensland Police Service and is a Court Officer of the Federal Court of Australia.

Special responsibilities:

- Member of the Audit Committee

### JOHN JUST, PSM

**BBus, FCPA, FAICD**

Non-Executive Director since 2010.

Mr Just was former Deputy Chief Executive (Resources Management) Queensland Police Service; former Director Finance Division Queensland Police Service; Chairman of Sureplan Friendly Society Ltd.

Special responsibilities:

- Chairman of the Audit Committee

### NEVILLE IDE

**BBus, MCOM, FCPA, FAICD**

Non-Executive Director since 2013.

Mr Ide was Former Group Treasurer – Suncorp Metway Ltd; current Board Member – RACQ Insurance Ltd and Member of The Public Trust Office Investment Board.

Special responsibilities:

- Chairman of the Risk and Compliance Committee

### RAY BROWNHILL

**LLB, Grad Cert App Mgt, GAICD**

Non-Executive Director since 2013.

Mr Brownhill is currently Inspector for the Queensland Police Service, Director - Valley Chamber of Commerce and Director - Lives Lived Well (not for profit organisation).

Special responsibilities:

- Chairman of the Governance and Remuneration Committee

### IAN LEAVERS

**GAICD, JP (Qual)**

Non-Executive Director since 2013.

Mr Leavers is currently General President and CEO - Queensland Police Union; current serving officer with Queensland Police Service; Director - WorkCover Queensland; Director – Work Health and Safety Board Queensland.

Special responsibilities:

- Member of the Audit Committee

### PAUL WILSON, APM

**GAICD**

Non-Executive Director since 2013.

Mr Wilson was former Assistant Commissioner - Queensland Police Service.

Special responsibilities:

- Member of the Risk and Compliance Committee

### ANDY HENDERSON APM

**BA, GAICD**

Non-Executive Director since 7 November 2014.

Mr Henderson was former Assistant Commissioner – Queensland Police Service; Current Director – Crime Stoppers (QLD).

Special responsibilities:

- Member of the Governance and Remuneration Committee

### DAN KEATING

**BA, MPubAd, Grad Cert App Mgt, GAICD**

Non-Executive Director since 7 November 2014.

Mr Keating was former Superintendent – Queensland Police Service; Senior Response and Recovery Liaison Officer– Queensland Reconstruction Authority

Special responsibilities:

- Member of the Risk and Compliance Committee

**LEONARD BRACKEN  
(CEASED AS DIRECTOR 7 NOVEMBER 2014)**

**MAICD**

Non-Executive Director since 1990.

Mr Bracken was a retired Senior Sergeant of the Queensland Police Service; past Honorary Treasurer of the Queensland Retired Police Association Inc.

Special responsibilities:

- Member of the Audit and Compliance Committee
- Member of the Risk and Compliance Committee

**COL CHANT, APM  
(CEASED AS DIRECTOR 7 NOVEMBER 2014)**

**MAICD**

Non-Executive Director since 1964.

Mr Chant is a Life Member and Past President of the Queensland Police Legacy Scheme; Life Member and Past President of the Queensland Police Union of Employees; Life Member and Past President of the Federation of Police Unions; Retired Senior Sergeant of the Queensland Police Service.

Special responsibilities:

- Member of the Governance and Remuneration Committee

The name of the Company Secretary in office at the end of the year is:

**JOSIE KING (APPOINTED 9 JUNE 2015)**

**B Com, LLB(Hons I), GradDip ACG**

**Company Secretary**

Queensland Police Credit Union Limited Company Secretary since June 2015. Ms King is a qualified Company Secretary and solicitor with experience of Governance, Company Secretarial and Corporate and Commercial law. Ms King was formerly, the Company Secretary and Legal Counsel, Exoma Energy Limited and Group Legal Counsel of AWT International Limited. She is an associate member of the Governance Institute of Australia.

All directors and the company secretary have held their office from 1 July 2014 to the date of this report unless otherwise stated.

**Directors' Meeting Attendance**

Director	Board		Audit Committee		Board Committees	
	E	A	E	A	E	A
J M Steinkamp	11	11	-	-	5	5
L A Taylor	11	9	6	6	3	3
L R Bracken	4	4	3	3	2	2
C G Chant	4	3	-	-	2	2
J C Just	11	11	6	6	5	5
N J Ide	11	10	-	-	4	4
R F Brownhill	11	11	-	-	6	6
I Leavers	11	9	3	2	2	1
P A Wilson	11	10	3	3	5	5
A Henderson	7	6	-	-	3	3
D Keating	7	7	-	-	2	2

E = Eligible to Attend A= Attended

# Directors' Report

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

Your Directors present their report on the affairs of Queensland Police Credit Union Limited for the financial year ended 30 June 2015.

## Insurance and Indemnification of Officer or Auditor

Insurance premiums have been paid to insure each of the Directors and Officers of Queensland Police Credit Union Limited 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 Queensland Police Credit Union Limited. 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.

No indemnities have been given to the officers or auditor.

## Principal Activities

The principal activities of Queensland Police Credit Union Limited during the year were the provision of retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution.

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

## Operating Results

The net profit of Queensland Police Credit Union Limited for the year after providing for income tax was \$1,868,612 (2014: \$3,252,711).

## Dividends

Dividends totalling \$117,603 (2014: \$119,241) were declared and paid on 30,000 Tier 1 redeemable preference shares. Dividend payments are paid and reset quarterly as determined by Australian Mutual T1 Capital Funding Trust. The declaration and payment of dividends during the year were approved by resolutions of the Directors. Subsequent to year end, a dividend for the September 2015 quarter amounting to \$27,207 has been approved by the Board.

## Options

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

No shares have been issued as a result of the exercise of an option.

## Review of Operations

Queensland Police Credit Union Limited (QPCU) is a mutual operating as an Authorised Deposit-Taking Institution offering a full range of retail financial products and services to its members. This includes deposit,

investment and loan products, and transactional services provided directly to its members. It also offers as agent insurance products, salary sacrifice, investment planning and motor vehicle broking services to its members. These areas form the predominant part of its operations and generate the bulk of its profit. QPCU also owns commercial office premises used to derive rental income.

QPCU's bond is principally any government employee resident in Queensland or persons engaged in an occupation principally concerned with the administration of justice and the protection of life and property. Historically activities have focused on the Queensland Police Service, the Queensland Ambulance Service, the Queensland Fire and Emergency Services and Queensland Corrective Services.

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

During the 2015 financial year, the sectors we focus on were impacted by intense competition in the finance industry, low interest rates, subdued economic conditions and negative consumer sentiment within Queensland. This has had a moderating effect on loan demand with total loan fundings increasing only 1.1% from the previous financial year to \$82.7m. This was offset by a higher rate of loan repayments, resulting in loan balances declining by 3.33%. Retail deposit growth (excluding wholesale deposits) was managed in light of declining loan balances. Annual growth for retail deposits of 0.18% was a drop from the previous year's growth. Due to these factors, total assets declined 2.38% and Funds Under Management declined 2.8% year on year.

QPCU obtained an Issuer Credit Rating with Standard and Poors for the first time during the year. This enabled it to commence issuance of Negotiable Certificates of Deposit in June 2015, raising \$9.4m by end of financial year.

During the year, utilisation of the Term Loan facility decreased by \$10m. The surplus of funds generated from the contraction in loans, growth in retail deposits and issuance of Negotiable Certificates of Deposit was used to repay \$10m of this loan and reduce wholesale term deposits from \$82m to \$66.5m. The pricing for wholesale deposits and Negotiable Certificates of Deposits during the year was favourable compared to other sources of funding.

During the year an internal loans securitisation vehicle was established, named the QPCU Heroes Trust. On 6 July 2015, \$67.6m in mortgage secured loans were sold to the trust, and \$70.3m in notes issued by the trust to QPCU. This will be used to mitigate future liquidity risks faced by the credit union.

The credit union entered two interest rate hedges during the year to mitigate against interest rate risks associated with fixed interest lending (one hedge of \$6m for 2.25 years and one hedge of \$5m for 4 years).

With the current balance sheet structure and these hedges in place, interest rate risk remains low in comparison to peers in the industry and is within our risk appetite. The impact of increasing levels of fixed rate loans on our interest rate risk exposure is being managed closely.

Profit before income tax was \$2.66m compared to \$4.62m for the previous year. Profit was impacted by a net fair value loss on investment properties of \$1.18m arising from a revaluation of all property assets. It was 2 years since the last revaluation of these properties. In contrast, the value of Owner Occupied Property increased by \$837,437 resulting in an increase to Asset Revaluation Reserves of \$586,206.

Net profit before tax from ordinary operations was \$3.84m (excluding fair value adjustment to property) compared to \$4.62m for the previous year. Net Interest Income grew 2.46% despite the decline in Funds Under Management and two RBA cash rate reductions of 0.25% each during the year, which has a negative impact on margin. The maintenance of margin was due to strategic pricing decisions made on loans and deposit products, and optimisation of competitively priced funding sources. This is reflected in the Net Interest Margin ratio increasing from 2.38% last year to 2.47% in this financial year.

Non-interest income declined 10.32% primarily due to a decrease in rental income caused by higher vacancies in rental stock and decline in insurance commissions due to lower volumes. Overhead costs grew by 3.55% on the previous year as strategic longer term investments were made to improve our competitiveness within our market. This focussed on increasing our information technology, marketing and sales capabilities, expansion of treasury activities, and development of infrastructure for a broker network.

The capital adequacy ratio measured for prudential purposes increased from 21.88% to 21.93% during the year. Capital adequacy benefitted from strong net operating profit for the financial year offset by an amortisation of capital expenditure for computer software and new investments in shares in Indue Limited.

### Significant Changes in State of Affairs

Apart from disclosures elsewhere in this report, there were no significant changes in the state of affairs of Queensland Police Credit Union Limited during the year.

### Events Subsequent to the End of the Reporting Date

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

### Likely Developments and Results

QPCU continues to have a strategy to further build its financial strength by adopting leading technology, and building our relationship with our target market by increasing market penetration, number of products per member, and expanding our social investment in this market. To support these objectives QPCU also intends to seek approval from the Australian Prudential Regulatory Authority (APRA) to trade as a bank in the coming financial year. A necessary first step in this process is members passing a resolution by special majority at the 2015 Annual General Meeting approving a change of name of the company from Queensland Police Credit Union Limited to QPCU Limited and consequential amendments to the constitution to replace references to "the Credit Union" with references to "the Company". It is necessary to remove the term "credit union" from the company name and constitution in order to apply to APRA to trade as a bank.

These initiatives will be complemented by programs to improve quality of service delivery, member experience, and depth of relationship with members.

QPCU has put systems in place to facilitate appointment and management of loans brokers and aggregators. This distribution network will be activated early in the 2016 financial year.

Major risks to future prospects include: increasing government regulation resulting in higher costs and restrictions on scope of operations, emerging technologies impacting on our competitiveness within our market, increasing competition from existing market entrants and new entrants to the industry, and unexpected disruptions to the economy which can impact directly on profitability due to changes in wholesale and retail funds markets and balance sheet growth due to changes in consumer sentiment. Values of property held for business or investment purposes are expected to remain stable but due to increasing vacancies in the market of the grade of property owned by QPCU, there is a potential risk of further downward movement in property values which would have a direct negative impact on future Profit and Asset Revaluation Reserve recognised. Environmental and sustainability risks are not expected to impact on QPCU's future financial performance or outcomes. If the change of name and constitution is not approved at the 2015 AGM, QPCU will not be able to proceed with its application to APRA to trade as a bank and may not be able to realise the benefits associated with trading as a bank such as improved customer perception and more competitive product offerings.

# Directors' Report

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

In the 2016 financial year, QPCU's profitability will be impacted by a projected 10.6% increase in overhead expenses. This increase in expenditure will be primarily focussed on continuing to increase our Information Technology and Marketing capabilities and thereby our competitiveness within our market, expansion and servicing of our new broker network as a distribution model, and treasury activities such as issuance of Negotiable Certificates of Deposit and maintenance of our internal loans securitisation vehicle. This will create a strong platform for growth going forward. These investments are expected to reduce exposure to risks and improve profitability in the 2017 and subsequent financial years from our core business of providing financial services to our members through an increase in Funds Under Management and increased transactions.

## Regulatory Disclosures

The disclosures required by Australian Prudential Standard (APS) 330 Public Disclosures (namely the Reconciliation of Regulatory Capital and Audited Financial Statements, Common Disclosure Template in accordance with Attachment A, and Main Features of Capital Instruments in accordance with Attachment B) may be seen on the website of Queensland Police Credit Union Limited ([www.qpcu.com.au/regulatorydisclosures](http://www.qpcu.com.au/regulatorydisclosures)).

Details of Queensland Police Credit Union Limited's remuneration policies and processes, and quantitative disclosures for senior managers, material risk takers and risk management personnel required under APS 330 Public Disclosure, are available on the website of Queensland Police Credit Union Limited ([www.qpcu.com.au/regulatorydisclosures](http://www.qpcu.com.au/regulatorydisclosures)).

## Proceedings

No person has applied for leave of the Court to bring proceedings on behalf of Queensland Police Credit Union Limited or interfere in any proceedings to which Queensland Police Credit Union Limited is a party for the purpose of taking responsibility on behalf of Queensland Police Credit Union Limited for all or part of those proceedings. Queensland Police Credit Union Limited was not a party to any such proceedings during the year.

## Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2015 forms part of this report and a copy of this declaration is attached.

## Environmental Regulation

Queensland Police Credit Union Limited's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or a State or Territory.

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



**Jillian Steinkamp**  
Chairman



**Laurie Taylor**  
Vice Chairman

Signed and dated this 16th day of October 2015.



# Auditors Independence Declaration

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036



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Fax: +61 7 3221 9227  
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Level 10, 12 Creek St  
Brisbane QLD 4000,  
GPO Box 457 Brisbane QLD 4001  
Australia

## **DECLARATION OF INDEPENDENCE BY CRAIG JENKINS TO THE DIRECTORS OF QUEENSLAND POLICE CREDIT UNION LIMITED**

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

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

A handwritten signature in black ink, appearing to read 'C R Jenkins', written over a large, stylized checkmark.

**C R Jenkins**

**Director**

**BDO Audit Pty Ltd**

Brisbane, 16th October 2015

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QUEENSLAND POLICE CREDIT UNION LIMITED

# FINANCIAL STATEMENTS

30 JUNE 2015



QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036



## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (For the year ended 30 June 2015)

	Note	2015 \$	2014 \$
Interest income	2	31,816,068	33,872,061
Interest expense	2	(16,199,924)	(18,631,175)
<b>Net interest income</b>		<b>15,616,144</b>	<b>15,240,886</b>
Other revenue and income	3	5,042,524	5,622,742
Impairment loss on loans and advances	13(c)	(164,861)	(133,648)
Employee benefits expense		(6,775,143)	(6,386,666)
Occupancy expense		(1,183,661)	(1,129,760)
Depreciation and amortisation expense	4	(885,021)	(874,133)
Net fair value loss on investment properties	16	(1,182,380)	-
Other expenses		(7,811,525)	(7,719,842)
<b>Profit before income tax</b>		<b>2,656,077</b>	<b>4,619,579</b>
<b>Income tax expense</b>	<b>5</b>	<b>(787,465)</b>	<b>(1,366,868)</b>
<b>Profit for the year</b>		<b>1,868,612</b>	<b>3,252,711</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Net changes in the fair value of cash flow hedges	14	(232,111)	-
Income tax relating to this item	5(c)	69,633	-
<i>Items that will not be reclassified to profit or loss</i>			
Net gain on revaluation of land and buildings	15(b)	837,437	-
Income tax relating to this item	5(c)	(251,231)	-
<b>Other comprehensive income for the year, net of income tax</b>		<b>423,728</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>2,292,340</b>	<b>3,252,711</b>

The accompanying notes should be read in conjunction with these financial statements.

## STATEMENT OF FINANCIAL POSITION (as at 30 June 2015)

	Note	2015 \$	2014 \$
<b>Assets</b>			
Cash and cash equivalents	8	13,768,210	11,210,834
Financial assets at fair value through other comprehensive income	9	2,294,120	-
Financial assets available-for-sale	9	-	437,400
Other receivables	10	1,422,253	1,449,652
Income tax receivable	22	213,216	-
Financial assets at amortised cost	11	71,891,281	-
Financial assets held-to-maturity	11	-	73,009,905
Loans and advances	12, 13	547,944,372	566,839,533
Property, plant and equipment	15	7,925,597	7,533,138
Investment properties	16	10,306,473	11,488,853
Intangible assets	18	674,204	429,945
Other assets	19	319,053	369,969
<b>Total assets</b>		<b>656,758,779</b>	<b>672,769,229</b>
<b>Liabilities</b>			
Deposits	20	564,805,082	570,199,200
Other payables	21	1,768,302	1,735,690
Income tax payable	22	-	215,249
Borrowings	23	15,118,457	27,578,505
Deferred tax liabilities	17	2,129,767	2,368,616
Derivatives	14	232,111	-
Provisions	24	573,512	715,158
<b>Total liabilities</b>		<b>584,627,231</b>	<b>602,812,418</b>
<b>Net assets</b>		<b>72,131,548</b>	<b>69,956,811</b>
<b>Equity</b>			
Tier 1 Redeemable Preference Shares	25	2,929,860	2,929,860
Redeemed preference share capital account	26	329,686	315,836
Reserves	26	6,633,942	6,214,270
Retained earnings		62,238,060	60,496,845
<b>Total equity</b>		<b>72,131,548</b>	<b>69,956,811</b>

The accompanying notes should be read in conjunction with these financial statements.

# Financial Statements

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

## STATEMENT OF CHANGES IN EQUITY (For the year ended 30 June 2014)

	Note	Tier 1 Red Pref Share Capital \$	Red Pref Share Capital Account \$	Asset Revaluation Reserve \$	Reserve for Credit Losses \$	Cashflow Hedge Reserve \$	Retained Earnings \$	Total \$
<b>Balance at 30 June 2013</b>		<b>2,929,860</b>	<b>304,958</b>	<b>4,893,259</b>	<b>1,371,066</b>	<b>-</b>	<b>57,324,198</b>	<b>66,823,341</b>
<b>Comprehensive income for the year</b>								
Profit for the year		-	-	-	-	-	3,252,711	3,252,711
Other comprehensive income							-	
- Net gain/(loss) on revaluation of land and buildings, net of tax	5(c)	-	-	-	-	-	-	-
- Net changes in cash flow hedges, net of tax	5(c)	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,252,711</b>	<b>3,252,711</b>
<b>Transfers</b>								
- Reserve for credit losses		-	-	-	(50,055)	-	50,055	-
- Redeemed preference share capital		-	10,878	-	-	-	(10,878)	-
<b>Total transfers</b>		<b>-</b>	<b>10,878</b>	<b>-</b>	<b>(50,055)</b>	<b>-</b>	<b>39,177</b>	<b>-</b>
<b>Transactions with owners in their capacity as owners</b>								
Dividends paid		-	-	-	-	-	(119,241)	(119,241)
<b>Total transactions with owners in their capacity as owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(119,241)</b>	<b>(119,241)</b>
<b>Balance at 30 June 2014</b>		<b>2,929,860</b>	<b>315,836</b>	<b>4,893,259</b>	<b>1,321,011</b>	<b>-</b>	<b>60,496,845</b>	<b>69,956,811</b>

The accompanying notes should be read in conjunction with these financial statements.

## STATEMENT OF CHANGES IN EQUITY (For the year ended 30 June 2015)

	Note	Tier 1 Red Pref Share Capital \$	Red Pref Share Capital Account \$	Asset Revaluation Reserve \$	Reserve for Credit Losses \$	Cashflow Hedge Reserve \$	Retained Earnings \$	Total \$
<b>Balance at 30 June 2014</b>		<b>2,929,860</b>	<b>315,836</b>	<b>4,893,259</b>	<b>1,321,011</b>	<b>-</b>	<b>60,496,845</b>	<b>69,956,811</b>
<b>Comprehensive income for the year</b>								
Profit for the year		-	-	-	-	-	1,868,612	1,868,612
Other comprehensive income								
- Net gain on revaluation of land and buildings, net of tax	5(c)	-	-	586,206	-	-	-	586,206
- Net changes in cash flow hedges, net of tax	5(c)	-	-	-	-	(162,478)	-	(162,478)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>586,206</b>	<b>-</b>	<b>(162,478)</b>	<b>1,868,612</b>	<b>2,292,340</b>
<b>Transfers</b>								
- Reserve for credit losses		-	-	-	(4,056)	-	4,056	-
- Redeemed preference share capital		-	13,850	-	-	-	(13,850)	-
<b>Total transfers</b>		<b>-</b>	<b>13,850</b>	<b>-</b>	<b>(4,056)</b>	<b>-</b>	<b>(9,794)</b>	<b>-</b>
<b>Transactions with owners in their capacity as owners</b>								
Dividends paid		-	-	-	-	-	(117,603)	(117,603)
<b>Total transactions with owners in their capacity as owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(117,603)</b>	<b>(117,603)</b>
<b>Balance at 30 June 2015</b>		<b>2,929,860</b>	<b>329,686</b>	<b>5,479,465</b>	<b>1,316,955</b>	<b>(162,478)</b>	<b>62,238,060</b>	<b>72,131,548</b>

The accompanying notes should be read in conjunction with these financial statements.

# Financial Statements

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

## STATEMENT OF CASH FLOWS (For the year ended 30 June 2015)

	Note	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Interest received		31,816,068	33,872,061
Dividends received		54,060	52,488
Fees and commissions received		3,996,801	3,510,659
Interest paid		(16,401,437)	(20,047,359)
Payments to suppliers and employees		(16,292,877)	(14,898,796)
Income taxes paid		(1,636,377)	(1,885,945)
Other income		1,394,466	1,700,899
Net movement in financial assets at fair value through other comprehensive income		(1,856,720)	-
Net movement in financial assets at amortised cost		1,118,624	-
Net movement in financial assets held-to-maturity		-	4,914,555
Net movement in loans and advances		18,737,814	2,832,386
Proceeds/(payments) - borrowings		(12,460,048)	(43,897,268)
Net movement in deposits		(5,189,531)	35,567,889
<b>Net cash provided by/(used in) operating activities</b>	<b>37(c)</b>	<b>3,280,843</b>	<b>1,721,569</b>
<b>Cash flows from investing activities</b>			
Net movement in other assets		101,148	(39,944)
Payments for property, plant and equipment		(147,570)	(318,743)
Proceeds - sale of property, plant and equipment, and intangibles		-	47
Payments for intangibles		(559,442)	(307,669)
<b>Net cash used in investing activities</b>		<b>(605,864)</b>	<b>(666,309)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(117,603)	(119,241)
<b>Net cash used in financing activities</b>		<b>(117,603)</b>	<b>(119,241)</b>
<b>Total net increase/(decrease) in cash and cash equivalents</b>		<b>2,557,376</b>	<b>936,019</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>11,210,834</b>	<b>10,274,815</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>37(a)</b>	<b>13,768,210</b>	<b>11,210,834</b>

The accompanying notes should be read in conjunction with these financial statements.



## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements were authorised for issue in accordance with a resolution of directors on 16 October 2015.

The financial statements cover Queensland Police Credit Union Limited as an individual entity. Queensland Police Credit Union Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. For the purposes of preparing the financial statements Queensland Police Credit Union Limited is a for-profit entity.

The financial statements of Queensland Police Credit Union Limited comply with all International Financial Reporting Standards (IFRS) in their entirety.

The financial statements have been prepared on an accrual basis and are based on historical costs except for owner occupied property, investment property, financial assets at fair value through other comprehensive income, and derivatives that have been measured at fair value.

The presentation currency for the financial statements is Australian Dollars.

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

### (a) 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 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities in the financial statements 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 nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that

have been enacted or substantially 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.

The deferred tax liabilities in relation to investment property that is measured at fair value is determined assuming the carrying value of the property will be recovered entirely through sale.

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 Queensland Police Credit Union Limited 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 entity 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.

### (b) Financial Assets and Financial Liabilities

#### Introduction

##### (i) Initial recognition

Queensland Police Credit Union Limited initially recognises loans and advances, deposits, 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 the profit and loss) are initially recognised on trade date when the related contractual rights or obligations exist.

##### (ii) De-recognition

Queensland Police Credit Union Limited de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cashflows 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 Queensland Police Credit Union Limited is recognised as a separate asset or liability. Queensland Police Credit Union Limited de-recognises a financial liability when its contractual obligations are discharged or cancelled or when they expire.

For details of Queensland Police Credit Union Limited's policy on securitisation refer to Note 1(e).

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

### (iii) Off-setting

Financial assets and financial liabilities are set off and the net amount presented in the Statement of Financial Position when, and only when, Queensland Police Credit Union Limited has a legal right to set off the amounts and intends either to settle on a net basis or to realise the financial asset and settle the financial 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 financial liability is the amount at which the financial asset or financial 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 to Note 1(d) for details of impairment measurement for loans and advances. Refer to succeeding paragraph for details of impairment measurement for other financial assets.

## Application – Policy applicable from 1 July 2014

### Cash and cash equivalents

Cash and cash equivalents include cash on hand and unrestricted balances held in banks with original maturity less than three months, which are subject to insignificant risks of changes in their value, and are used by Queensland Police Credit Union Limited 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 Queensland Police Credit Union Limited 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.

### Investment securities

Investment securities are initially measured at fair value. On initial recognition, Queensland Police Credit Limited classifies its investments as subsequently measured at either amortised cost or fair value, depending on Queensland Police Credit Union Limited's business model for managing the investment and the contractual cash flow characteristics of that investment. If the investment is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes incremental direct transaction costs related to its acquisition or origination.

### (i) Amortised cost

A financial asset is subsequently carried at amortised cost, using the effective interest rate method and net of any impairment loss if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Queensland Police Credit Union Limited's policy on impairment of financial assets measured at amortised cost is the same as that applied to previous years for held-to-maturity investments.

### (ii) Fair value

These investments are measured at fair value and any changes therein, including any interest or dividend income, are recognised in profit or loss.

However, for investments in equity instruments that are not held for trading, Queensland Police Credit Union Limited may elect at initial recognition to present gains and losses in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss, and no impairment is recognised in profit or loss. Dividends earned from such investments are recognised in profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment.

## Application – Policy applicable before 1 July 2014

### Cash and cash equivalents

Cash and cash equivalents include cash on hand and unrestricted balances held in banks with original maturity less than three months, which are subject to insignificant risks of changes in their value, and are used by Queensland Police Credit Union Limited 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 Queensland Police Credit Union Limited 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.

### 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.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

### (i) Held-to-maturity

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

Held-to-maturity investments are carried at amortised cost using the effective interest 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 Queensland Police Credit Union Limited from classifying investment securities as held-to-maturity for the current and the following two financial years.

Queensland Police Credit Union Limited 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 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 or 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 assets is recognised in profit or loss using the effective interest method. Dividend income from financial assets available-for-sale is recognised in profit or loss when Queensland Police Credit Union Limited becomes entitled to the dividend.

### Deposits

Refer to Note 1(l) for details.

### Borrowings and subordinated debt

Refer to Note 1(m) for details.

### (c) Revenue

Loans and advances interest is calculated on the daily loans and advances balance outstanding and is charged in arrears to the members' loan account once each month. Loans and advances interest income 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 or advance is classified as impaired, Queensland Police Credit Union Limited ceases to charge interest and other income earned but not yet received. Loan interest is generally not charged when Queensland Police Credit Union Limited is informed that the member is deceased or generally if a loan has been transferred to a debt collection agency or a judgement has been obtained. No interest is charged on loans where repayments are in arrears and the prospects of a contribution from the member are 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 as income 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).

### (d) Impairment – Loans and Advances

A provision for losses on impaired loans and advances is recognised when there is objective evidence that impairment of a loan has occurred. All loans and advances 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 loans and advances original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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 Queensland Police Credit Union Limited. 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. The critical assumptions used in the calculation are set out in Note 13. Note 32 B 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 in compliance with APRA requirements.

Bad debts are written off, as determined by management and the Board, when it is reasonable to expect that the recovery of the loan and advance 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 and advances, 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 and advance. 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 advances 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.

### (e) Securitisation

Queensland Police Credit Union Limited enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains substantially all of the risks and rewards of ownership of the transferred assets. If substantially all of the risks and rewards are retained, then the transferred assets are not derecognised.

In transactions in which Queensland Police Credit Union Limited does not retain or transfer substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, Queensland Police Credit Union Limited continues to recognise the asset to the extent of its continuing involvement.

Where Queensland Police Credit Union Limited enters into transactions that transfer substantially all the risks and rewards of ownership of the transferred assets, Queensland Police Credit Union Limited derecognises the transferred assets.

### (f) Fair Values

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 entity.

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 entity 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.

### (g) 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

The owner occupied property is measured at its 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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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 Queensland Police Credit Union Limited to have an independent valuation every three years, with annual assessments being made by the Board of Directors.

### Plant and equipment

Plant and equipment are carried at cost less accumulated depreciation and impairment losses, if any.

### Depreciation

The depreciable amount of all property, plant and equipment, including building and capitalised leased assets but excluding freehold land, is depreciated over their useful lives to Queensland Police Credit Union Limited 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 are depreciated on a straight-line basis. A summary of the rates used is:-

<b>Building</b>	<b>2.5%</b>	<b>Motor vehicles</b>	<b>25.0%</b>
<b>Computer hardware</b>	<b>25.0% - 33.3%</b>	<b>Office furniture and equipment</b>	<b>15.0%</b>
<b>Computer software</b>	<b>33.3%</b>	<b>Leasehold improvements</b> (or over life of lease)	<b>10.0%</b>
<b>Assets under \$300 are not capitalised.</b>			

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end date.

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

### (h) Impairment Testing of Assets (Excluding Financial Assets)

At each reporting date, Queensland Police Credit Union Limited 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.

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

### (i) Investment Properties

Investment properties are held to generate long-term rental yields or for capital appreciation or both. Investment properties are carried at fair value, determined every three years by registered independent valuers using an income approach based on the estimated rental value of the property, unless a material change in value is known. Changes to fair value are recorded in profit or loss.

### (j) Intangible Assets

#### Computer Software

Items of computer software which are not integral to the computer hardware owned by Queensland Police Credit Union Limited are classified as an intangible asset. Computer software is amortised on a straight line basis over the expected useful life of the software, being three years. The computer software's residual value and useful life are reviewed, and adjusted if appropriate, at each year end date.

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits of the computer software. All other expenditures are expensed as incurred.

### (k) Leases

Lease income from operating leases where Queensland Police Credit Union Limited is a lessor is recognised in profit or loss on a straight-line basis over the lease term. The respective leased assets are included in the Statement of Financial Position based on their nature.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Queensland Police Credit Union Limited as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

### (l) 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 recognised on an accrual basis. Interest accrued at the end of the reporting date is shown as a part of deposits.

### (m) Borrowings and Subordinated Debt

Borrowings and subordinated debt are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where Queensland Police Credit Union Limited chooses to carry the liabilities at fair value through the profit or loss. Any difference between the proceeds (net of

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings and subordinated debt using the effective interest method.

Queensland Police Credit Union Limited classifies financial instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Redeemable preference shares that are redeemable at the option of the entity are classified as equity. Any dividends on these preference shares are recognised in equity as a deduction from retained earnings.

### (n) Employee Benefits

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

#### Short-term employee benefits

Liabilities for wages, salaries, 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 Liabilities 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 that are not expected to be settled within 12 months of the end of the reporting period, are recognised as provisions for employee benefits 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 the corporate bond rates (2014: 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.

Regardless of when settlement is expected to occur, liabilities for long service leave and annual leave are considered as current liabilities if the entity does not have an unconditional right to defer settlement for at least twelve months after the end of the reporting period.

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

### (o) Derivative Instruments Held for Risk Management Purposes

Queensland Police Credit Union Limited uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Derivatives used for risk management purposes are measured at fair value.

For the purpose of hedge accounting, derivatives are classified as cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction. When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of the changes in the fair value of the derivative is recognised in other comprehensive income in the cashflow hedge reserve and reclassified to profit or loss in the same period as the hedged cash flows affect profit or loss. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss as finance costs.

If a derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognised in other comprehensive income in the cash flow hedge reserve remains in equity until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, hedge accounting is discontinued and the balance in the cashflow hedge reserve is recognised immediately in profit or loss for the year as a reclassification adjustment.

### (p) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

### (q) 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.

### (r) Accounting Estimates and Judgements

Management have made judgements when applying the Queensland Police Credit Union Limited's accounting policies with respect to:

- i. Accounting treatment of loans assigned to a special purpose vehicle used for securitisation purposes – refer to Note 12(b).
- ii. The classification of preference shares as equity instruments – refer to Note 25.

Management have made critical accounting estimates when applying the Queensland Police Credit Union Limited's accounting policies with respect to the impairment provisions for loans – refer to Note 13.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

### (s) New and Amended Standards and Interpretations Adopted During the Year

Queensland Police Credit Union Limited 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
Investment Entities - Amendments to AASB 10 <i>Consolidated Financial Statements</i> , AASB 12 <i>Disclosure of Interests in Other Entities</i> and AASB 127 <i>Separate Financial Statements</i>	These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under AASB 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.	These amendments have no impact on the entity, since the entity does not qualify to be an investment entity under AASB 10.
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 entity. These amendments merely clarify existing requirements in AASB 132 and the entity does not have any 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 entity given that they are largely of the nature of clarification of existing requirements and the entity has no nonfinancial assets impaired at 30 June 2015.
Novation of Derivatives and Continuation of Hedge Accounting - Amendments to AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.	These amendments have no impact on the entity as the entity has not novated any of its derivatives during the current or prior periods.
AASB Interpretation 21 <i>Levies</i>	Interpretation 21 addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements (in particular, when the entity should recognise a liability to pay a levy).	There has been no impact on the financial statements as the entity is not subject to any levies addressed by this interpretation.
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 entity.
AASB 2014-1 Amendments to Australian Accounting Standards – Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles - Amendments to various existing accounting standards	These are amendments to various existing accounting standards.	These amendments have no impact on the entity.

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

### Early Adoption of Standards

Queensland Police Credit Union Limited early adopted AASB 9 Financial Instruments (2010) with a date of initial application of 1 July 2014.

As a result, Queensland Police Credit Union Limited's policies were amended to comply with AASB 9 issued in December 2010. This version of AASB 9 replaces the provisions of AASB 139 that relate to the classification and measurement of financial assets and liabilities and hedge accounting.

While AASB 9 does not need to be applied until 1 January 2018, Queensland Police Credit Union Limited has decided to adopt it early from 1 July 2014. It requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

The Queensland Police Credit Union Limited's management has assessed which business models apply to the financial assets held by Queensland Police Credit Union Limited at the date of initial application of AASB 9 (1 July 2014).

As a result Queensland Police Credit Union Limited has reclassified those financial assets that were previously designated as available for sale to financial assets measured at fair value through other

comprehensive income and those assets that were previously designated as held to maturity financial assets measured at amortised cost on initial application of AASB 9.

There was no difference between the previous carrying amount and the revised carrying amount of the financial assets at 1 July 2014 to be recognised in opening retained earnings.

The adoption of the revised AASB 9 did not affect Queensland Police Credit Union Limited's accounting for its financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the entity does not have any such liabilities.

Queensland Police Credit Union Limited elected to apply the hedge accounting in Chapter 6 of AASB 9 prospectively. Queensland Police Credit Union Limited's management has assessed the existing hedging relationships in accordance with the qualifying criteria in AASB 9 at 1 July 2014. The hedging relationships continue to meet the requirement under AASB 9 and all hedge relationships are continuing and no hedge ratio rebalancing was required at the initial application of AASB 9.

As outlined above, no impact on adopting AASB 9 and no restatement of prior period has occurred.

Other than AASB 9 Financial Instruments, Queensland Police Credit Union Limited has not elected to apply other pronouncements before their operative date in the annual reporting period beginning 1 July 2014.



## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

### (f) New and Amended Standards and Interpretations Not Yet Adopted

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 entity. The entity's assessment of the impact of these new standards and interpretations is set out below.

New/revised pronouncements	Nature of change	Application date	Impact
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 entity's loans and advances provisioning. However, the entity 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 entity has not yet assessed the full impact of this Standard.

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

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

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 2: INTEREST INCOME AND INTEREST EXPENSE</b>		
<b>(a) Interest income</b>		
<b>(i) Assets at amortised cost</b>		
Cash and cash equivalents	204,586	267,112
Financial assets at amortised cost	2,173,997	-
Financial assets held-to-maturity	-	2,217,418
Loans and advances	29,115,522	31,299,287
Deferred loan fee income	109,986	88,244
Other	8,738	-
	<b>31,612,829</b>	<b>33,872,061</b>
<b>(ii) Assets at fair value</b>		
Interest rate swaps	203,239	-
	<b>203,239</b>	<b>-</b>
<b>Total interest income</b>	<b>31,816,068</b>	<b>33,872,061</b>
<b>(b) Interest expense</b>		
<b>(i) Liabilities at amortised cost</b>		
Deposits from wholesale depositors	2,429,062	2,059,972
Deposits from retail members	12,866,883	14,576,111
Interest on securitisation	406,937	432,360
Other borrowings	242,729	1,562,732
	<b>15,945,611</b>	<b>18,631,175</b>
<b>(ii) Liabilities at fair value</b>		
Interest rate swaps	254,313	-
	<b>254,313</b>	<b>-</b>
<b>Total interest expense</b>	<b>16,199,924</b>	<b>18,631,175</b>

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 3: OTHER REVENUE AND INCOME</b>		
Dividends received	54,060	52,488
Fees and commissions	3,593,998	3,869,355
Bad debts recovered	27,207	34,035
Rental income from investment properties	1,266,619	1,344,019
Other	100,640	322,845
<b>Total other revenue and income</b>	<b>5,042,524</b>	<b>5,622,742</b>

<b>NOTE 4: PROFIT BEFORE INCOME TAX</b>		
Profit before income tax has been determined after the following items:		
<b>Depreciation and amortisation expense</b>		
Amortisation of intangible assets (refer Note 18(b))	313,815	253,736
Depreciation of property, plant and equipment		
- owner occupied property (refer Note 15(b))	142,529	142,529
- plant and equipment (refer Note 15(b))	428,677	477,868
	<b>885,021</b>	<b>874,133</b>
<b>Other expenses</b>		
General and administration	1,236,112	1,092,440
Marketing & promotion	1,153,844	1,445,049
Member service costs	2,510,541	2,420,657
Net loss on disposal of non-current assets:		
- property, plant and equipment	22,710	5,504
<b>* Employee benefits expense includes contributions to superannuation of \$476,794 (2014: \$444,307).</b>		

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

	2015 \$	2014 \$
<b>NOTE 5: INCOME TAX</b>		
<b>(a) Numerical reconciliation of income tax expense to prima facie tax payable:</b>		
Tax at the Australian tax rate of 30% (2014: 30%):	796,823	1,385,886
<b>Add Tax effect of:</b>		
Non-deductible entertainment	19,220	9,155
Other non-deductible items	-	-
	<b>816,043</b>	<b>1,395,041</b>
<b>Less Tax effect of:</b>		
Tax offset for fully franked dividends	(16,219)	(15,746)
Tax building depreciation/ building allowance	(12,359)	(12,427)
	<b>(28,578)</b>	<b>(28,173)</b>
<b>Income tax expense</b>	<b>787,465</b>	<b>1,366,868</b>
<b>(b) Major components of tax expense:</b>		
Current tax	1,207,908	1,419,908
Deferred tax	(420,443)	(53,040)
	<b>787,465</b>	<b>1,366,868</b>
<b>(c) Tax expense/(income) relating to items of other comprehensive income</b>		
<b>Deferred tax</b>		
Net changes on revaluation of land and buildings	(251,231)	-
Net changes in cash flow hedge	69,633	-
	<b>(181,598)</b>	<b>-</b>
<b>(d) Franking account</b>		
Balance of 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 date based on a tax rate of 30% (2014: 30%)	<b>21,710,971</b>	<b>20,530,290</b>

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

	2015	2014
	\$	\$
<b>NOTE 6: REMUNERATION OF AUDITORS</b>		
<b>Remuneration of the auditor for:</b>		
- Auditing and reviewing financials statements	97,000	94,600
- Auditing and review of prudential returns	43,150	25,900
- Taxation services	34,344	19,190
- Other business consulting services	22,097	-
	<b>196,591</b>	<b>139,690</b>

<b>NOTE 7: KEY MANAGEMENT PERSONNEL</b>		
<b>(a) Remuneration of key management personnel (KMP)</b>		
<b>Compensation of KMPs in total and for each of the following categories was as follows:</b>		
- Short term employee benefits	1,432,607	1,358,251
- Post-employment benefits including superannuation contributions	276,202	190,660
- Other long term benefits including long service leave provision and annual leave	137,580	117,180
- Termination benefits	351,065	299,380
	<b>2,197,454</b>	<b>1,965,471</b>

Remuneration shown as short-term benefits means (where applicable) wages, salaries, sick leave, bonuses and 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 Queensland Police Credit Union Limited.

**(b) Loans to KMP and their close family members**

Queensland Police Credit Union Limited's policy for lending to KMP is that all loans are approved and deposits accepted, on the same terms and conditions that applied to members during the year for each class of loan or deposit.

All loans disbursed to KMP were approved on the same terms and conditions as applicable to members for each class of loan. There are no loans that are impaired in relation to the loan balances with KMP.

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.

Aggregate value of loans at year end	79,734	611,093
Aggregate value of other credit facilities at year end	149,000	113,000
Amounts drawn down included in the aggregate value	31,721	29,119
Net balance available	117,279	83,881
During the year the aggregate value of revolving credit facility limits granted or increased/(decreased)	36,000	31,000
Interest and other revenue earned on loans and revolving credit facilities	8,643	41,728

**(c) Other transactions with KMP and their close family members**

KMP and their close family members have received interest on deposits with the Queensland Police Credit Union Limited during the financial year. Interest has been paid on terms and conditions no more favourable than those available on similar deposits to members of the Queensland Police Credit Union Limited.

Total value term and savings deposits at year end	1,800,512	1,571,008
Total interest paid on these deposits during the year	53,970	45,907

Queensland Police Credit Union Limited'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 close family members of the KMP.

There are no service contracts to which KMP or their close family members are an interested party.

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 8: CASH AND CASH EQUIVALENTS</b>		
Cash on hand	106,537	105,425
Deposits with ADI's	13,661,673	11,105,409
	<b>13,768,210</b>	<b>11,210,834</b>
The effective interest rate on short-term bank deposits was 1.80% (2014: 1.89%); these deposits are at call.		

<b>NOTE 9: FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (2014: FINANCIAL ASSETS AVAILABLE-FOR-SALE)</b>		
Shares in unlisted entities – Indue Ltd	2,294,120	437,400
	<b>2,294,120</b>	<b>437,400</b>
Amount of financial assets at fair value through other comprehensive income (2014: financial assets available-for-sale) expected to be recovered more than 12 months after the reporting date	2,294,120	437,400
<p>Indue Ltd was created to supply services to the member credit unions. These shares are held to enable Queensland Police Credit Union Limited to receive essential banking services. The shares are not publicly traded, are not redeemable, and have restrictions on the ability to transfer the shares.</p> <p>Queensland Police Credit Union Limited is not intending, nor able to dispose of these shares, without a majority of shareholding approval.</p> <p>The fair value of shareholding in Indue Ltd is determined using various valuation techniques. Queensland Police Credit Union Limited uses its judgement to select a method and make assumptions that are mainly based on market conditions existing at the end of each reporting period (2014: Shareholding in Indue Ltd is carried at cost).</p>		

<b>NOTE 10: OTHER RECEIVABLES</b>		
Accrued interest	253,695	245,496
Sundry debtors	1,168,558	1,204,156
	<b>1,422,253</b>	<b>1,449,652</b>

<b>NOTE 11: FINANCIAL ASSETS AT AMORTISED COST (2014: FINANCIAL ASSETS HELD-TO-MATURITY)</b>		
Deposits with ADI's	71,891,281	73,009,905
	<b>71,891,281</b>	<b>73,009,905</b>
Amount of financial assets at amortised cost (2014: financial assets held-to-maturity) expected to be recovered more than 12 months after the reporting date	19,622,254	-
Term deposits held with Indue Ltd are security for Indue Ltd providing transactional banking services and an overdraft facility of \$1,000,000 provided by Indue Ltd to Queensland Police Credit Union Limited (Refer Note 28).		

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

	2015 \$	2014 \$
<b>NOTE 12: LOANS AND ADVANCES</b>		
<b>(a)</b> Housing loans	508,563,060	524,561,509
Personal loans	15,862,451	17,806,170
Commercial loans	1,825,383	75,621
Overdrafts	10,646,545	12,815,650
Credit cards	11,026,100	11,536,081
Loss reserve loans	300,000	300,000
<b>Gross loans and advances</b>	<b>548,223,539</b>	<b>567,095,031</b>
Deferred loan funding fees	(142,188)	(134,674)
Provision for impairment	(123,199)	(109,410)
Interest on non-accrual loans	(13,780)	(11,414)
<b>Net loans and advances</b>	<b>547,944,372</b>	<b>566,839,533</b>
Amount of loans and advances expected to be recovered more than 12 months after the reporting date	480,573,582	492,818,258

## **(b) Securitised Loans – Trinity Securitisation**

Queensland Police Credit Union Limited has assigned the rights and benefits of a parcel of mortgage secured loans to a securitisation entity, Trinity Mortgage Origination Trust No 1, known as Trinity SPE. The total assigned mortgage secured loans to the securitisation entity amounted to \$9,051,471 as at 30 June 2015 (2014: \$11,409,332).

While Queensland Police Credit Union Limited does not carry the credit risk associated with the assigned mortgages it does act in a management capacity for the securitisation entity in respect to the day to day operation of the individual mortgaged loans and receives a management fee based on a percentage of the balances outstanding. Queensland Police Credit Union Limited also receives an excess spread fee which is calculated as a percentage of the surplus income from the securitisation entity after deducting funding and operating costs. The excess spread will vary according to the monthly performance of the securitisation entity.

The assignment of loans does not satisfy the de-recognition criteria prescribed in AASB 139, and accordingly the loans are recognised in the Statement of Financial Position with a corresponding increase of a loan due to the Trinity Special Purpose Entity (SPE) which is classified as borrowings, amounting to \$9,051,471 as at 30 June 2015 (2014: \$11,409,332).

	2015 \$	2014 \$
<b>NOTE 13: IMPAIRMENT OF LOANS AND ADVANCES</b>		
<b>(a) Provisions for impairment</b>		
Opening balance	109,410	147,331
Impairment expense	164,861	133,648
Bad debts written off	(151,072)	(171,569)
<b>Closing balance</b>	<b>123,199</b>	<b>109,410</b>
Details of credit risk management are set out in Note 32 B		
<b>(b) Provision for impairment calculation</b>		
Provision prescribed by Prudential Standards	108,199	70,410
Additional specific provision	15,000	39,000
<b>Closing balance</b>	<b>123,199</b>	<b>109,410</b>

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

## NOTE 13: IMPAIRMENT OF LOANS AND ADVANCES (cont)

### Key assumptions in determining the provision for impairment

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

In identifying the impairment arising from these events Queensland Police Credit Union Limited is required to estimate the 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 as follows:

Period of Impairment	Overdrafts % of balance	Unsecured Loans % of balance	Secured Loans % of balance
Less than 14 days	0%	0%	0%
14 days to 89 days	40%	0%	0%
90 to 181 days	75%	40%	5%
182 to 272 days	100%	60%	10%
273 to 364 days	100%	80%	15%
365 days and over	100%	100%	20%

The aforementioned percentages are applied against the relevant balance outstanding to calculate the provision for impairment.

	2015 \$	2014 \$
<b>(c) Impairment expense on loans and advances</b>		
Movement in provision for impairment	164,861	133,648
<b>Total impairment expense on loans and advances</b>	<b>164,861</b>	<b>133,648</b>
<b>(d) Assets acquired from loan recovery</b>		
There were no assets acquired by Queensland Police Credit Union Limited during the financial year. The policy of Queensland Police Credit Union Limited is to sell the assets via auction at the earliest opportunity, after the measures to assist the members to repay the debts have been exhausted.		
<b>(e) Loans and advances by impairment class</b>		
Net Impaired loans and advances - refer 13(f)	424,077	358,698
Past due but not impaired - refer 13(g)	5,266,283	6,998,213
Neither past due or impaired - refer 13(h)	542,396,200	559,617,296
Deferred loan funding fees	(142,188)	(134,674)
<b>Carrying amount</b>	<b>547,944,372</b>	<b>566,839,533</b>
<b>(f) Impaired loans and advances at reporting date</b>		
Individually impaired loans and advances	561,056	479,522
Provision for Impairment	(123,199)	(109,410)
Interest on Non Accrual Loans	(13,780)	(11,414)
<b>Total net impaired loans and advances</b>	<b>424,077</b>	<b>358,698</b>

The above values include the balance of renegotiated loans and advances



# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

	2015 \$	2014 \$
<b>NOTE 13: IMPAIRMENT OF LOANS AND ADVANCES (cont)</b>		
<b>(f) Impaired loans and advances (cont)</b>		
Individually impaired loans and advances at reporting date		
<b>Loans by purpose</b>		
Housing loans	-	-
Personal loans	65,250	35,148
Overdrafts	495,806	444,374
	<b>561,056</b>	<b>479,522</b>
Specific Provision	(123,199)	(109,410)
Interest on Non Accrual Loans	(13,780)	(11,414)
<b>Carrying amount</b>	<b>424,077</b>	<b>358,698</b>
<b>(g) Past due but not impaired loans and advances at reporting date</b>		
These loans are not considered impaired as the value of the related security over the residential property is in excess of the loan due. Past due values are 'on-balance sheet' loan balances		
<b>Loans by purpose</b>		
Housing loans	4,472,895	5,803,824
Personal loans	220,643	438,106
Overdrafts	572,745	756,283
<b>Carrying amount</b>	<b>5,266,283</b>	<b>6,998,213</b>
<b>Aging analysis</b>		
Past due 0-90 days in arrears	5,266,283	6,998,213
<b>Carrying amount</b>	<b>5,266,283</b>	<b>6,998,213</b>
<b>(h) Neither past due or impaired loans and advances at reporting date</b>		
<b>Loans by purpose</b>		
Housing loans	505,871,517	518,757,685
Personal loans	15,576,558	17,332,916
Commercial loans	44,031	75,621
Overdrafts	9,577,994	11,614,993
Credit cards	11,026,100	11,536,081
Loss Reserve Loans	300,000	300,000
<b>Carrying amount</b>	<b>542,396,200</b>	<b>559,617,296</b>
The above values include the balance of renegotiated loans and advances. All loans and advances to members that are neither past due or impaired are to long standing clients who have a good track record.		
<b>(i) Collateral held</b>		
Queensland Police Credit Union Limited holds collateral against loans and advances to customers as detailed below:		
Loans and advances with no collateral	20,539,896	21,691,962
Loans and advances with collateral	527,683,643	545,403,069
<b>Total loans and advances</b>	<b>548,223,539</b>	<b>567,095,031</b>
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. The fair value of the collateral is generally not updated except when a loan or advance is individually assessed as impaired.		

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

	2015 \$	2014 \$
<b>NOTE 14: DERIVATIVES</b>		
<p>Queensland Police Credit Union Limited's term deposits bear an average rate of interest of 3.55% (2014: N/A). In respect to the monthly interest rate swap contracts, the fixed interest rate is 3.04% (2014: Nil) and the variable rate between 2.65% and 2.03% during the year (2014: Nil). As at 30 June 2015, the current variable rate was 0.00% above (2014: Nil) the 30 day bank bill rate which was 2.04% (2014: Nil).</p> <p>The notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:</p>		
Less than 1 year	-	-
1 - 2 years	6,000,000	-
2 - 3 years	-	-
3 - 4 years	5,000,000	-
4 - 5 years	-	-
<b>Total Interest Rate Swaps</b>	<b>11,000,000</b>	<b>-</b>
<p>The contracts require settlement of net interest receivable or payable every 1 month. Settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.</p> <p>Gains or losses from remeasuring the interest rate swap contracts at fair value are recognised in other comprehensive income and accumulated in the Cashflow Hedge Reserve to the extent that the hedge is effective, and reclassified in net profit when the hedged interest expense is recognised. The ineffective portion is recognised in profit or loss immediately. During the year ended 30 June 2015, there was no transfer to the profit or loss (2014: Nil).</p>		

<b>NOTE 15: PROPERTY, PLANT AND EQUIPMENT</b>		
<b>(a) Carrying Values</b>		
<b>Owner Occupied Property</b>		
At fair value	6,253,526	5,701,147
Accumulated depreciation	-	(142,529)
	<b>6,253,526</b>	<b>5,558,618</b>
<b>Plant and Equipment</b>		
At cost	4,401,531	4,589,675
Accumulated depreciation	(2,729,460)	(2,615,155)
	<b>1,672,071</b>	<b>1,974,520</b>
<b>Total Property, Plant and Equipment</b>	<b>7,925,597</b>	<b>7,533,138</b>
<p>Property, plant and equipment forms part of the security for an equitable mortgage provided to CUSCAL Ltd. Refer to Notes 23 and 28.</p>		

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

	2015 \$	2014 \$	
<b>NOTE 15: PROPERTY, PLANT AND EQUIPMENT (cont)</b>			
	Owner Occupied Property \$	Plant and Equipment \$	Total \$
<b>(b) Movements In Carrying Values</b>			
Reconciliations of the carrying amounts of each class of property, plant and equipment between the beginning and end of the current financial year are set out below.			
<b>Balance at 30 June 2013</b>	<b>5,701,147</b>	<b>2,136,829</b>	<b>7,837,976</b>
Additions	-	318,743	318,743
Disposals	-	(3,184)	(3,184)
Depreciation expense	(142,529)	(477,868)	(620,397)
<b>Balance at 30 June 2014</b>	<b>5,558,618</b>	<b>1,974,520</b>	<b>7,533,138</b>
Additions	-	147,570	147,570
Disposals	-	(21,342)	(21,342)
Depreciation expense	(142,529)	(428,677)	(571,206)
Net revaluation movement	837,437	-	837,437
<b>Balance at 30 June 2015</b>	<b>6,253,526</b>	<b>1,672,071</b>	<b>7,925,597</b>
<b>(c) Revaluation</b>			
The valuation of strata title units was based on the assessment of their current market value. The current market value is assessed by comparing the value determined by the direct comparison method, with the value determined by the capitalisation method. The direct comparison method identifies comparable sales and compares equivalent rates per square metre with Queensland Police Credit Union Limited's property to establish market value. The capitalisation method capitalises the net income capable of being generated by the property at an appropriate yield to establish the current value fully leased.			
The independent revaluations on 30 June 2015 were carried out by Herron Todd White (Brisbane Commercial) Pty Ltd. The fair value increment charged to other comprehensive income for the financial year ended 30 June 2015 was \$837,437 (2014: \$Nil).			
Refer Note 36 for further details of fair value measurement.			
<b>(d) Historical Cost of Revalued Owner Occupied Property</b>			
If revalued strata title units were stated at historical cost, amounts would be as follows:			
Cost		2,076,927	2,076,927
Accumulated depreciation		(1,075,329)	(1,023,406)
<b>Net book value</b>		<b>1,001,598</b>	<b>1,053,521</b>

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 16: INVESTMENT PROPERTIES</b>		
<b>Movements</b>		
Balance at beginning of year	11,488,853	11,488,853
Fair value adjustments	(1,182,380)	-
<b>Closing balance</b>	<b>10,306,473</b>	<b>11,488,853</b>
<b>Operating Leases Receivable</b>		
Future minimum lease payments expected to be received in relation to non-cancellable operating leases:		
0-1 year	1,180,126	883,759
1-5 years	1,332,086	591,340
>5 years	-	-
	<b>2,512,212</b>	<b>1,475,099</b>
<p>The property leases are non-cancellable leases with one to four year terms, with rent payable monthly in advance. Some contracts have options at the end of the term (and in some cases at end of first option period also) for an additional term of one to three years.</p> <p>Queensland Police Credit Union Limited derived rental income of \$1,266,619 (2014: \$1,344,019) and incurred direct operating expenses of \$595,145 (2014: \$583,766) in connection with these investment properties, recognised in profit or loss.</p>		
<b>Revaluation</b>		
<p>The valuation of strata title units was based on the assessment of their current market value. The current market value is assessed by comparing the value determined by the direct comparison method, with the value determined by the capitalisation method. The direct comparison method identifies comparable sales and compares equivalent rates per square metre with Queensland Police Credit Union Limited's property to establish market value. The capitalisation method capitalises the net income capable of being generated by the property at an appropriate yield to establish the current value fully leased. Some of the smaller strata title units are valued on the direct comparison method, which uses comparable sale rates per square metre.</p> <p>The independent revaluations on 30 June 2015 were carried out by Herron Todd White (Brisbane Commercial) Pty Ltd. The fair value decrement charged against net fair value loss on investment properties in the profit or loss for the financial year ended 30 June 2015 was \$1,182,380 (2014: \$Nil).</p> <p>Refer to Note 36 for further details of fair value measurement.</p>		

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 17: DEFERRED TAX ASSETS AND LIABILITIES</b>		
<b>(a) Deferred Tax Assets</b>		
<b>Deferred tax assets comprise temporary differences attributable to:</b>		
Employee benefits	277,826	341,210
Accrued expenses	133,729	72,701
Derivatives/ hedge reserve	69,633	-
Prepayments	(1,445)	931
Provision for impairment	36,960	32,823
<b>Total deferred tax assets</b>	<b>516,703</b>	<b>447,665</b>
<b>The movement in deferred tax assets for each temporary difference during the year is as follows:</b>		
<b>Employee benefits</b>		
Opening balance	341,210	284,511
Change recognised in profit or loss	(63,384)	56,699
<b>Closing balance</b>	<b>277,826</b>	<b>341,210</b>
<b>Accrued expenses</b>		
Opening balance	72,701	133,414
Change recognised in profit or loss	61,028	(60,713)
<b>Closing balance</b>	<b>133,729</b>	<b>72,701</b>
<b>Derivatives/hedge reserve</b>		
Opening balance	-	-
Charge recognised in other comprehensive income	69,633	-
<b>Closing balance</b>	<b>69,633</b>	<b>-</b>
<b>Prepayments</b>		
Opening balance	931	(2,090)
Change recognised in profit or loss	(2,376)	3,021
<b>Closing balance</b>	<b>(1,445)</b>	<b>931</b>
<b>Provision for impairment</b>		
Opening balance	32,823	44,199
Change recognised in profit or loss	4,137	(11,376)
<b>Closing balance</b>	<b>36,960</b>	<b>32,823</b>
<b>Deferred tax assets closing balance</b>	<b>516,703</b>	<b>447,665</b>

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 17: DEFERRED TAX ASSETS AND LIABILITIES (cont)</b>		
<b>(b) Deferred Tax Liabilities</b>		
<b>Deferred tax liabilities comprise temporary differences attributable to:</b>		
Revaluation of investment properties	1,891,901	2,246,615
Depreciation	(346,042)	(322,473)
Revaluation of property, plant and equipment	1,100,611	892,139
<b>Total deferred tax liabilities</b>	<b>2,646,470</b>	<b>2,816,281</b>
<b>The movement in deferred tax liabilities for each temporary difference during the year is as follows:</b>		
<b>Revaluation of investment properties</b>		
Opening balance	2,246,615	2,246,615
Change recognised in profit or loss	(354,714)	-
<b>Closing balance</b>	<b>1,891,901</b>	<b>2,246,615</b>
<b>Depreciation</b>		
Opening balance	(322,473)	(299,822)
Change recognised in profit or loss	(23,569)	(22,651)
<b>Closing balance</b>	<b>(346,042)</b>	<b>(322,473)</b>
<b>Revaluation of property, plant and equipment</b>		
Opening balance	892,139	934,897
Change recognised in profit or loss	(42,759)	(42,758)
Change recognised in other comprehensive income	251,231	-
<b>Closing balance</b>	<b>1,100,611</b>	<b>892,139</b>
<b>Deferred tax liabilities closing balance</b>	<b>2,646,470</b>	<b>2,816,281</b>
<b>Net deferred tax liabilities closing balance</b>	<b>2,129,767</b>	<b>2,368,616</b>

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 18: INTANGIBLE ASSETS</b>		
<b>(a) Carrying amounts</b>		
Computer software at cost	2,128,250	1,586,989
Accumulated amortisation	(1,454,046)	(1,157,044)
<b>Closing balance</b>	<b>674,204</b>	<b>429,945</b>
<b>(b) Movements in carrying amounts</b>		
Reconciliations of the carrying amounts of computer software between the beginning and end of the financial year are set out below.		
Opening balance	429,945	378,379
Additions	559,442	307,669
Disposals	(1,368)	(2,367)
Amortisation expense	(313,815)	(253,736)
<b>Closing balance</b>	<b>674,204</b>	<b>429,945</b>
<b>NOTE 19: OTHER ASSETS</b>		
Prepaid expenses	220,373	170,142
Work in progress	98,680	199,827
	<b>319,053</b>	<b>369,969</b>
<b>NOTE 20: DEPOSITS</b>		
Member call deposits (including withdrawable shares)	274,738,709	246,867,696
Negotiable certificates of deposit	9,438,711	-
Term deposits	260,891,807	294,406,338
Member retirement savings account deposits	17,776,936	26,761,660
Accrued interest	1,958,919	2,163,506
	<b>564,805,082</b>	<b>570,199,200</b>
Amount of deposits expected to be settled more than 12 months after the reporting date	24,016,884	12,690,779
<b>Concentration of Deposits</b>		
The following groups represent concentrations of deposits in excess of 10% of total liabilities:		
Qld Government Employees including Police, Fire and Ambulance Services		
% value of deposits	27.76%	25.75%
\$ value of deposits	156,251,751	146,252,395

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 21: OTHER PAYABLES</b>		
Annual leave	352,572	422,209
Clearing accounts	533,744	640,697
Sundry creditors	694,324	495,356
Deferred income	187,662	177,428
	<b>1,768,302</b>	<b>1,735,690</b>
<b>NOTE 22: INCOME TAX PAYABLE/(RECEIVABLE)</b>		
Current income tax payable/(receivable)	(213,216)	215,249
	<b>(213,216)</b>	<b>215,249</b>
<b>NOTE 23: BORROWINGS</b>		
Overdraft facility	66,986	169,173
Term loan - secured	6,000,000	16,000,000
Loan from Trinity SPE (refer Note 12(b))	9,051,471	11,409,332
	<b>15,118,457</b>	<b>27,578,505</b>
Amount of borrowings expected to be settled more than 12 months after the reporting date	9,051,471	11,409,332
The term loan is secured by an equitable mortgage over all assets of Queensland Police Credit Union Limited (refer Note 28).		
The overdraft facility is secured by a term deposit held with Indue Ltd (refer Note 28).		
<b>NOTE 24: PROVISIONS</b>		
Provision for long service leave	505,583	559,572
Provision for Directors retirement benefits	67,929	155,586
	<b>573,512</b>	<b>715,158</b>
Provision for long service leave comprises amounts payable which are both vested and not vested at the end of the reporting date and the amount and timing of the payments to be made when leave is taken is uncertain.		
Directors' retirement benefits comprise amounts payable for service on the board of directors which are both vested and not vested at the end of the reporting date and the amount and timing of the payments to be made is uncertain.		



	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 25: TIER 1 REDEEMABLE PREFERENCE SHARES</b>		
Tier 1 redeemable preference share	3,000,000	3,000,000
Tier 1 debt raising discount	(70,140)	(70,140)
	<b>2,929,860</b>	<b>2,929,860</b>

Queensland Police Credit Union Limited entered into agreements to issue redeemable preference shares on 21 June 2006.

The agreement specified that Queensland Police Credit Union Limited also establish loans equivalent to 10% of the value of the shares (Loss Reserve Loans) with the investors as security for payment of dividends. The loans are provided as subordinated debt to the investors.

The Loss Reserve Loans earn interest during the issue period that will be remitted to Queensland Police Credit Union Limited quarterly on each interest payment date. The Loss Reserve Loans and the accrued interest act as security for the investors to the extent that dividends are not paid on the shares by Queensland Police Credit Union Limited on the relevant dividend payment date.

In total 30,000 shares, each with an issue price of A\$100, have been issued and paid in full.

Each share entitles the holder on the record date to receive, on the relevant dividend payment date, a dividend for the dividend period ending on the dividend payment date. Payment of dividends is conditional upon a resolution of the Directors to pay a dividend on the relevant dividend payment date.

There are no shares reserved for issue under options and contracts for the sale of shares.

In the event of a winding up of Queensland Police Credit Union Limited, holders are entitled to repatriation of the A\$100 issue price, contingent upon an adequate surplus being available after satisfaction in full of all deposit liabilities and all other creditors.

Holders of the permanent preference shares have the same rights as those of holders of members shares in relation to receiving notices, reports and audited accounts and attending meetings of Queensland Police Credit Union Limited. Holders are not entitled to vote or participate in any decision-making of Queensland Police Credit Union Limited.

A holder has no right to redemption of the instruments.

Holders are not entitled to participate in any issue of securities by Queensland Police Credit Union Limited to holders of members shares.

Holders are entitled to transfer permanent preference shares to any person entitled to hold redeemable preference shares in accordance with the Constitution.

## NOTE 26: RESERVES

### (a) Asset Revaluation Reserve

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

### (b) Reserve for Credit Losses

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

### (c) Cashflow Hedge Reserve

The cashflow hedge reserve records the changes in fair value of the interest rate swap to the extent that the hedge was effective.

### (d) Redeemed preference share capital account

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

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 Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 27: COMMITMENTS</b>		
<b>(a) Future capital commitments</b>		
Commitments for the completion of IT projects which have not been recognised as liabilities are payable as follows:		
No longer than 1 year	27,860	154,309
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	<b>27,860</b>	<b>154,309</b>
<b>(b) Outstanding loan commitments</b>		
Loans and credit facilities approved but not funded or drawn at the end of the financial year:		
Loans approved but not funded	6,454,009	7,645,768
Undrawn overdraft, line of credit and credit cards	33,243,275	31,567,895
Amounts available for redraw	39,569,876	39,842,030
	<b>79,267,160</b>	<b>79,055,693</b>

	<b>Approved Facility</b>	<b>Current Borrowing</b>	<b>Net Available</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>

## NOTE 28: BORROWING FACILITIES

Queensland Police Credit Union Limited has a gross borrowing facility as follows:

### 2015

Stand by facility - CUSCAL Ltd	5,000,000	-	5,000,000
Overdraft facility - Indue Ltd	1,000,000	66,986	933,014
Term Loan - CUSCAL Ltd	20,000,000	6,000,000	14,000,000
	<b>26,000,000</b>	<b>6,066,986</b>	<b>19,933,014</b>

### 2014

Stand by facility - CUSCAL Ltd	5,000,000	-	5,000,000
Overdraft facility - Indue Ltd	1,000,000	169,173	830,827
Term Loan - CUSCAL Ltd	57,500,000	16,000,000	41,500,000
	<b>63,500,000</b>	<b>16,169,173</b>	<b>47,330,827</b>

The standby facility and term loan with CUSCAL Ltd are secured by an equitable mortgage over all assets of Queensland Police Credit Union Limited.

There are no restrictions on withdrawal of funds in relation to standby or overdraft facilities.

The overdraft with Indue Ltd is secured by a term deposit held with Indue Ltd.

## NOTE 29: CONTINGENT LIABILITIES

### (a) Credit union financial support system

Queensland Police Credit Union Limited is a participant in the Credit Union Financial Support System Ltd (CUFSS). The purpose of 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.

An Industry Support Contract made on 30 September 2009 between CUSCAL Ltd, CUFSS and participating credit unions required Queensland Police Credit Union Limited to execute an equitable charge in favour of CUSCAL Ltd. The charge is a fixed and floating

charge over the assets and undertakings of Queensland Police Credit Union Limited, and secures any advances that may be made to Queensland Police Credit Union Limited under the scheme.

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

### (b) Guarantees

Queensland Police Credit Union Limited has provided guarantees on behalf of members. The maximum liability of the guarantees is limited to \$68,121 (2014: \$83,121). As at 30 June 2015, Queensland Police Credit Union Limited is unaware of any claim in relation to these guarantees.

## NOTE 30: EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

Subsequent to year end, a dividend for the September 2015 quarter amounting to \$27,207 on the 30,000 Tier 1 redeemable preference shares has been approved by the Board. No circumstances have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of Queensland Police Credit Union Limited, or the state of affairs of Queensland Police Credit Union Limited in future financial years.

2015	2014
\$	\$

## NOTE 31: CLASSES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following is a summary of financial instruments by class.

### (a) Financial assets

#### (i) Measured at amortised cost

Cash and cash equivalents	13,768,210	11,210,834
Other receivables	1,422,253	1,449,652
Loans and advances	538,892,901	555,430,201
Loans and advances – securitised loans	9,051,471	11,409,332
Financial assets at amortised cost (2014: Financial assets held-to-maturity)	71,891,281	73,009,905
	<b>635,026,116</b>	<b>652,509,924</b>

#### (ii) Measured at cost

Financial assets available-for-sale	-	437,400
	<b>-</b>	<b>437,400</b>

#### (iii) Measured at fair value

Financial assets at fair value through other comprehensive income	2,294,120	-
	<b>2,294,120</b>	<b>-</b>

### (b) Financial liabilities

#### (i) Measured at amortised cost

Deposits	564,805,082	570,199,200
Borrowings	15,118,457	27,578,505
Other payables	1,768,302	1,735,690
	<b>581,691,841</b>	<b>599,513,395</b>

#### (ii) Measured at fair value

Interest rate swaps	232,111	-
	<b>232,111</b>	<b>-</b>

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

## NOTE 32: RISK MANAGEMENT POLICY AND OBJECTIVES

### Introduction

The Board of Directors (the Board) has endorsed a policy of compliance and risk management to suit the risk profile of Queensland Police Credit Union Limited.

Key risk management policies encompassed in the overall risk management framework include:

- Strategic risk management
- Interest rate risk management
- Capital risk management
- Liquidity risk management
- Credit risk management
- Operations risk management including data risk management.

The main elements of risk governance are as follows:

#### (i) Board

This is the primary governing body and approves the level of risk to which Queensland Police Credit Union Limited is exposed and the framework for identifying, assessing, mitigating and reporting of risk.

#### (ii) Risk and Compliance Committee

This is a key body in the risk management framework. It comprises three Directors of Queensland Police Credit Union Limited. The Risk and Compliance Committee reviews both quantifiable and non-quantifiable material and strategic risks and the effectiveness of existing controls that are used to mitigate those risks. Regular monitoring of material and strategic risks is carried out by the Risk and Compliance Committee based on periodic reporting from the Chief Risk Officer and Executive Management.

The Risk and Compliance Committee also oversees contingency plans in place to achieve business continuity in the event of serious disruptions to business operations. The Risk and Compliance Committee reports to the Board.

#### (iii) Chief Risk Officer

Queensland Police Credit Union Limited appointed a Chief Risk Officer in May 2014.

The Chief Risk Officer is responsible for reporting of risk information to the Risk and Compliance Committee. Responsibilities also extend to implementation of the Risk Management Framework.

#### (iv) Audit Committee

The Audit Committee's role in risk management is to assess the effectiveness of controls that are in place to mitigate risks. In performing this role, the Audit Committee reviews risk and compliance reports and internal audit reports and provides feedback to the Risk and Compliance Committee and the Board for their consideration.

#### (v) Internal Auditor

The Internal Auditor has responsibility for implementing the controls testing and assessment as required by the Audit Committee.

#### (vi) Asset and Liability Committee (ALCO) - Market Risk

This committee meets at least monthly and has responsibility for managing interest rate risk exposures, and ensuring that the treasury and finance functions adhere to exposure limits as outlined in the policies for interest rate risk. The scrutiny of market risk reports is intended to prevent any material exposure.

Queensland Police Credit Union Limited has undertaken the following strategies to minimise the risks arising from business operations.

### A. Interest Rate Risk and Derivatives Strategy and Policy

The objective of Queensland Police Credit Union Limited's market risk management is to manage and control market risk exposures in order to optimise risk and return.

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and other volatilities will have an adverse effect on Queensland Police Credit Union Limited's financial condition or results. Queensland Police Credit Union Limited is not exposed to currency risk or other significant price risk. Queensland Police Credit Union Limited does not trade in the financial instruments it holds on its books. Queensland Police Credit Union Limited is exposed to interest rate risk arising from changes in market interest rates.

The management of market risk is the responsibility of the ALCO which reports to the Board.

#### (i) Interest rate risk

Interest rate risk is the risk of variability of the fair value of future cash flows arising from financial instruments due to changes in interest rates. Most ADIs are exposed to interest rate risk within their Treasury operations. Queensland Police Credit Union Limited's exposure to interest rate risk is measured and monitored using interest rate sensitivity, "Value at Risk" and "Earnings at Risk" models. There has been no material change to Queensland Police Credit Union Limited's exposure to market risk or the way Queensland Police Credit Union Limited manages and measures interest rate risk in the reporting period.

The policy of Queensland Police Credit Union Limited is to maintain "Value at Risk" below its policy limit of 1.5%. This is measured bi-monthly to identify any large exposures to interest rate movements and to rectify the exposure through corrective action either by targeting selected deposit or lending products, varying maturities of investments or borrowings, or utilising derivatives. The policy of Queensland Police Credit Union Limited allows the use of derivative transactions to match interest rate risks. Queensland Police Credit Union Limited's exposure to interest rate risk is set out in Note 34 which details the contractual interest change profile.

Interest rate risk reports are prepared internally and reviewed by the ALCO. The Board monitors interest rate risks with these reports for reference.

## NOTE 32: RISK MANAGEMENT POLICY AND OBJECTIVES (cont)

Based on calculations as at 30 June 2015, the change in value of interest bearing assets and interest bearing liabilities for a 1% (2014: 1%) movement in interest rates would be \$109,600 (2014: \$99,500). In doing the calculation the assumptions applied were that:

- The interest rate change would be applied equally over interest bearing investments, borrowings, loan products and deposits (excluding standard rate call savings deposits);
- Notional capital represented by interest bearing assets less interest bearing liabilities is treated as fixed interest and spread over years one to three in the analysis;
- 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;
- Term deposits issued and borrowings would all reprice to the new interest rate at maturity, or be replaced by similar products with similar terms and rates applicable as the maturing liability;
- Standard rate call savings deposits would not reprice in the event of a rate change;
- Premium rate savings deposits would reprice to the new rate immediately;
- Fixed rate loans to members and fixed rate investments would all reprice to the new interest rate at the contracted date;
- Variable rate mortgage loans to members and variable rate investments would all reprice to the new interest rate immediately;
- Personal loans would reprice to the new rate immediately; and
- The value and mix of interest bearing assets and liabilities will be unchanged.

The interest rate sensitivity is not representative of the risk inherent in financial instruments during the financial year due to:

1. The acquisition of assets and liabilities of Queensland Police Credit Union Limited.
2. The changes in asset mix of fixed rate loans, investments, longer term deposits and borrowings.

### (ii) Price risk

The shares in Indue Limited are held in order to access supply services for Queensland Police Credit Union Limited. These shares are not publicly traded. Queensland Police Credit Union Limited carries these at fair value. Owner occupied property and investment property are carried at fair value also. Fluctuations in value are recognised. Queensland Police Credit Union Limited is exposed to price risk on the value of these assets.

## B. Credit Risk

Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to Queensland Police Credit Union Limited which may result in financial losses. Credit risk arises principally from Queensland Police Credit Union

Limited's loan book and investment assets.

### Credit risk – loans and advances

The maximum credit risk exposure in relation to loans is discussed in Note 35(a). Concentrations are discussed below and in Note 35(b).

The method of managing credit risk is by way of strict adherence to the credit assessment policies before loans are approved and close monitoring of defaults in the repayment of loans thereafter on a continuous basis. The credit policy has been endorsed by the Board to ensure that loans are only made to members that are credit-worthy (capable of meeting loan repayments).

Queensland Police Credit Union Limited has established policies over the:

- Credit assessment and approval of loans and other facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure to individual borrowers, non-mortgage secured loans, commercial lending and concentrations of geographic and industry groups considered a high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures; and
- Review of compliance with the above policies.

A regular review of compliance is conducted as part of the internal audit scope.

### (i) Past due and impaired loans

A loan is past due when the counterparty has failed to make payment when contractually due. Past due does not mean that a counter-party will never pay but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings.

Daily reports monitor loan repayments to detect delays in repayments and recovery action is commenced on loans after 2 days and 8 days for credit cards. Where considered necessary, for accounts on which repayments are doubtful, external consultants may be engaged to conduct recovery action. Exposure to credit losses arise predominantly in loans and other facilities which are not secured by registered mortgages over real estate.

If appropriate, the estimated recoverable amount of the loan is determined and any impairment loss based on the net present value of future anticipated cash flows is recognised in the profit or loss. In estimating these cash flows management makes judgements about a counter-party's financial situation and the net realisable value of any underlying collateral.

In addition to specific provisions against individually significant financial assets, Queensland Police Credit Union Limited makes collective assessments for each financial asset portfolio segment by similar risk characteristics.

Provisions are maintained at a level that management deems sufficient to absorb probable incurred losses in Queensland Police Credit Union Limited's loan portfolio from homogenous portfolios of assets and individually identified loans.

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

## NOTE 32: RISK MANAGEMENT POLICY AND OBJECTIVES (cont)

A provision for impairment is established on all past due loans after a specified period of repayment default where it is probable that some of the asset will not be repaid or recovered. Specific loans and portfolios of assets are provided against depending on a number of factors including changes in counterparty's industry and technological developments, as well as identified structural weaknesses or deterioration in cash flows. Details of past due and impaired balances and provisions for impairment of loans and advances to members are discussed in Note 13.

### (ii) Collateral securing loans

A sizeable portion of the loan book is secured on residential property in Australia. Therefore, Queensland Police Credit Union Limited is exposed to risks in the increase of the Loan to Value Ratio (LVR) cover should the property market be subject to a decline.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. Note 13(i) outlines the nature and extent of the security held against the loans as at the end of the reporting period.

It is the policy of Queensland Police Credit Union Limited to allow members with a secured loan or advance reasonable assistance and opportunity to rectify a breach prior to recovery procedures being initiated. Details of assets acquired from loan recovery and their disposal are shown in Note 13(d).

### (iii) Concentration risk – individuals

Concentration risk is a measurement of Queensland Police Credit Union Limited's exposure to an individual counterparty (or group of related parties).

Queensland Police Credit Union Limited minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of customers. Concentration risk is also managed in accordance with the Prudential Standards. A large exposure is considered to exist if prudential limits are exceeded as a proportion of Queensland Police Credit Union Limited's regulatory capital (10%). No capital is required to be held against these but APRA must consent to the exposure before any facility is approved. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark to be higher than acceptable.

The aggregate value of large exposures on loans and advances to members are set out in Note 35(b). Concentration exposures of counterparties are closely monitored with no relationship presently having an exposure over 5% of Queensland Police Credit Union Limited's capital base. Queensland Police Credit Union Limited carries out detailed Credit Risk Portfolio Reviews, which incorporates comprehensive LVR analysis, twice per year.

### (iv) Concentration risk – industry

Queensland Police Credit Union Limited has a concentration in retail lending to members who comprise employees and family of the

Queensland Police Service, Queensland Ambulance Service, Queensland Fire and Emergency Services, and Queensland Corrective Services sectors. This concentration is considered acceptable on the basis that Queensland Police Credit Union Limited 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. The details of the geographical and industry concentrations are set out in Note 35.

### Credit risk – 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 Queensland Police Credit Union Limited incurring a financial loss. This usually occurs when counterparties fail to settle their obligations owing to Queensland Police Credit Union Limited.

#### (i) Concentration of credit risk

The credit policy is that investments are only made to institutions that are creditworthy. Directors have established policies that a maximum of 25% can be invested in any one financial institution at a time. The Board policy for liquid investments allows only investment with unrated investments capped at 25% of total portfolio. There are policy limits for investment grade and individual counterparty limits.

The risk of losses from liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and the limits to concentration on one entity. Also, the relative size of Queensland Police Credit Union Limited compared to the industry is relatively low such that the risk of loss is reduced.

Under the liquidity support scheme at least 3.2% of the total assets must be invested in liquid investments accessible by Credit Union Financial Support Services Ltd (CUFSS) to allow the scheme to have adequate resources to meet its obligations.

#### (ii) External credit assessment for institutional investments

Queensland Police Credit Union Limited uses the ratings of Standard and Poor's, Moody's Investor Services and Fitch Ratings to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APRA Prudential Standard 112. The credit quality assessment scale within this standard has been complied with.

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

	2015	2014
	\$ Carrying value	\$ Carrying value
<b>Indue (unrated)</b>	<b>8,892,000</b>	<b>8,892,000</b>
<b>ADI's – rated A and above*</b>	<b>25,140,994</b>	<b>14,986,772</b>
<b>ADI's – rated A- to BBB*</b>	<b>37,858,287</b>	<b>49,131,133</b>
<b>(*Standard and Poor's)</b>	<b>71,891,281</b>	<b>73,009,905</b>

## NOTE 32: RISK MANAGEMENT POLICY AND OBJECTIVES (cont)

### C. Liquidity risk

Liquidity risk is the risk that Queensland Police Credit Union Limited may encounter difficulties raising funds to meet commitments associated with financial instruments eg. repayments of borrowings, wholesale deposits or member withdrawal demands. It is the policy of the Board that treasury maintains adequate cash reserves and committed credit facilities so as to meet member withdrawal demands when requested.

Queensland Police Credit Union Limited manages liquidity risk by:

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

Queensland Police Credit Union Limited has a long standing arrangement with the industry liquidity support scheme, Credit Union Financial Support Services Ltd (CUFSS) which can access industry funds to provide support to Queensland Police Credit Union Limited should this be necessary at short notice.

Queensland Police Credit Union Limited is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the Australian Prudential Regulation Authority (APRA) Prudential Standards. Queensland Police Credit Union Limited's policy is to maintain at least 13% 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 liquid funds are obtained from new deposits and the borrowing facilities available. Note 28 describes the borrowing facilities as at the end of the reporting period.

The maturity profile of financial liabilities based on the contractual repayment terms is set out in Note 33.

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

	2015	2014
	\$	\$
<b>Liquid funds to total adjusted liabilities:</b>		
- As at 30 June	14.44%	14.01%
- Average for the year	14.57%	14.42%
- Minimum for the year	13.41%	13.19%
<b>Liquid funds to total member deposits:</b>		
- As at 30 June	15.15%	14.74%

### D. Operational risk

Operational risk is the risk of loss to Queensland Police Credit Union Limited resulting from deficiencies in processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks in Queensland Police Credit Union Limited relate mainly to those risks arising from a number of sources including legal compliance, business continuity, data infrastructure, outsourced services, fraud, and employee errors.

Queensland Police Credit Union Limited'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 events and minimise the impact.

Systems of internal control are enhanced through:

- The segregation of duties between employees and functions, including approval and processing duties;
- Documentation of the policies and procedures, employee position descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour;
- Implementation of whistle blowing policies and KPIs 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 Queensland Police Credit Union Limited promptly;
- Effective dispute resolution procedures to respond to member complaints;
- Effective insurance arrangements to reduce the impact of losses; and
- Contingency plans for dealing with loss of functionality of system or premises or staff.

#### (i) Fraud

Queensland Police Credit Union Limited has systems in place which are considered to be robust enough to prevent any material fraud. Fraud losses for the financial year were minimal.

#### (ii) IT systems

The worst case scenario would be the failure of Queensland Police Credit Union Limited's core banking and IT network suppliers to meet customer obligations and service requirements. Queensland Police Credit Union Limited has outsourced the IT systems management to an independent data processing centre which is owned by a collection of credit unions. This organisation has the experience in-house to manage any short-term problems and has a contingency plan to manage any related power or systems failures.

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

## NOTE 32: RISK MANAGEMENT POLICY AND OBJECTIVES (cont)

Other network suppliers are engaged on behalf of Queensland Police Credit Union Limited by the industry body Indue Limited to service the settlements with other financial institutions for direct entry, Visa and ATM cards, BPAY and chequing.

A full disaster recovery plan is in place to cover medium to long-term problems. This plan is considered to mitigate the risk to an extent such that there is no need for any further capital to be allocated.

### E. Capital management

The Australian Prudential Regulatory Authority (APRA) sets and monitors capital requirements for Queensland Police Credit Union Limited under Australian Prudential Standard (APS) 110 Capital Adequacy. Under the Standard Queensland Police Credit Union Limited must maintain minimum levels of Tier 1 capital and may also hold Tier 2 capital up to certain prescribed limits. Tier 1 capital comprises the highest quality components of capital that fully satisfy the following essential characteristics:

- Provide a permanent and unrestricted commitment of funds;
- Are freely available to absorb losses;
- Do not impose any unavoidable servicing charges against earnings; and
- Rank behind claims of depositors and other creditors in the event of winding up.

Queensland Police Credit Union Limited's Tier 1 capital includes asset revaluation and general reserves (except reserve for credit losses), preference share capital and retained profits. The preference shares issued are approved by APRA and qualify as additional Tier 1 capital. At 30 June 2015 70% of the value of these preference shares (2014: 80%) was recognised as Tier 1 capital.

Tier 2 capital comprises capital that, to varying degrees, fall short of the quality of Tier 1 capital but exhibit some of the features of equity and contribute to the overall strength of Queensland Police Credit Union Limited as a going concern. Queensland Police Credit Union Limited's Tier 2 capital includes collective impairment allowances where the standardised approach is used (reserve for credit losses).

Capital in Queensland Police Credit Union Limited is made up as follows:

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Tier 1 Capital</b>		
Tier 1 redeemable preference shares	1,800,000	2,100,000
Retained earnings	62,238,060	60,500,584
Asset revaluation reserve	5,479,465	4,893,259
General reserve	329,686	315,836
Cash flow hedge reserve	(162,478)	-
Less prescribed deductions	(3,033,204)	(937,487)
<b>Net Tier 1 Capital</b>	<b>66,651,529</b>	<b>66,872,192</b>
<b>Tier 2 Capital</b>		
Reserve for credit losses	1,316,955	1,321,011
<b>Net Tier 2 Capital</b>	<b>1,316,955</b>	<b>1,321,011</b>
<b>Total Capital</b>	<b>67,968,484</b>	<b>68,193,203</b>



## NOTE 32: RISK MANAGEMENT POLICY AND OBJECTIVES (cont)

Queensland Police Credit Union Limited is required to maintain a minimum capital level of 8% (2014: 8%) of risk weighted assets at any given time in accordance with APRA Prudential Standards. Queensland Police Credit Union Limited has complied with all externally imposed capital requirements throughout the period.

The level of the capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. The capital ratios as at the end of each reporting period, for the past 5 years follows:

2015	2014	2013	2012	2011
21.93%	21.89%	20.48%	19.56%	18.79%

Queensland Police Credit Union Limited's objective is to maintain sufficient capital resources to support business activities and operating requirements and to ensure continuous compliance with externally imposed capital ratios. To manage Queensland Police Credit Union Limited's capital, Queensland Police Credit Union Limited reviews the ratio monthly and monitors major movements in asset levels. Policies have been implemented which require reporting to the Board if the capital falls below 18% (2014: 18%), and the regulator if the capital ratio falls below 14% (2014: 14%). Further, a 3 year projection of capital levels is prepared six monthly to address results of operations, strategic decisions or trends that may impact on the capital level.

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

## NOTE 33: MATURITY PROFILE OF FINANCIAL LIABILITIES

The table below shows the periods in which the financial liabilities mature. Contractual cash flows shown in the table are at undiscounted values (including future interest expected to be paid). Accordingly, these values may not agree to carrying amount.

To manage the liquidity risk arising from financial liabilities, Queensland Police Credit Union Limited holds liquid assets comprising cash and cash equivalents and investment grade investment securities. These assets can be readily sold to meet liquidity requirements. Hence, Queensland Police Credit Union Limited 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.

	<b>Within 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total cash flows</b>	<b>Carrying amount</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2015</b>							
<b>Financial Liabilities</b>							
Deposits	342,689,331	72,670,519	128,610,547	26,048,085	-	570,018,482	564,805,082
Borrowings	3,153,254	3,158,360	649,243	3,462,631	11,361,362	21,784,850	15,118,457
Other payables	1,768,302	-	-	-	-	1,768,302	1,768,302
<b>Total Financial Liabilities</b>	<b>347,610,887</b>	<b>75,828,879</b>	<b>129,259,790</b>	<b>29,510,716</b>	<b>11,361,362</b>	<b>593,571,634</b>	<b>581,691,841</b>
<b>Off-Balance Sheet Items</b>							
Undrawn Commitments - Note 27(b) & 29(b)	79,335,281	-	-	-	-	79,335,281	-
Interest Rate Swaps	9,600	19,200	86,400	162,542	-	277,742	232,111
<b>Total Off-Balance Sheet Instruments</b>	<b>79,344,881</b>	<b>19,200</b>	<b>86,400</b>	<b>162,542</b>	<b>-</b>	<b>79,613,023</b>	<b>232,111</b>
<b>2014</b>							
<b>Financial Liabilities</b>							
Deposits	330,369,835	94,346,410	137,241,167	13,625,961	-	575,583,373	570,199,200
Borrowings	9,317,511	7,239,844	845,819	4,502,763	16,176,051	38,081,988	27,578,505
Other payables	1,735,690	-	-	-	-	1,735,690	1,735,690
<b>Total Financial Liabilities</b>	<b>341,423,036</b>	<b>101,586,254</b>	<b>138,086,986</b>	<b>18,128,724</b>	<b>16,176,051</b>	<b>615,401,051</b>	<b>599,513,395</b>
<b>Off-Balance Sheet Items</b>							
Undrawn Commitments - Note 27(b) & 29(b)	79,138,813	-	-	-	-	79,138,813	-
<b>Total Off-Balance Sheet Instruments</b>	<b>79,138,813</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79,138,813</b>	<b>-</b>

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

## NOTE 34: INTEREST RATE RISK

	Floating Interest Rate	Fixed Interest Rate Maturing			Non Interest Sensitive	Total	Effective Interest Rate
		Within 1 Year	1 to 5 Years	Over 5 Years			
Queensland Police Credit Union Limited'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, are set out below.							
<b>2015</b>							
<b>Financial Assets</b>							
Cash and cash equivalents	13,661,673	-	-	-	106,537	13,768,210	1.80%
Other receivables	-	-	-	-	1,422,253	1,422,253	
Financial assets at amortised cost	-	52,269,027	19,622,254	-	-	71,891,281	2.92%
Financial assets at fair value through other comprehensive income	-	-	-	-	2,294,120	2,294,120	
Loans and advances	406,549,888	45,085,725	96,308,759	-	-	547,944,372	5.29%
<b>Total Financial Assets</b>	<b>420,211,561</b>	<b>97,354,752</b>	<b>115,931,013</b>	<b>-</b>	<b>3,822,910</b>	<b>637,320,236</b>	
<b>Financial Liabilities</b>							
Deposits	294,474,564	246,313,634	24,016,884	-	-	564,805,082	2.71%
Borrowings	9,118,457	6,000,000	-	-	-	15,118,457	3.86%
Other payables	-	-	-	-	1,768,302	1,768,302	
<b>Total Financial Liabilities</b>	<b>303,593,021</b>	<b>252,313,634</b>	<b>24,016,884</b>	<b>-</b>	<b>1,768,302</b>	<b>581,691,841</b>	
<b>Off-Balance Sheet</b>							
Interest rate swaps	11,000,000	-	(11,000,000)	-	-	-	0.46%
<b>Total Off-Balance Sheet</b>	<b>11,000,000</b>	<b>-</b>	<b>(11,000,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	

<b>2014</b>							
<b>Financial Assets</b>							
Cash and cash equivalents	11,105,409	-	-	-	105,425	11,210,834	1.89%
Other receivables	-	-	-	-	1,449,652	1,449,652	
Financial assets held-to-maturity	-	73,009,905	-	-	-	73,009,905	2.88%
Financial assets available-for-sale	-	-	-	-	437,400	437,400	
Loans and advances	423,339,884	50,693,232	92,806,417	-	-	566,839,533	5.55%
<b>Total Financial Assets</b>	<b>434,445,293</b>	<b>123,703,137</b>	<b>92,806,417</b>	<b>-</b>	<b>1,992,477</b>	<b>652,947,324</b>	
<b>Financial Liabilities</b>							
Deposits	275,792,862	281,715,559	12,690,779	-	-	570,199,200	3.14%
Borrowings	11,578,505	16,000,000	-	-	-	27,578,505	3.64%
Other payables	-	-	-	-	1,735,690	1,735,690	
<b>Total Financial Liabilities</b>	<b>287,371,367</b>	<b>297,715,559</b>	<b>12,690,779</b>	<b>-</b>	<b>1,735,690</b>	<b>599,513,395</b>	

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

## NOTE 35: CREDIT RISK

### (a) Maximum Credit Risk Exposure

Queensland Police Credit Union Limited'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, except loans where the maximum credit risk exposure is \$545,189,098 (2014: \$562,910,643).

In relation to loans, the maximum credit exposure is the value on the Statement of Financial Position plus the undrawn loan commitments. Details of undrawn loan commitments are shown in Note 27.

### (b) Concentrations of Credit Risk

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

	Maximum Credit Risk Exposure			
	% of Total Loans		\$	
	2015	2014	2015	2014
<b>Geographical Area</b>				
<b>Brisbane</b>	<b>47.30%</b>	<b>46.78%</b>	<b>259,312,201</b>	<b>265,283,598</b>
<b>Queensland - other than Brisbane</b>	<b>47.56%</b>	<b>48.52%</b>	<b>260,713,816</b>	<b>275,159,223</b>
<b>Industry</b>				
<b>Qld Government employees</b>	<b>57.95%</b>	<b>60.80%</b>	<b>317,715,399</b>	<b>344,778,474</b>

There are no concentrations of credit risk on loans to individual members (including associated members) greater than 10% of capital.

## NOTE 36: FAIR VALUE MEASUREMENT

### (i) Fair Value Hierarchy

The Queensland Police Credit Union Limited measures fair values of financial instruments 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 quoted market prices in active markets for similar instruments;
  - 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.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the

asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

### (ii) Fair Value Estimates

The fair value estimates were determined by the following methodologies and assumptions:

#### (a) Cash and cash equivalents and other receivables

The carrying values of cash and cash equivalents and trade and other receivables approximate their fair value as they are short term in nature or are receivable on demand.

#### (b) Investment securities

The fair value of financial assets at fair value through other comprehensive income that are not traded in an active market is determined using a valuation technique. Queensland Police Credit Union Limited uses its judgement to select a method and make assumptions that are mainly based on market conditions existing at the end of the reporting period.

Financial assets available-for-sale are carried at cost. Fair value is not reasonably determinable due to the unpredictable nature of cashflows and lack of a suitable method of arriving at a reliable fair value.

Financial assets at amortised cost (2014: Financial assets held-to-maturity) are carried at amortised cost. Carrying values approximate fair values due to short-term maturities of these securities.

## NOTE 36: FAIR VALUE MEASUREMENT (cont)

### (c) Loans and advances

The carrying value of loans and advances is net of specific provisions for impairment.

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of the 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.

### (d) Short term borrowings

The carrying value of short term borrowings approximate their fair value as they are short term in nature and reprice frequently.

### (e) Deposits and other payables

The carrying values of other payables approximate their fair value as they are short term in nature.

The carrying values of at call deposits and variable rate deposits approximate their fair values.

Discounted cash flow models based upon deposit types and related maturities were used to calculate the fair value of fixed rate deposits.

### (f) Subordinated debt

The carrying value of subordinated debt approximates its fair value as it reprices quarterly.

### (g) Derivatives

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

### (h) Owner occupied property

Refer to Note 15(c) for fair value measurement.

### (i) Investment properties

Refer to Note 16 for fair value measurement.

### (iii) Financial instruments measured at fair value - Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>2015</b>				
Financial assets at fair value through other comprehensive income	-	-	2,294,120	2,294,120
Derivative liabilities held for risk management	-	(232,111)	-	(232,111)
<b>2014</b>				
There are no financial instruments measured at fair value at 30 June 2014.				

### (iv) Financial instruments not measured at fair value - Fair value hierarchy

The following table sets out the fair value of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each instrument is categorised.

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	\$	\$	\$	\$	\$
<b>2015</b>					
<b>Financial assets</b>					
Loans and advances	-	554,232,089	-	554,232,089	547,944,372
<b>Financial liabilities</b>					
Deposits	-	566,167,795	-	566,167,795	564,805,082
<b>2014</b>					
<b>Financial assets</b>					
Loans and advances	-	572,259,680	-	572,259,680	566,839,533
<b>Financial liabilities</b>					
Deposits	-	571,486,546	-	571,486,546	570,199,200

# Notes to Financial Statements

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## NOTE 36: FAIR VALUE MEASUREMENT (cont)

### (v) Valuation techniques used to derive Level 2 fair values recognised in the financial statements

The following table sets out the valuation techniques used to measure fair value within Level 2, including a description of the significant inputs used.

Description	Valuation approach and inputs used
Derivatives – interest rate swaps	Present value of the estimated future cash flows based on observable yield curves.

### (vi) Owner occupied property and investment properties

The fair value measurement for the owner occupied property and investment properties has been categorised as a level 3 fair value based on the inputs to the valuation technique used. Details of the significant unobservable inputs used and relationship between unobservable inputs and fair value follow:

Description	Valuation approach	Unobservable Inputs	Range of Inputs 2015	Range of Inputs 2014	Relationship between unobservable inputs and fair value
Buildings (Property, plant and equipment)	Income approach based on estimated rental value of the property. Market rentals, outgoings and capitalisation rates are estimated by an external valuer based on comparable transactions and industry data.	Market Gross Rent (\$/sqm)	\$450 to \$472 (weighted average \$451)	\$410 to \$503 (weighted average \$482)	The higher the outgoings and capitalisation rate, the lower the fair value.
		Outgoings (\$/sqm)	\$140 to \$266 (weighted average \$146)	\$163 to \$316 (weighted average \$173)	
		Capitalisation Rate	9.00%	8.50% to 9.75% (weighted average 9.67%)	The higher the gross rent, the higher the fair value.
Investment properties	Income approach based on estimated rental value of the property. Market rentals, outgoings and capitalisation rates are estimated by an external valuer based on comparable transactions and industry data.	Market Gross Rent (\$/sqm)	\$400 to \$520 (weighted average \$482)	\$410 to \$535 (weighted average \$491)	The higher the outgoings and capitalisation rate, the lower the fair value.
		Outgoings (\$/sqm)	\$170 to \$266 (weighted average \$204)	\$155 to \$316 (weighted average \$213)	
		Capitalisation Rate	8.00% to 9.25% (weighted average 8.41%)	8.00% to 8.50% (weighted average 8.32%)	The higher the gross rent, the higher the fair value.
	Direct comparison approach based on estimated sale value of the property. Adopted sale rates are estimated by an external valuer based on comparable transactions and industry data.	Sale Rate (\$/sqm)	\$4,600 to \$5,100 (weighted average \$4,794)	\$4,600 to \$5,100 (weighted average \$5,048)	The higher the sale rate, the higher the fair value.

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 37: STATEMENT OF CASH FLOWS</b>		
<b>(a) Reconciliations of cash</b>		
For the purposes of the statement of cash flows, cash includes cash on hand and 'at call' deposits.		
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:		
Cash and cash equivalents	13,768,210	11,210,834
	<b>13,768,210</b>	<b>11,210,834</b>
<b>(b) Cash flows presented on a net basis</b>		
Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:		
(a) customer deposits in and withdrawals from savings, money market and other deposit accounts;		
(b) sales and purchases of dealing securities;		
(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.		
<b>(c) Reconciliation of cash flow from operations with profit after income tax</b>		
Profit after income tax	<b>1,868,612</b>	<b>3,252,711</b>
<i>Non-cash flows in profit after income tax:</i>		
Amortisation	313,815	253,736
Depreciation	571,206	620,397
Provision for loan impairment	164,860	133,648
Loss on sale of property, plant and equipment	22,710	5,504
Revaluation decrement for investment properties	1,182,380	-
<i>Change in assets and liabilities:</i>		
(Increase)/Decrease in other receivables	27,399	(711,807)
(Increase)/Decrease in prepayments	(50,231)	97,029
Increase/(Decrease) in other payables	(179,489)	(3,376,003)
Increase/(Decrease) in deferred and income taxes	(848,912)	(519,077)
Increase/(Decrease) in provisions	(141,646)	(17,988)
Net movement in financial assets at fair value through other comprehensive income	(1,856,720)	-
Net movement in financial assets at amortised cost	1,118,624	-
Net movement in financial assets held-to-maturity	-	4,914,555
Net movement in loans and advances	18,737,814	2,832,386
Proceeds/(payments) – borrowings	(12,460,048)	(43,897,268)
Net movements in deposits	(5,189,531)	38,133,746
<b>Net cash provided by/(used in) operating activities</b>	<b>3,280,843</b>	<b>1,721,569</b>

# Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

QUEENSLAND POLICE CREDIT UNION LIMITED ABN 79 087 651 036

2015	2014
\$	\$

## NOTE 38: TRANSACTIONS WITH OTHER RELATED PARTIES

The following transactions occurred with Northpoint Body Corporate (Northpoint Brisbane CTS 7575). Queensland Police Credit Union Limited owns 35 of 76 (46.05%) strata titled lots of Northpoint Body Corporate, and have 8,227 voting entitlements out of 13,227 voting entitlements (62.2%).

### Unsecured loans to other related parties

An unsecured loan was made at a discounted interest rate to the body corporate. The interest rate charged by Queensland Police Credit Union Limited was 1.36% below comparable offerings provided by other financiers. The discount was provided due to the propriety interest that Queensland Police Credit Union Limited holds in the Northpoint Body Corporate. All other terms of the loan are provided on a commercial basis similar to comparable offerings provided by other financiers.

Aggregate value of loans at year end	1,781,352	-
Interest and other revenue earned on loans	106,350	-

### Other transactions with related parties

Deposits are held under the same conditions as normal depositors.

Total value term and savings deposits at year end	34,832	584,806
Total interest paid on these deposits during the year	790	23,817

## NOTE 39: COMPANY DETAILS

The registered office of the company is:  
Queensland Police Credit Union Limited  
Level 1, 231 North Quay  
Brisbane QLD 4000

The principal place of business is:  
Level 1  
231 North Quay  
Brisbane QLD 4000



**The Directors of the Queensland Police Credit Union Limited 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 of Queensland Police Credit Union Limited are in accordance with the Corporations Act 2001, and:
  - (i) give a true and fair view of the financial position of Queensland Police Credit Union Limited as at 30 June 2015 and of its performance for the year ended on that date, and
  - (ii) comply with Australian Accounting Standards and Corporations Regulations 2001.
- (b) Queensland Police Credit Union Limited has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
- (c) In the Directors' opinion, there are reasonable grounds to believe that the Queensland Police Credit Union Limited 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.



**Jillian Steinkamp**  
Chairman



**Laurie Taylor**  
Vice Chairman

Dated 16th October 2015



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Brisbane QLD 4000,  
GPO Box 457 Brisbane QLD 4001  
Australia

## **INDEPENDENT AUDITOR'S REPORT**

To the members of Queensland Police Credit Union Limited

### **Report on the Financial Report**

We have audited the accompanying financial report of Queensland Police Credit Union Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### **Directors' Responsibility for the Financial Report**

The directors of the 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 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### **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.

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## **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 Queensland Police Credit Union Limited, 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 Queensland Police Credit Union Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 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 1.

## **BDO Audit Pty Ltd**

**C R Jenkins**

**Director**

Brisbane, 16th October 2015

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