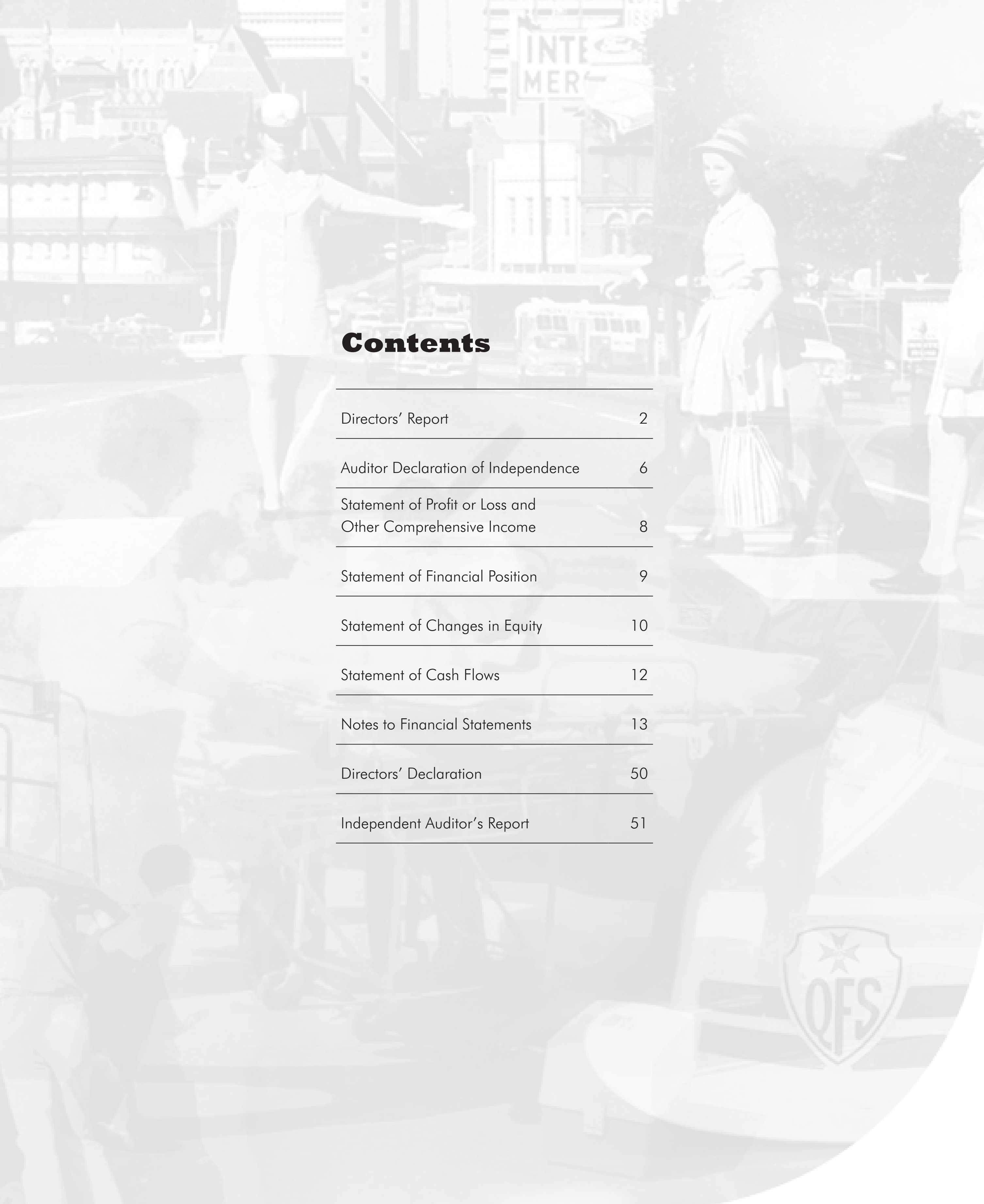
ANNUAL REPORT | 2013-2014

QPCU



Contents

Queensland Police Credit Union Limited
A.B.N. 79 087 651 036
AFSL No. 241413
Australian Credit Licence No. 241413
30 June 2014

REGISTERED OFFICE
231 North Quay, Brisbane QLD 4000

POSTAL ADDRESS
PO Box 13003, George Street QLD 4003

DIRECTORS
L R Bracken
I Leavers
L A Taylor
C G Chant
P A Wilson
J C Just
J M Steinkamp
N J Ide
R F Brownhill

CHIEF EXECUTIVE OFFICER
G P Devine

COMPANY SECRETARY
C G Hunter

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

INFORMATION ON OFFICEHOLDERS

JILLIAN STEINKAMP, APM (CHAIRMAN)
LLB, Grad Cert App Mgt, MAMI, GAICD
Director

Director since 2009. President of the Federation of Police Mutuals Inc.; 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; former Branch Official of the Queensland Police Union of Employees.

Member of the Governance and Remuneration Committee

LAURIE TAYLOR (VICE CHAIRMAN)
JP (QUAL), AFAMI, MAICD
Director

Director since 1994. Retired Sergeant of the Queensland Police Service, Court Officer of the Federal Court of Australia.

Member of the Audit and Compliance Committee

Member of the Risk Committee

LEONARD BRACKEN
AFAMI, MAICD
Director

Director since 1990. Retired Senior Sergeant of the Queensland Police Service; past Honorary Treasurer of the Queensland Retired Police Association Inc.

Member of the Audit and Compliance Committee

Member of the Risk Committee

COL CHANT, APM
AFAMI, MAICD
Director

Director since 1964. 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.

Member of the Governance and Remuneration Committee

JOHN JUST, PSM
BBus, FCPA, FAICD, AFAMI
Director

Director since 2010. Former Deputy Chief Executive (Resources Management) Queensland Police Service; former Director Finance Division Queensland Police Service; Chairman of Sureplan Friendly Society Ltd.

Chairman of the Audit and Compliance Committee

Member of the Risk Committee

Chairman of the Nominations Committee

NEVILLE IDE
BBus, MCOM, FCPA, FAICD
Director

Director since 26 July 2013. Former Group Treasurer – Suncorp Metway Ltd; current Board Member – RACQ Insurance Ltd and Member of The Public Trust Office Investment Board.

Chairman of the Governance and Remuneration Committee.

RAY BROWNHILL
LLB, Grad Cert App Mgt, GAICD
Director

Director since 8 November 2013. Inspector - Queensland Police Service and Director - Valley Chamber of Commerce.

Member of the Governance and Remuneration Committee.

IAN LEAVERS
GAICD, JP (Qual)
Director

Director since 8 November 2013. General President and CEO – Queensland Police Union; current serving officer with Queensland Police Service; Director – WorkCover Queensland; Director – Work Health and Safety Board Queensland.

Member of the Risk Committee

PAUL WILSON, APM
GAICD
Director

Director since 8 November 2013. Former Assistant Commissioner – Queensland Police Service.

Member of the Audit and Compliance Committee

MIKE HOCKEN (CEASED AS DIRECTOR 26 SEPTEMBER 2013)
BA, LLB, LLM, Grad Dip Teach (Sec), JP (Com Dec)

Director since 2010. Former Crown Law Officer and University lecturer in commercial, business, business associations, corporations, and financial institutions law; former primary and secondary school teacher (Qld).

Former Member of the Audit Committee and Former Member of the Risk and Compliance Committee.

PHIL HOCKEN (CEASED AS DIRECTOR 8 NOVEMBER 2013)
AFAMI, GAICD

Director since 2002. Retired Senior Sergeant of the Queensland Police Service; retired General Secretary of the Queensland Police Union of Employees.

Former Chairman of the Remuneration Committee and Former Member of the Policy Committee.

MAREE BLAKE (CEASED AS DIRECTOR 8 NOVEMBER 2013)
GAICD, FCSA, FCPA

Director since 26 July 2013. Former Queensland Regional Commissioner – Australian Securities and Investments Commission; Former Partner – PPB Chartered Accountants; Current Board Member – Uniting Care Queensland, ActionAid Australia, Hear and Say.

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

CAROL HUNTER
BBus, GAICD, MAMI
Company Secretary

Queensland Police Credit Union Limited Company Secretary since January 2011. Current position with Queensland Police Credit Union Limited - Executive Manager Risk and Operations, responsible for operational risk management, compliance, banking operations and information technology. Formerly, 10 years service with the Reserve Bank of Australia; private sector within the areas of Customer Service, Internal Audit, Systems Development and Marketing.

All directors and the company secretary have held their office from 1 July 2013 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	19	17	–	–	7	7
L A Taylor	19	19	6	6	5	5
L R Bracken	19	19	3	3	7	7
C G Chant	19	15	3	3	5	5
J C Just	19	19	6	6	5	5
N J Ide	18	15	2	1	3	3
R F Brownhill	9	8	–	–	3	3
I Leavers	9	9	–	–	4	2
P A Wilson	9	8	3	2	–	–
M A Hocken	5	2	–	–	–	–
P R Hocken	9	4	–	–	3	1
M Blake	8	8	–	–	0	0

E = Eligible to Attend   A= Attended

Your Directors present their report on the affairs of Queensland Police Credit Union Limited for the financial year ended 30 June 2014.

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 $3,252,711 (2013: $1,048,794).

Dividends

Dividends totalling $119,241 (2013: $131,238) 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 2014 quarter amounting to $30,144 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 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. Queensland Police Credit Union Ltd also owns commercial office premises used to derive rental income.

Queensland Police Credit Union Limited'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 the Economic Entity's operations from its activities of providing financial services to its members did not change significantly from those of the previous year.

During the 2014 financial year, the sectors we focus on continued to be impacted by workplace restructuring instituted by the Queensland Government as well as negative consumer sentiment within Queensland. This has had a moderating effect on loan demand with total loan fundings increasing only 1.7% from the previous financial year to $81.8m. This was offset by a higher rate of loan repayments, resulting in loan balances declining marginally by 0.52%. Retail deposit growth (excluding wholesale deposits) was managed in light of declining loan balances. Annual growth of retail deposits eased to 1.14%. As a result, total assets declined 0.96% and Funds Under Management remained stable growing 0.03% year on year.

During the year, utilisation of the Term Loan facility decreased by $41.5m. The surplus of funds generated from retail deposit growth, contraction in loans, and an increase in funding in wholesale term deposits from $49.5m to $82m was used to finance the repayment of this loan. The pricing for wholesale deposits during the year was favourable compared to other sources of funding.

The credit union currently has no interest rate hedges, as with the current balance sheet structure 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.

Net profit before tax from ordinary operations was $4.62m compared to $5.85m (excluding fair value adjustment to property) for the previous year. Net Interest Margin grew 0.08% despite the static levels in Funds Under Management and a RBA cash rate reduction of 0.25% 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 2.35% last year to 2.38% in this financial year.

Non-interest income increased 2.55% primarily due to an increase in rental income caused by letting of vacant rental stock. Overhead costs grew by 9.34% on the previous year as strategic longer term investments were made focussing on increasing our Information Technology, Marketing and Sales capabilities and thereby our competitiveness within our market.

The capital adequacy ratio measured for prudential purposes increased from 20.48% to 21.88% during the year. Capital adequacy benefitted from strong net operating profit for the financial year and a decline in risk weighted assets.

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

Queensland Police Credit Union Limited 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. This will be complemented by programs to improve quality of service delivery, member experience, and depth of relationship with members.

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. 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 Queensland Police Credit Union Limited, 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.

In the 2015 financial year, Queensland Police Credit Union Limited's profitability will be impacted by a projected 9% 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. We will also be investing in new funding strategies to diversify funding sources in conjunction with seeking an external credit rating from a ratings agency. This will create a strong platform for growth going forward. We will also look to establish an internal securitisation of loans facility for emergency funding to mitigate against potential liquidity risks. These investments are expected to reduce exposure to risks and improve profitability in the 2016 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 APS 330 Public Disclosures (namely the Common Disclosure Template in accordance with Attachment A, Main Features of Capital Instruments, and Reconciliation of Regulatory Capital with Audited Financial Statements) may be seen on the website of Queensland Police Credit Union Limited **(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 Australian Prudential Standard (APS) 330 Public Disclosure, will be available on the website of Queensland Police Credit Union Limited **(www.qpcu.com.au/regulatorydisclosures)** from 30 September 2014.

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 2014 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 26th day of September 2014.

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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 2014, I declare that, to the best of my knowledge and belief, there have been:

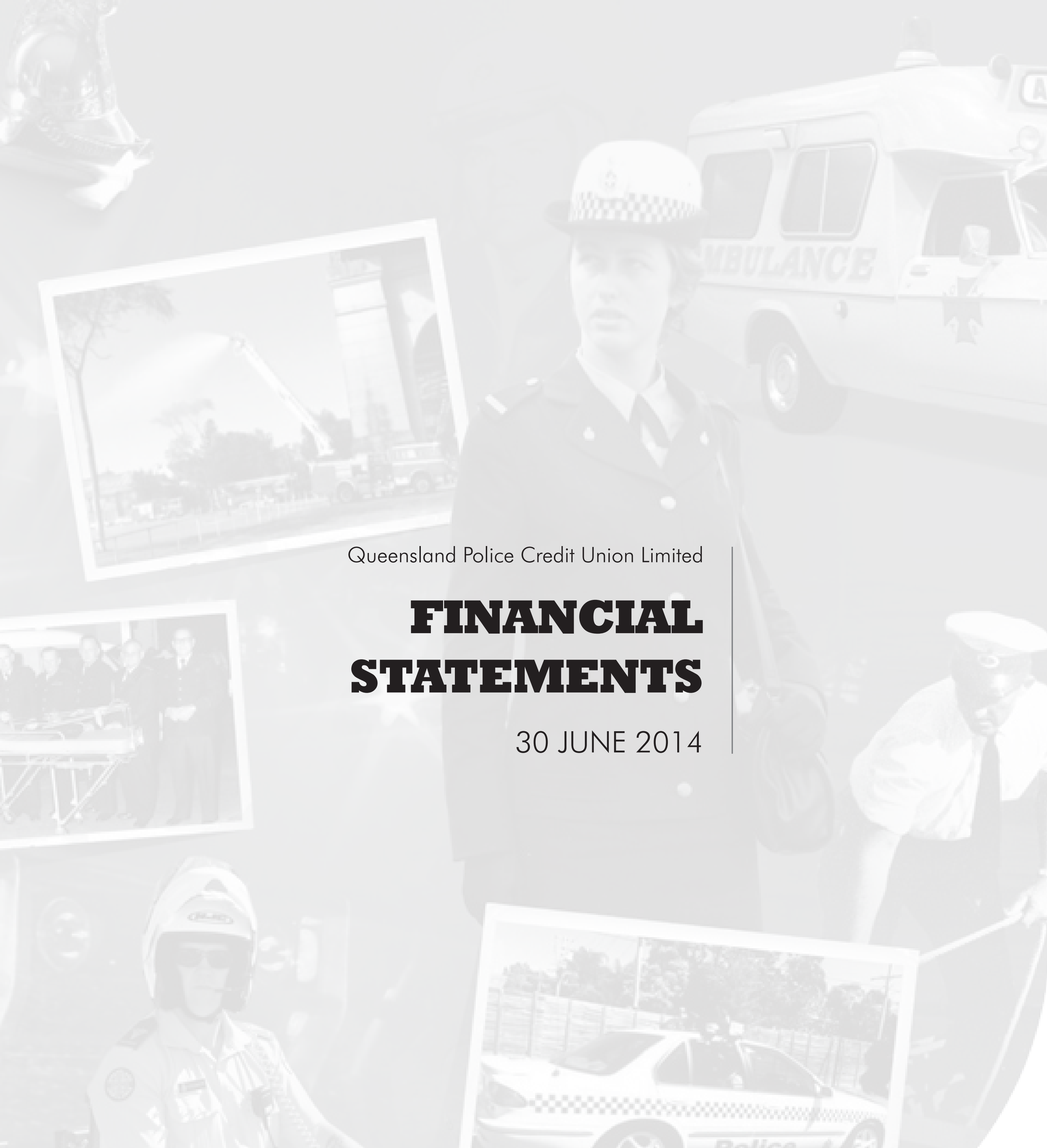
- No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

C R Jenkins

Director

BDO Audit Pty Ltd

Brisbane, 26th September 2014



Queensland Police Credit Union Limited

FINANCIAL STATEMENTS

30 JUNE 2014

Queensland Police Credit Union Limited ABN 79 087 651 036

QPCU

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (For the year ended 30 June 2014)

	Note	2014 $	2013 $
Interest income	2	33,872,061	38,285,050
Interest expense	2	(18,631,175)	(23,056,920)
Net interest income		**15,240,886**	**15,228,130**
Other revenue and income	3	5,622,742	5,482,679
Impairment loss on loans and advances	13(c)	(133,648)	(66,747)
Employee benefits expense		(6,386,666)	(5,795,097)
Occupancy expense		(1,129,760)	(1,068,863)
Depreciation and amortisation expense	4	(874,133)	(906,461)
Net fair value loss on investment properties	15	-	(4,294,232)
Other expenses		(7,719,842)	(7,019,617)
Profit before income tax		**4,619,579**	**1,559,792**
Income tax expense	**5**	**(1,366,868)**	**(510,998)**
Profit for the year		**3,252,711**	**1,048,794**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net changes in the fair value of cash flow hedges		-	13,804
Income tax relating to this item	5(c)	-	(4,141)
Items that will not be reclassified to profit or loss			
Net loss on revaluation of land and buildings	14	-	(142,962)
Income tax relating to this item	5(c)	-	42,889
Other comprehensive income for the year, net of income tax		-	**(90,410)**
Total comprehensive income for the year		**3,252,711**	**958,384**

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

STATEMENT OF FINANCIAL POSITION (as at 30 June 2014)

	Note	2014 $	2013 $
Assets			
Cash and cash equivalents	8	11,210,834	10,274,815
Financial assets available-for-sale	9	437,400	437,400
Other receivables	10	1,449,652	737,845
Financial assets held-to-maturity	11	73,009,905	77,924,460
Loans and advances	12, 13	566,839,533	569,773,961
Property, plant and equipment	14	7,533,138	7,837,976
Investment properties	15	11,488,853	11,488,853
Intangible assets	17	429,945	378,379
Other assets	18	369,969	427,054
Total assets		**672,769,229**	**679,280,743**
Liabilities			
Deposits	19	570,199,200	533,481,638
Other payables	20	1,735,690	3,663,903
Income tax payable	21	215,249	681,286
Borrowings	22	27,578,505	71,475,773
Deferred tax liabilities	16	2,368,616	2,421,656
Provisions	23	715,158	733,146
Total liabilities		**602,812,418**	**612,457,402**
Net assets		**69,956,811**	**66,823,341**
Equity			
Tier 1 Redeemable Preference Shares	24	2,929,860	2,929,860
Redeemed preference share capital account	25	315,836	304,958
Reserves	25	6,214,270	6,264,325
Retained earnings		60,496,845	57,324,198
Total equity		**69,956,811**	**66,823,341**

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

STATEMENT OF CHANGES IN EQUITY (For the year ended 30 June 2013)

	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 $
Balance at 30 June 2012		**2,929,860**	**290,770**	**4,993,333**	**1,449,338**	**(9,663)**	**56,342,558**	**65,996,196**
Comprehensive income for the year								
Profit for the year		-	-	-	-	-	1,048,794	1,048,794
Other comprehensive income		-	-		-		-	
- Net gain/(loss) on revaluation of land and buildings, net of tax	5(c)	-	-	(100,074)	-	-	-	(100,074)
- Net changes in cash flow hedges, net of tax	5(c)	-	-	-	-	9,663	-	9,663
Total comprehensive income for the year		**-**	**-**	**(100,074)**	**-**	**9,663**	**1,048,794**	**958,383**
Transfers								
- Reserve for credit losses		-	-	-	(78,272)	-	78,272	-
- Redeemed preference share capital		-	14,188	-	-	-	(14,188)	-
Total transfers		**-**	**14,188**	**-**	**(78,272)**	**-**	**64,084**	**-**
Transactions with owners in their capacity as owners								
Dividends paid		-	-	-	-	-	(131,238)	(131,238)
Total transactions with owners in their capacity as owners		**-**	**-**	**-**	**-**	**-**	**(131,238)**	**(131,238)**
Balance at 30 June 2013		**2,929,860**	**304,958**	**4,893,259**	**1,371,066**	**-**	**57,324,198**	**66,823,341**

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

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 $
Balance at 30 June 2013		**2,929,860**	**304,958**	**4,893,259**	**1,371,066**	**-**	**57,324,198**	**66,823,341**
Comprehensive income for the year								
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)	-	-	-	-	-	-	-
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**3,252,711**	**3,252,711**
Transfers								
- Reserve for credit losses		-	-	-	(50,055)	-	50,055	-
- Redeemed preference share capital		-	10,878	-	-	-	(10,878)	-
Total transfers		**-**	**10,878**	**-**	**(50,055)**	**-**	**39,177**	**-**
Transactions with owners in their capacity as owners								
Dividends paid		-	-	-	-	-	(119,241)	(119,241)
Total transactions with owners in their capacity as owners		**-**	**-**	**-**	**-**	**-**	**(119,241)**	**(119,241)**
Balance at 30 June 2014		**2,929,860**	**315,836**	**4,893,259**	**1,321,011**	**-**	**60,496,845**	**69,956,811**

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

STATEMENT OF CASH FLOWS (For the year ended 30 June 2014)

	Note	2014 $	2013 $
Cash flows from operating activities			
Interest received		33,872,061	38,285,050
Dividends received		52,488	52,488
Fees and commissions received		3,510,659	4,341,549
Interest paid		(20,047,359)	(22,410,312)
Payments to suppliers and employees		(17,464,653)	(12,722,583)
Income taxes paid		(1,885,945)	(1,160,980)
Other income		1,700,899	1,577,614
Net movement in financial assets held-to-maturity		4,914,555	(924,895)
Net movement in loans and advances		2,832,386	(433,223)
Proceeds/(payments) - borrowings		(43,897,268)	110,763
Net movement in deposits		38,133,746	(8,387,384)
Net cash provided by/(used in) operating activities	**36(c)**	**1,721,569**	**(1,671,913)**
Cash flows from investing activities			
Net movement in other assets		(39,944)	(127,956)
Payments for property, plant and equipment		(318,743)	(232,453)
Proceeds - sale of property, plant and equipment, and intangibles		47	5,430
Payments for intangibles		(307,669)	(352,330)
Net cash used in investing activities		**(666,309)**	**(707,309)**
Cash flows from financing activities			
Dividends paid		(119,241)	(131,238)
Net cash used in financing activities		**(119,241)**	**(131,238)**
Total net increase/(decrease) in cash and cash equivalents		**936,019**	**(2,510,460)**
Cash and cash equivalents at the beginning of the financial year		**10,274,815**	**12,785,275**
Cash and cash equivalents at the end of the financial year	**36(a)**	**11,210,834**	**10,274,815**

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 26 September 2014.

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, 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 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.

Queensland Police Credit Union Limited enters into transactions whereby it transfers assets recognised on its Statement of Financial Position but retains both risks and rewards of the transferred assets or

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not de-recognised from the Statement of Financial Position. Transfers of assets with retention of all or substantially all risks and rewards include, for example securitised loans. For details of Queensland Police Credit Union Limited's policy on securitisation refer to Note 1(e).

(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) and below for details.

Application

Cash and cash equivalents

Cash and cash equivalents include cash on hand and unrestricted balances held in banks, 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.

(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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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 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 31 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.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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 group.

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 group 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 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:-

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

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(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 and 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 with a finite life. Accordingly computer software is amortised on a straight line basis over the expected useful life of the software, being three years.

(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 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. Preference shares that are mandatorily redeemable on a specific date are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as part of interest expense.

(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 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 presented as current liabilities in the Statement of Financial Position 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(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 24.

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.

(s) New and Amended Standards and Interpretations

The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning 1 July 2013:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*.

The adoption of these standards and interpretations did not have any material impact on the current or any prior period and is not likely to materially affect future periods.

(t) New and Amended Standards and Interpretations Not Yet Adopted

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements, except for the following:

(i) AASB 9 *Financial Instruments* (effective from 1 January 2017)

AASB 9 aims to replace AASB 139 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard is being issued in phases. To date, the parts dealing with recognition, classification, measurement and derecognition of financial assets and liabilities, as well as hedging, have been issued. These parts are effective for annual periods beginning 1 January 2017. Further parts dealing with impairment and amendments to the classification requirements are still being developed.

Management have yet to assess the impact that these amendments are likely to have on the financial statements. However, they do not expect to implement the amendments until all parts of AASB 9 have been released and they can comprehensively assess the impact of all changes.

Queensland Police Credit Union Limited ABN 79 087 651 036

	2014 $	2013 $
NOTE 2: INTEREST INCOME AND INTEREST EXPENSE		
(a) Interest income		
(i) Assets at amortised cost		
Cash and cash equivalents	2,492,969	3,128,464
Loans and advances	31,290,848	34,976,363
Deferred loan fee income	88,244	154,381
Other	-	9,198
	33,872,061	**38,268,406**
(ii) Assets at fair value		
Interest rate swaps	-	16,644
	-	**16,644**
Total interest income	**33,872,061**	**38,285,050**
(b) Interest expense		
(i) Liabilities at amortised cost		
Deposits from wholesale depositors	2,059,972	2,398,066
Deposits from retail members	14,576,111	17,666,432
Interest on securitisation	432,360	701,630
Other borrowings	1,562,732	2,260,217
	18,631,175	**23,026,345**
(ii) Liabilities at fair value		
Interest rate swaps	-	30,575
	-	**30,575**
Total interest expense	**18,631,175**	**23,056,920**

	2014 $	2013 $
NOTE 3: OTHER REVENUE AND INCOME		
Dividends received	52,488	52,488
Fees and commissions	3,869,355	3,852,577
Bad debts recovered	34,035	28,013
Rental income from investment properties	1,344,019	1,198,371
Other	322,845	351,230
Total other revenue and income	**5,622,742**	**5,482,679**
NOTE 4: PROFIT BEFORE INCOME TAX		
Profit before income tax has been determined after the following items:		
Depreciation and amortisation expense		
Amortisation of intangible assets	253,736	235,162
Depreciation of property, plant and equipment		
- owner occupied property	142,529	161,048
- plant and equipment	477,868	510,251
	874,133	**906,461**
Other expenses		
General and administration	1,092,440	1,190,311
Marketing & promotion	1,445,049	755,811
Member service costs	2,420,657	2,569,048
Net loss on disposal of non-current assets:		
- property, plant and equipment	5,504	4,781
*** Employee benefits expense includes contributions to superannuation of $444,307 (2013: $371,643).**		

		2014 $	2013 $
NOTE 5: INCOME TAX			
(a)	**Numerical reconciliation of income tax expense to prima facie tax payable:**		
	Tax at the Australian tax rate of 30% (2013: 30%):	1,385,886	467,938
	Add Tax effect of:		
	Non-deductible entertainment	9,155	9,857
	Other non-deductible items	-	61,375
		1,395,041	**539,170**
	Less Tax effect of:		
	Tax offset for fully franked dividends	(15,746)	(15,746)
	Tax building depreciation/ building allowance	(12,427)	(12,426)
		(28,173)	**(28,172)**
	Income tax expense	**1,366,868**	**510,998**
(b)	**Major components of tax expense:**		
	Current tax	1,419,908	1,918,012
	Deferred tax	(53,040)	(1,407,014)
		1,366,868	**510,998**
(c)	**Tax expense/(income) relating to items of other comprehensive income**		
	Deferred tax		
	Net changes on revaluation of land and buildings	-	42,889
	Net changes in cash flow hedge	-	(4,141)
		-	**38,748**
(d)	**Franking account**		
	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% (2013: 30%)	**20,530,290**	**19,138,992**

NOTE 6: REMUNERATION OF AUDITORS

	2014 $	2013 $
Remuneration of the auditor for:		
- Auditing and reviewing financials statements	94,600	91,900
- Auditing and review of prudential returns	25,900	25,250
- Taxation services	19,190	19,190
- Other business consulting services	-	24,637
	139,690	**160,977**

NOTE 7: KEY MANAGEMENT PERSONNEL

(a) Remuneration of key management personnel (KMP)

	2014 $	2013 $
Compensation of KMPs in total and for each of the following categories was as follows:		
- Short term employee benefits	1,358,251	1,332,025
- Post-employment benefits including superannuation contributions	190,660	174,601
- Other long term benefits including long service leave provision and annual leave	117,180	31,763
- Termination benefits	299,380	136,690
	1,965,471	**1,675,079**

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.

	2014 $	2013 $
Aggregate value of loans at year end	611,093	562,656
Aggregate value of other credit facilities at year end	113,000	427,000
Amounts drawn down included in the aggregate value	29,119	146,184
Net balance available	83,881	280,816
During the year the aggregate value of revolving credit facility limits granted or increased/(decreased)	31,000	-
Interest and other revenue earned on loans and revolving credit facilities	41,728	47,504

(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 transactions to members of the Queensland Police Credit Union Limited.

	2014 $	2013 $
Total value term and savings deposits at year end	1,571,008	1,394,390
Total interest paid on these deposits during the year	45,907	79,013

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.

	2014 $	2013 $
NOTE 8: CASH AND CASH EQUIVALENTS		
Cash on hand	105,425	111,616
Deposits with ADI's	11,105,409	10,163,199
	11,210,834	**10,274,815**
The effective interest rate on short-term bank deposits was 2.49% (2013: 2.70%); these deposits are at call.		

	2014 $	2013 $
NOTE 9: FINANCIAL ASSETS AVAILABLE-FOR-SALE		
Shares in unlisted entities – Indue Ltd	437,400	437,400
	437,400	**437,400**
Amount of financial assets available-for-sale expected to be recovered more than 12 months after the reporting date	437,400	437,400

The shareholding in Indue Ltd is measured at cost as its fair value can not be measured reliably. This company was created to supply services to the member credit unions and does not have an independent business focus. These shares are held to enable Queensland Police Credit Union Limited to receive essential banking services. The shares are not publicly traded and are not redeemable.

The financial reports of Indue Ltd record net tangible asset backing of Indue Ltd. Any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily. Queensland Police Credit Union Limited is not intending, nor able to dispose of these shares, without a majority of shareholding approval.

	2014 $	2013 $
NOTE 10: OTHER RECEIVABLES		
Accrued interest	245,496	347,658
Sundry debtors	1,204,156	390,187
	1,449,652	**737,845**

	2014 $	2013 $
NOTE 11: FINANCIAL ASSETS HELD-TO-MATURITY		
Deposits with ADI's	73,009,905	77,924,460
	73,009,905	**77,924,460**
Amount of financial assets held-to-maturity expected to be recovered more than 12 months after the reporting date	-	-

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 27).

NOTE 12: LOANS AND ADVANCES

		2014 $	2013 $
(a)	Housing loans	524,561,509	525,809,653
	Personal loans	17,806,170	20,404,232
	Commercial loans	75,621	100,561
	Overdrafts	12,815,650	12,369,146
	Credit cards	11,536,081	11,051,267
	Loss reserve loans	300,000	300,000
	Gross loans and advances	**567,095,031**	**570,034,859**
	Deferred loan funding fees	(134,674)	(103,068)
	Provision for impairment	(109,410)	(147,331)
	Interest on non-accrual loans	(11,414)	(10,499)
	Net loans and advances	**566,839,533**	**569,773,961**
	Amount of loans and advances expected to be recovered more than 12 months after the reporting date	492,818,258	494,851,064

(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 $11,409,332 as at 30 June 2014 (2013: $13,975,773).

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 $11,409,332 as at 30 June 2014 (2013: $13,975,773).

NOTE 13: IMPAIRMENT OF LOANS AND ADVANCES

		2014 $	2013 $
(a)	**Provisions for impairment**		
	Opening balance	147,331	233,348
	Impairment expense	133,648	66,747
	Bad debts written off	(171,569)	(152,764)
	Closing balance	**109,410**	**147,331**
	Details of credit risk management are set out in Note 31 B		
(b)	**Provision for impairment calculation**		
	Provision prescribed by Prudential Standards	70,410	86,822
	Additional specific provision	39,000	60,509
	Closing balance	**109,410**	**147,331**

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%

		2014 $	2013 $
(c)	**Impairment expense on loans and advances**		
	Movement in provision for impairment	133,648	66,747
	Total impairment expense on loans and advances	**133,648**	**66,747**
(d)	**Assets acquired from loan recovery**		
	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.		
(e)	**Loans and advances by impairment class**		
	Net Impaired loans and advances - refer 13(f)	358,698	388,473
	Past due but not impaired - refer 13(g)	6,998,213	5,897,225
	Neither past due or impaired - refer 13(h)	559,617,296	563,591,331
	Unamortised loan fees	(134,674)	(103,068)
	Carrying amount	**566,839,533**	**569,773,961**
(f)	**Impaired loans and advances at reporting date**		
	Individually impaired loans and advances	479,522	546,303
	Provision for Impairment	(109,410)	(147,331)
	Interest on Non Accrual Loans	(11,414)	(10,499)
	Total net impaired loans and advances	**358,698**	**388,473**

The above values include the balance of renegotiated loans and advances

NOTE 13: IMPAIRMENT OF LOANS AND ADVANCES (cont)

		2014 $	2013 $
(f)	**Impaired loans and advances (cont)**		
	Individually impaired loans and advances at reporting date		
	Loans by purpose		
	Housing loans	-	-
	Personal loans	35,148	79,069
	Overdrafts	444,374	467,234
		479,522	**546,303**
	Specific Provision	(109,410)	(147,331)
	Interest on Non Accrual Loans	(11,414)	(10,499)
	Carrying amount	**358,698**	**388,473**
(g)	**Past due but not impaired loans and advances at reporting date**		
	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		
	Loans by purpose		
	Housing loans	5,803,824	4,640,117
	Personal loans	438,106	584,732
	Overdrafts	756,283	672,376
	Carrying amount	**6,998,213**	**5,897,225**
	Aging analysis		
	Past due 0-90 days in arrears	6,998,213	5,897,225
	Carrying amount	**6,998,213**	**5,897,225**

The above values include the balance of renegotiated loans and advances

		2014 $	2013 $
NOTE 13: IMPAIRMENT OF LOANS AND ADVANCES (cont)			
(h)	**Neither past due or impaired loans and advances at reporting date**		
	Loans by purpose		
	Housing loans	518,757,685	521,169,536
	Personal loans	17,332,917	19,740,431
	Commercial loans	75,621	100,561
	Overdrafts	11,614,993	11,229,536
	Credit cards	11,536,081	11,051,267
	Loss Reserve Loans	300,000	300,000
	Carrying amount	**559,617,297**	**563,591,331**
	All loans and advances to members that are neither past due or impaired are to long standing clients who have a good track record.		
(i)	**Collateral held**		
	The credit union holds collateral against loans and advances to customers as detailed below:		
	Loans and advances with no collateral	21,691,962	22,901,395
	Loans and advances with collateral	545,403,069	547,133,464
	Total loans and advances	**567,095,031**	**570,034,859**
	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.		

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

		2014 $	2013 $
(a)	**Carrying Values**		
	Owner Occupied Property		
	At independent valuation (2013)	5,701,147	5,701,147
	Accumulated depreciation	(142,529)	-
		5,558,618	**5,701,147**
	Plant and Equipment		
	At cost	4,589,675	4,831,589
	Accumulated depreciation	(2,615,155)	(2,694,760)
		1,974,520	**2,136,829**
	Total Property, Plant and Equipment	**7,533,138**	**7,837,976**

Property, plant and equipment forms part of the security for an equitable mortgage provided to CUSCAL Ltd. Refer to Notes 22 and 27.

		Owner Occupied Property $	Plant and Equipment $	Total $
(b)	**Movements In Carrying Values**			
	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.			
	Balance at 30 June 2012	**6,005,160**	**2,424,835**	**8,429,995**
	Additions	-	232,453	232,453
	Disposals	(3)	(10,208)	(10,211)
	Depreciation expense	(161,048)	(510,251)	(671,299)
	Net revaluation movement	(142,962)	-	(142,962)
	Balance at 30 June 2013	**5,701,147**	**2,136,829**	**7,837,976**
	Additions	-	318,743	318,743
	Disposals	-	(3,184)	(3,184)
	Depreciation expense	(142,529)	(477,868)	(620,397)
	Balance at 30 June 2014	**5,558,618**	**1,974,520**	**7,533,138**

(c) Revaluation

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 2013 were carried out by Herron Todd White (Brisbane Commercial) Pty Ltd. The directors are satisfied that there are no material changes to the fair value for the year ended 30 June 2014. The fair value decrement charged to other comprehensive income for the financial year ended 30 June 2014 was $Nil (2013: $142,962).

	2014 $	2013 $
NOTE 14: PROPERTY, PLANT AND EQUIPMENT (cont)		
(d) Historical Cost of Revalued Owner Occupied Property		
If revalued strata title units were stated at historical cost, amounts would be as follows:		
Cost	2,076,927	2,076,927
Accumulated depreciation	(1,023,406)	(971,483)
Net book value	**1,053,521**	**1,105,444**

NOTE 15: INVESTMENT PROPERTIES

	2014 $	2013 $
Movements		
Balance at beginning of year	11,488,853	15,783,085
Fair value adjustments	-	(4,294,232)
Closing balance	**11,488,853**	**11,488,853**
Operating Leases Receivable		
Future minimum lease payments expected to be received in relation to non-cancellable operating leases:		
0-1 year	883,759	1,243,558
1-5 years	591,340	607,979
>5 years	-	-
	1,475,099	**1,851,537**

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.

Queensland Police Credit Union Limited derived rental income of $1,344,019 (2013: $1,198,371) and incurred direct operating expenses of $583,766 (2013: $534,695) in connection with these investment properties, recognised in profit or loss.

Revaluation

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.

The independent revaluations on 30 June 2013 were carried out by Herron Todd White (Brisbane Commercial) Pty Ltd. The directors are satisfied that there are no material changes to the fair value for the year ended 30 June 2014. The fair value decrement charged against revaluation increment income in the profit or loss for the financial year ended 30 June 2014 was $Nil (2013: $4,294,232).

	2014 $	2013 $
NOTE 16: DEFERRED TAX ASSETS AND LIABILITIES		
(a) Deferred Tax Assets		
Deferred tax assets comprise temporary differences attributable to:		
Employee benefits	341,210	284,511
Accrued expenses	72,701	133,414
Deferred loan origination fees	-	-
Derivatives/ hedge reserve	-	-
Prepayments	931	(2,090)
Provision for impairment	32,823	44,199
Total deferred tax assets	**447,665**	**460,034**
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Employee benefits		
Opening balance	284,511	328,088
Change recognised in profit or loss	56,699	(43,577)
Closing balance	**341,210**	**284,511**
Accrued expenses		
Opening balance	133,414	107,972
Change recognised in profit or loss	(60,713)	25,442
Closing balance	**72,701**	**133,414**
Deferred loan origination fees		
Opening balance	-	1,474
Change recognised in profit or loss	-	(1,474)
Closing balance	**-**	**-**
Derivatives/hedge reserve		
Opening balance	-	4,141
Charge recognised in other comprehensive income	-	(4,141)
Closing balance	**-**	**-**

		2014 $	2013 $
NOTE 16: DEFERRED TAX ASSETS AND LIABILITIES (cont)			
	Prepayments		
	Opening balance	(2,090)	4,849
	Change recognised in profit or loss	3,021	(6,939)
	Closing balance	**931**	**(2,090)**
	Provision for impairment		
	Opening balance	44,199	70,004
	Change recognised in profit or loss	(11,376)	(25,805)
	Closing balance	**32,823**	**44,199**
	Deferred tax assets closing balance	**447,665**	**460,034**
(b)	**Deferred Tax Liabilities**		
	Deferred tax liabilities comprise temporary differences attributable to:		
	Revaluation of investment properties	2,246,615	2,246,615
	Depreciation	(322,473)	(299,822)
	Revaluation of property, plant and equipment	892,139	934,897
	Total deferred tax liabilities	**2,816,281**	**2,881,690**
	The movement in deferred tax liabilities for each temporary difference during the year is as follows:		
	Revaluation of investment properties		
	Opening balance	2,246,615	3,534,884
	Change recognised in profit or loss	-	(1,288,269)
	Closing balance	**2,246,615**	**2,246,615**
	Depreciation		
	Opening balance	(299,822)	(177,039)
	Change recognised in profit or loss	(22,651)	(122,783)
	Closing balance	**(322,473)**	**(299,822)**
	Revaluation of property, plant and equipment		
	Opening balance	934,897	1,026,101
	Change recognised in profit or loss	(42,758)	(48,315)
	Change recognised in other comprehensive income	-	(42,889)
	Closing balance	**892,139**	**934,897**
	Deferred tax liabilities closing balance	**2,816,281**	**2,881,690**
	Net deferred tax liabilities closing balance	**2,368,616**	**2,421,656**

		2014 $	2013 $
NOTE 17: INTANGIBLE ASSETS			
(a)	**Carrying amounts**		
	Computer software at cost	1,586,989	1,339,632
	Accumulated amortisation	(1,157,044)	(961,253)
		429,945	**378,379**
(b)	**Movements in carrying amounts**		
	Reconciliations of the carrying amounts of computer software between the beginning and end of the financial year are set out below.		
	Opening balance	378,379	261,211
	Additions	307,669	352,330
	Disposals	(2,367)	-
	Amortisation expense	(253,736)	(235,162)
	Closing balance	**429,945**	**378,379**
NOTE 18: OTHER ASSETS			
	Prepaid expenses	170,142	267,171
	Work in progress	199,827	159,883
		369,969	**427,054**
NOTE 19: DEPOSITS			
	Member call deposits (including withdrawable shares)	246,867,696	224,336,763
	Term deposits	294,406,338	275,759,639
	Member retirement savings account deposits	26,761,660	29,805,546
	Accrued interest	2,163,506	3,579,690
		570,199,200	**533,481,638**
	Amount of deposits expected to be settled more than 12 months after the reporting date	12,690,779	6,227,391
	Concentration of Deposits		
	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	25.75%	27.45%
	$ value of deposits	146,252,395	145,484,417

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	2014 $	2013 $
NOTE 20: OTHER PAYABLES		
Annual leave	422,209	380,822
Clearing accounts	640,697	2,658,363
Sundry creditors	495,356	447,792
Deferred income	177,428	176,926
	1,735,690	**3,663,903**

	2014 $	2013 $
NOTE 21: INCOME TAX PAYABLE/(RECEIVABLE)		
Current income tax payable/(receivable)	215,249	681,286
	215,249	**681,286**

	2014 $	2013 $
NOTE 22: BORROWINGS		
Overdraft facility	169,173	-
Term loan - secured	16,000,000	57,500,000
Loan from Trinity SPE (refer Note 12(b))	11,409,332	13,975,773
	27,578,505	**71,475,773**
Amount of borrowings expected to be settled more than 12 months after the reporting date	11,409,332	13,975,773

The term loan is secured by an equitable mortgage over all assets of Queensland Police Credit Union Limited (refer Note 27).

The overdraft facility is secured by a term deposit held with Indue Ltd (refer Note 27).

	2014 $	2013 $
NOTE 23: PROVISIONS		
Provision for long service leave	559,572	456,979
Provision for Directors retirement benefits	155,586	276,167
	715,158	**733,146**

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.

NOTE 24: TIER 1 REDEEMABLE PREFERENCE SHARES

	2014 $	2013 $
Tier 1 redeemable preference share	3,000,000	3,000,000
Tier 1 debt raising discount	(70,140)	(70,140)
	2,929,860	**2,929,860**

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 25: 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.

NOTE 26: COMMITMENTS

		2014 $	2013 $
(a)	**Future capital commitments**		
	Commitments for the refurbishment of Queensland Police Credit Union Limited's Oxley branch, and completion of IT projects, which have not been recognised as liabilities are payable as follows:		
	No longer than 1 year	154,309	106,724
	Longer than 1 year and not longer than 5 years	-	-
	Longer than 5 years	-	-
		154,309	**106,724**
(b)	**Outstanding loan commitments**		
	Loans and credit facilities approved but not funded or drawn at the end of the financial year:		
	Loans approved but not funded	7,645,768	5,719,986
	Undrawn overdraft, line of credit and credit cards	31,567,895	31,096,945
	Amounts available for redraw	39,842,030	41,126,602
		79,055,693	**77,943,533**

NOTE 27: BORROWING FACILITIES

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

	Approved Facility $	Current Borrowing $	Net Available $
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
	63,500,000	**16,169,173**	**47,330,827**
2013			
Stand by facility - CUSCAL Ltd	5,000,000	-	5,000,000
Overdraft facility - Indue Ltd	1,000,000	-	1,000,000
Term Loan - CUSCAL Ltd	57,500,000	57,500,000	-
	63,500,000	**57,500,000**	**6,000,000**

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 28: 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 2014 was Nil (2013: Nil).

(b) Guarantees

Queensland Police Credit Union Limited has provided guarantees on behalf of members. The maximum liability of the guarantees is limited to $83,121 (2013: $68,121). As at 30 June 2014, Queensland Police Credit Union Limited is unaware of any claim in relation to these guarantees.

NOTE 29: EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

Subsequent to year end, a dividend for the September 2014 quarter amounting to $30,144 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.

NOTE 30: CLASSES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

		2014 $	2013 $
	The following is a summary of financial instruments by class.		
(a)	**Financial assets**		
	(i) Measured at amortised cost		
	Cash and cash equivalents	11,210,834	10,274,815
	Other receivables	1,449,652	737,845
	Loans and advances	555,430,201	555,798,188
	Loans and advances – securitised loans	11,409,332	13,975,773
	Financial assets held-to-maturity	73,009,905	77,924,460
		652,509,924	**658,711,081**
	(ii) Measured at cost		
	Financial assets available for sale	437,400	437,400
		437,400	**437,400**
(b)	**Financial liabilities**		
	(i) Measured at amortised cost		
	Deposits	570,199,200	533,481,638
	Borrowings	27,578,505	71,475,773
	Other payables	1,735,690	3,663,903
		599,513,395	**608,621,314**

NOTE 31: 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 Committee

This is a key body in the risk management framework. It comprises of four Directors of Queensland Police Credit Union Limited and has an independent chair. The Risk Committee reviews both quantifiable and non-quantifiable risks and the effectiveness of existing controls that are used to mitigate those risks. Regular monitoring is carried out by the Risk Committee through monthly review of operational reports and Key Risk Indicators.

The Risk Committee carries out a regular review of all operational areas to ensure that operational risks are being properly controlled and reported. It oversees contingency plans in place to achieve business continuity in the event of serious disruptions to business operations. The Risk Committee reports to the Board.

(iii) Chief Risk Officer

Queensland Police Credit Union Limited appointed a Chief Risk Officer on 30 May 2014.

The Chief Risk Officer is responsible for reporting of risk information to the Risk 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 Risk Committee.

(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 3%. 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 33 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 31: RISK MANAGEMENT POLICY AND OBJECTIVES (cont)

Based on calculations as at 30 June 2014, the change in value of interest bearing assets and interest bearing liabilities for a 1% (2013: 1%) movement in interest rates would be $99,500 (2013: $55,100). 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);
- 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 and longer term deposits, borrowings and investments.

(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 cost. Fluctuations in value are not recognised. Queensland Police Credit Union Limited is not exposed to price risk on the value of these shares.

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 34(a). Concentrations are discussed below and in Note 34(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.

NOTE 31: 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 34(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 34.

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 Guidance APN 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:

	2014 $ Carrying value	2013 $ Carrying value
Indue (unrated)	8,892,000	8,662,000
ADI's – rated A and above*	14,986,772	22,000,000
ADI's – rated A– to BBB*	49,131,133	47,262,460
(*Standard and Poor's)	73,009,905	77,924,460

NOTE 31: 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 27 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 32.

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

	2014	2013
	$	$
Liquid funds to total adjusted liabilities:		
- As at 30 June	**14.01%**	**14.56%**
- Average for the year	**14.42%**	**14.44%**
- Minimum for the year	**13.19%**	**13.28%**
Liquid funds to total member deposits:		
- As at 30 June	**14.74%**	**16.53%**

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 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.

NOTE 31: 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 cards and BPAY.

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.

Prudential standards for capital management changed from 1 January 2013, affecting recognition and classification of capital for Authorised Deposit Taking Institutions.

Queensland Police Credit Union Limited's Tier 1 capital includes general reserves, preference share capital and retained profits. The preference shares issued are approved by APRA and qualify as additional Tier 1 capital under the transitional provisions of the new Prudential standard. At 30 June 2014 80% of the value of these preference shares (2013: 90%) was recognised as Tier 1 capital.

From 1 January 2013, Tier 1 capital also includes 100% of the value of unrealised gains/losses on land and buildings net of tax and estimated costs of sale.

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 (general reserve for credit losses).

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

	2014 $	2013 $
Tier 1 Capital		
Additional Tier 1 capital	2,100,000	2,400,000
Retained earnings	60,500,584	57,308,270
Asset revaluation reserve	4,893,259	4,893,259
General reserve	315,836	304,958
Less prescribed deductions	(937,487)	(895,923)
Net Tier 1 Capital	**66,872,192**	**64,010,564**
Tier 2 Capital		
Reserve for credit losses	1,321,011	1,371,066
Net Tier 2 Capital	**1,321,011**	**1,371,066**
Total Capital	**68,193,203**	**65,381,630**

NOTE 31: RISK MANAGEMENT POLICY AND OBJECTIVES (cont)

Queensland Police Credit Union Limited is required to maintain a minimum capital level of 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:

2014	2013	2012	2011	2010
21.88%	**20.48%**	**19.56%**	**18.79%**	**17.69%**

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%, and the regulator if the capital ratio falls below 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.

NOTE 32: 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.

	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total cash flows	Carrying amount
	$	$	$	$	$	$	$
2014							
Financial Liabilities							
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
Total Financial Liabilities	**341,423,036**	**101,586,254**	**138,086,986**	**18,128,724**	**16,176,051**	**615,401,051**	**599,513,395**
Off-Balance Sheet Items							
Undrawn Commitments - Note 26(b)	79,138,813	-	-	-	-	79,138,813	-
Total Off-Balance Sheet Instruments	**79,138,813**	**-**	**-**	**-**	**-**	**79,138,813**	**-**

	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total cash flows	Carrying amount
2013							
Financial Liabilities							
Deposits	308,352,680	99,711,540	124,025,450	6,865,395	-	538,955,065	533,481,638
Borrowings	14,708,041	36,484,520	8,010,141	4,902,430	18,739,922	82,845,054	71,475,773
Other payables	3,663,903	-	-	-	-	3,663,903	3,663,903
Total Financial Liabilities	**326,724,624**	**136,196,060**	**132,035,591**	**11,767,825**	**18,739,922**	**625,464,022**	**608,621,314**
Off-Balance Sheet Items							
Undrawn Commitments - Note 26(b)	78,011,654	-	-	-	-	78,011,654	-
Total Off-Balance Sheet Instruments	**78,011,654**	**-**	**-**	**-**	**-**	**78,011,654**	**-**

NOTE 33: INTEREST RATE RISK

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.

	Floating Interest Rate	Fixed Interest Rate Maturing			Non Interest Sensitive	Total	Effective Interest Rate
		Within 1 Year	1 to 5 Years	Over 5 Years			
2014							
Financial Assets							
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%
Total Financial Assets	**434,445,293**	**123,703,137**	**92,806,417**	**-**	**1,992,477**	**652,947,324**	
Financial Liabilities							
Deposits	275,792,862	281,715,559	12,690,779	-	-	570,199,200	3.14%
Borrowings	11,409,332	16,169,173	-	-	-	27,578,505	3.64%
Other payables	-	-	-	-	1,735,690	1,735,690	
Total Financial Liabilities	**287,202,194**	**297,884,732**	**12,690,779**	**-**	**1,735,690**	**599,513,395**	
2013							
Financial Assets							
Cash and cash equivalents	10,163,199	-	-	-	111,616	10,274,815	2.87%
Other receivables	-	-	-	-	737,845	737,845	
Financial assets held-to-maturity	-	77,924,460	-	-	-	77,924,460	3.69%
Financial assets available-for-sale	-	-	-	-	437,400	437,400	
Loans and advances	449,526,003	30,262,359	89,985,599	-	-	569,773,961	6.22%
Total Financial Assets	**459,689,202**	**108,186,819**	**89,985,599**	**-**	**1,286,861**	**659,148,481**	
Financial Liabilities							
Deposits	257,721,999	269,532,248	6,227,391	-	-	533,481,638	3.77%
Borrowings	13,975,773	57,500,000	-	-	-	71,475,773	4.33%
Other payables	-	-	-	-	3,663,903	3,663,903	
Total Financial Liabilities	**271,697,772**	**327,032,248**	**6,227,391**	**-**	**3,663,903**	**608,621,314**	

NOTE 34: 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 $562,910,643 (2013: $561,321,242).

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 26.

(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		$	
	2014	2013	2014	2013
Geographical Area				
Brisbane	46.78%	47.34%	265,283,598	269,858,530
Queensland - other than Brisbane	48.52%	47.98%	275,159,223	273,516,829
Industry				
Qld Government employees	60.80%	61.99%	344,778,474	353,339,683

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

NOTE 35: FAIR VALUE MEASUREMENT

(i) Fair Values

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

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 held-to-maturity are carried at amortised cost. Carrying values approximate fair values due to short-term maturities of these securities.

(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 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.

NOTE 35: FAIR VALUE MEASUREMENT (cont)

	2014		2013	
	Carrying Value $	Net Fair Value $	Carrying Value $	Net Fair Value $
Financial Assets				
Cash and cash equivalents	11,210,834	11,210,834	10,274,815	10,274,815
Financial assets available-for-sale	437,400	437,400	437,400	437,400
Other receivables	1,449,652	1,449,652	737,845	737,845
Financial assets held-to-maturity	73,009,905	73,009,905	77,924,460	77,924,460
Loans and advances	566,839,533	572,259,680	569,773,961	575,240,051
Financial Liabilities				
Deposits	570,199,200	571,486,546	533,481,638	534,971,620
Other payables	1,735,690	1,735,690	3,663,903	3,663,903
Borrowings	27,578,505	27,578,505	71,475,773	71,475,773
Off-Balance Sheet Financial Instruments				
Interest rate swaps	-	-	-	-

(ii) 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.

Fair values for financial instruments traded in active markets are based on quoted market prices at the end of the reporting date. The quoted market price for financial assets is the current bid price. The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at the end of the reporting date. The fair value of long-term debt instruments is determined using quoted market prices for similar instruments. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments.

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

NOTE 35: FAIR VALUE MEASUREMENT (cont)

Property, plant and equipment and investment properties

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

Description	Valuation approach	Unobservable Inputs	Range of Inputs	Relationship between unobservable inputs and fair value
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 ($/sqm) Outgoings ($/sqm) Capitalisation Rate	$480 to $503 (weighted average $482) $163 to $316 (weighted average $173) 8.50% to 9.75% (weighted average 9.67%)	The higher the outgoings and capitalisation rate, the lower the fair value. The higher the gross rent, the higher the fair value.
Investment properties	Income approach based on estimated rental value of the property. Market rentals, outgoings and capitalisation rates are estimated by an external valuer based on comparable transactions and industry data.	Market Gross Rent ($/sqm) Outgoings ($/sqm) Capitalisation Rate	$410 to $535 (weighted average $491) $155 to $316 (weighted average $213) 8.00% to 8.50% (weighted average 8.32%)	The higher the outgoings and capitalisation rate, the lower the fair value. The higher the gross rent, the higher the fair value.
	Direct comparison approach based on estimated sale value of the property. Adopted sale rates are estimated by an external valuer based on comparable transactions and industry data.	Sale Rate ($/sqm)	$4,600 to $5,100 (weighted average $5,048)	The higher the sale rate, the higher the fair value.

		2014 $	2013 $
NOTE 36: STATEMENT OF CASH FLOWS			
(a)	**Reconciliations of cash**		
	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	11,210,834	10,274,815
		11,210,834	**10,274,815**
(b)	**Cash flows presented on a net basis**		
	Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:		
	(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.		
(c)	**Reconciliation of cash flow from operations with profit after income tax**		
	Profit after income tax	**3,252,711**	**1,048,794**
	Non-cash flows in profit after income tax:		
	Amortisation	253,736	235,162
	Depreciation	620,397	671,299
	Provision for loan impairment	133,648	66,747
	Loss on sale of property, plant and equipment	5,504	4,781
	Revaluation decrement for investment properties	-	4,294,232
	Change in assets and liabilities:		
	(Increase)/Decrease in other receivables	(711,807)	93,603
	(Increase)/Decrease in prepayments	97,029	(85,368)
	Increase/(Decrease) in other payables	(3,376,003)	2,307,366
	Increase/(Decrease) in deferred and income taxes	(519,077)	(649,982)
	Increase/(Decrease) in provisions	(17,988)	(23,807)
	Net movement in financial assets held-to-maturity	4,914,555	(924,895)
	Net movement in loans and advances	2,832,386	(433,223)
	Proceeds/(payments) – borrowings	(43,897,268)	110,763
	Net movements in deposits	38,133,746	(8,387,385)
	Net cash provided by/(used in) operating activities	**1,721,569**	**(1,671,913)**

NOTE 37: COMPANY DETAILS

The registered office of the company is:

Queensland Police Credit Union Limited
231 North Quay
Brisbane QLD 4000

The principal place of business is:

Level 1
231 North Quay
Brisbane QLD 4000

Directors' Declaration

The Directors of the Queensland Police Credit Union Limited declare that:

(a) The financial statements comprising the Statement of 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 2014 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 26th September 2014

BDO

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GPO Box 457 Brisbane QLD 4001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Queensland Police Credit Union

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 2014, the statement of 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.

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 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

BDO Audit Pty Ltd

BDO

C R Jenkins

Director

Brisbane, 26th September 2014

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