Annual Report 2015

QANTAS Credit Union

Contents

Chairman's Report to Members

Mark Boesen
Chairman

> "With what continues to be a highly competitive environment, I am pleased to report that Qantas Credit Union has achieved sound financial performance in 2015 and our outlook remains positive."

As always, a key focus for the Board is to ensure the business is well prepared for both challenges and emerging opportunities. With the rapid change of technology, the competitive environment and regulatory change, positioning ourselves for strength and growth into the future is paramount.

We have an experienced management team and a robust strategy, and the Board remains confident in our ability to respond and adapt to the competitive environment, manage regulatory change and reinvest benefits back to Members. The Board is pleased with our progress in our key strategic initiatives this year, including Project iQ, which is on track to deliver systems and technology to make banking easy.

Continued importance of growth for our future

Future growth and strength is vital to providing Members an expansive product range, interest rates that beat the banks and improvements to our technology to make banking easy and seamless. Without future growth we cannot invest in these vital initiatives and benefits back to Members which are important to both retain current Members and attract new Members.

For some time the Qantas Credit Union Board has been considering options to overcome confusion around Membership eligibility and association with Qantas Airways, and how best to position the organisation for strength and growth into the future.

While we have taken pride in 'Qantas' and 'Credit Union' in our name, both have served as a significant impediment to continued growth with 90% of eligible people thinking they are unable to join and Australians generally unsure of the offering and strength associated with a Credit Union.

People are more familiar with what a 'bank' is, which is why more than a dozen Credit Unions have also made the move to include 'bank' in their name.

Your Board sees the opportunity to include 'bank' in our name as the next step to position our organisation for growth into the future and to ensure we can continue to build on our strength and provide more benefits back to Members.

With our end of year pre tax profit of $21.02 million and total assets result of $3.13 billion, we are a well managed and a sound financial institution, positioned to navigate new opportunities for growth in the future.

Project iQ

The aim of Project iQ is to make banking easier, simpler and smarter when banking in branch, online and on mobile and tablet. It's an exciting project, one which will deliver both short term benefits and staggered releases of enhancements over a 3 year period.

Our technology provider Infosys are one of the leading and most cutting edge banking and system providers in the world and as a partner will help ensure we deliver enhancements to compete with the major banks and remain relevant to our Members banking and technology needs both now and in the future.

Some of these enhancements and deliverables within the project include:

- a new mobile banking and tablet app with more tools and enhanced banking functionality
- an upgrade to our online banking platform, incorporating a number of new features which represent worldwide best practice
- an online banking platform specifically built for kids to teens
- back office efficiencies for our systems which will reduce application time for credit cards, home loans and personal loans
- a personal finance management tool to help you understand your spending, budgeting and borrowing power

On behalf of our Directors, Management Team and Project Team, we look forward to providing updates and releases of some of these new enhancements over the coming 12 months as we strive to provide the best in banking services for our Members.

100% owned by our Members

We are proud to be a mutual, meaning we're not owned or operated by any other business, airline or bank – we're 100% owned by our Members.

Unlike the major banks, we don't have to make huge profits to pay dividends to shareholders; our shareholders are our Members so profits go back into better interest rates, fairer fees and technology to make it easy to bank with us.

Our mutual status is and will continue to be a core part of who we are and is at the heart of everything we do.

Changes to the Board

We have continued our process of Board renewal over the year and welcomed Teresa McAdam to the Board at the last AGM.

Teresa is a CPA, who has held numerous senior management positions with Qantas Airways Limited, including until April 2014 as Manager Capital Markets, and is a valuable addition to our Board.

Thank you

I would like to thank each of our Directors for their contributions during the year and recognise the outstanding leadership of Scott King and his Management Team.

In particular I would also like to thank our employees. It's your enthusiasm and dedication for the Credit Union and our Members that differentiates us from the big banks.

I also thank our Members for your ongoing support – we are set to write a significant new chapter in what has been a very successful history so that we can continue to ensure you receive the best in service, competitive rates, and products for the year ahead as a mutual organisation.

Mark Boesen

Chairman

29th September 2015

Chief Executive Officer's Report to Members

"I'm proud to report that Qantas Credit Union has again achieved solid results in what is continuing to be a competitive and challenging environment."

Scott King
Chief Executive Officer

The past 12 months have seen us continue to deliver on strategies to maintain our future growth.

Our focus on product and pricing has again delivered a range of market leading products to Members, particularly loans. In addition, improvements and internal efficiencies have started to flow through to Members in the way of making banking easy; the start of many anticipated changes and benefits for Members as we invest in technology to improve our systems over the next 3 years.

We're seeing the results of hard work within our latest reading in Roy Morgan's Member Satisfaction Rating which places us at an industry high of 93.7%, up from 88.6% last financial year. This result outperforms the credit union average (currently 89.6%), well ahead of the major banks.

Financial performance

Despite intense competition in deposits and loans we have continued to deliver competitive interest rates on both sides of our balance sheet.

Our home loans are some of the best value products available on the market and recent enhancements have been a key driver in lending growth which started to pick up strongly through towards the end of this financial year – putting us in great shape as we move into 2016.

In this low interest rate environment it's been challenging to deliver deposit rates which have been either on par or better than the banks advertised rates. Pleasingly, we have still grown our deposits by 7.06% to $2.82 billion.

Our end of year pre tax profit is $21.02 million and total assets result of $3.13 billion places us as one of the largest mutual banking institutions in Australia, well positioned for growth and new opportunities for the future.

Product development and pricing

The past 12 months have seen us continue to evolve our products and pricing to ensure we have a competitive suite of both loan and investment offering to Members.

Our home loans have been one of the key areas of focus to ensure we continue to remain competitive and build a robust balance sheet.

One key initiative was the removal of the introductory rate on our low cost Home Loan and Qantas Points Home Loan, replaced with an everyday ongoing low rate. This change alone meant that we removed complexity and in most cases undercut the major banks professional packages and Frequent Flyer offers with both lower rates and no bank fees.

For Members with multiple home and investment loans with us, you would have this year also received the benefit of our new loan aggregation facility, receiving one low interest rate for all your eligible loans within your portfolio.

In addition, we have also won some awards and received 5 star ratings this year, including:

- CANSTAR 5 star rating on our Low Cost Home loan
- CANSTAR 5 star rating on our DIY Super Saver Account
- Money Magazines Best of the Best winner for Term Deposit, Short Term (Non-Bank category)
- Mozo Experts' Choice Award for our Visa Platinum Credit Card – placing this card as one of the best premium rewards card on the market.

These results demonstrate our ongoing commitment to provide you with a great deal more for your banking.

Closing of Qantas Credit Union Arena

In January 2014 we announced our naming rights partnership with one of Australia's most iconic entertainment venues the Sydney Entertainment Centre – now proudly known as Qantas Credit Union Arena.

As a two year sponsorship arrangement, our aim was to leverage this opportunity to grow brand awareness, facilitate future growth, and reward Members through a range of special offers, complimentary tickets and entry to our exclusive Member Lounge.

When we first started on this journey we had research conducted that showed we had close to zero brand awareness outside of our membership. Almost two years on, we have achieved as high as 56% during the year for prompted recall brand awareness in Sydney and up to 15% in other key states across Australia, which has been a great result.

This opportunity has also proven to be a very powerful and unique way to reward and give back to Members. Since our opening we have received overwhelmingly positive feedback from Members who have experienced our Member Lounge or have been rewarded with complimentary tickets or offers.

With the scheduled close and demolition of the venue to make way for Darling Harbour Live in December this year, we are currently in the process of preparing the 'what's next' strategy to help us continue to build on this success.

Opening of our Sydney City branch

Ensuring our branch footprint is accessible by as many of our Members as possible is important to us and so in September 2014 we relocated our Sydney City branch to a more central and convenient location on Hunter Street, Sydney.

Our branch design also forms part of our digital strategy to provide Members a more personal, interactive experience for both day to day banking as well as exploring new products to meet your needs. As the improvement to our technology and systems continues, so too will the service and offering within our branches as we strive to make banking easy.

The digitalisation of our branches also forms part of our commitment to reduce paper and our ecological footprint.

Thank you

Finally, I would like to thank you, our Members for your continued loyalty and support.

I would also like to extend a well earned thank you to our Employees, Management Team, and Directors for their commitment, forward thinking and drive to ensure our business is geared for future strength and growth and that our Members continue to receive the many benefits of banking with us.

S. King

Scott King

Chief Executive Officer
29th September 2015

Directors' Report

The Directors present their report together with the consolidated financial statements of the Qantas Staff Credit Union Limited ("the Credit Union") and its subsidiary (together: "The Group") for the year ended 30 June 2015 and the auditor's report thereon.

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

Information on Directors

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

Name	Position	Qualifications	Age	Experience & Responsibilities
Mark Boesen	Chairman Non–Executive Director	BBus, CPA FAMI, MAICD	60	- Director since 1992 - Chairman, Board - Chairman, Executive & Remuneration Committee - Chairman, Project iQ Oversight Committee - Partner S&K Accounting Solutions - Formerly, Qantas General Manager Retirement Programs and Qantas Superannuation - Formerly, Director of Qantas Superannuation Limited, Constellation Capital Management Limited and SeQant Asset Management Pty. Limited
David Hailes	Deputy Chairman Non–Executive Director	MBA, FAMI, MAICD	72	- Director since 1993 - Deputy Chairman, Board - Chairman, Audit Committee - Member, Executive & Remuneration Committee - Member, Project iQ Oversight Committee - Formerly, Qantas Manager Flight Operations Support
Colin Adams	Non-Executive Director	MAMI, MAICD	66	- Director since 2008 - Member, Audit Committee (from 27th January 2015) - Director of • Interrelate Ltd, • Columbia Securities Pty Ltd, • Columbia Superannuation (NSW) Pty Ltd
Bill Bourke	Non-Executive Director	BSc (Qld), BEng Aero (Syd) MEngSc (Syd) AFAMI	74	- Director since 1992 (resigned 26th November 2014) - Former Audit Committee Member - Director, Sydney Maritime Museum Custodian Ltd - Formerly, Qantas Manager Environment – Aircraft Operations

Name	Position	Qualifications	Age	Experience & Responsibilities
Sarah Collins	Non-Executive Director	BEc, LLB, MAMI	49	- Director since 2001 - Member, Audit Committee - Special Counsel – DLA Piper Australia - Formerly, Qantas General Manager Legal
Jeffrey Etherington	Non-Executive Director	BBus, MApplFin CFTP(Snr), GAICD MAMI, AICD, Fin and Treasury Assoc.	45	- Director since 2008 - Member, Risk Committee - Group Treasurer, Caltex Australia Limited - Formerly, Group Treasurer – Qantas Airways
Katherine Grace	Non-Executive Director	Master of Public Policy, BLaw, BA, AICD	40	- Director since 2013 - Member, Audit Committee - General Counsel & Company Secretary Stockland Corporation Limited
Gary Halliday	Non-Executive Director	FIPA, FAMI, JP	67	- Director since 2004 - Member, Audit Committee - Member, Risk Committee - Member, Project iQ Oversight Committee - Formerly, General Manager Qantas Staff Credit Union Limited
Joshua Hatten	Non-Executive Director	MSc, BLaws(Hons) BEcSocSci Grad Dip LP MAMI, GAICD	31	- Director since November 2011 - Member, Audit Committee - Deputy Chief of Staff & Policy Director, Office of NSW Minister for Education - Director, ACON Health Ltd - Chairman, Finance and Audit Committee, ACON Health Ltd
Teresa McAdam	Non-Executive Director	BComm CPA GAIGD MAMI	52	- Director since 2014 (appointed 26th November 2014) - Member, Risk Committee (from 27th January 2015) - Assistant Treasurer at Caltex Australia Petroleum Pty Ltd (Contracted until October 2015) - Director, QF EXIM B787 No.1 Pty Limited and - Director, QF EXIM B787 No.2 Pty Limited

Directors' Report (continued)

Name	Position	Qualifications	Age	Experience & Responsibilities
Barry Phair	Non-Executive Director	FCPA, FAMI MAICD	70	- Director since 1990 - Former Deputy Chairman - Chairman, Risk Committee - Member, Executive & Remuneration Committee - Member Project iQ Oversight Committee - Formerly, Qantas General Manager Fleet & Long term Network Planning - Formerly, Qantas Strategic Planning Director - Formerly, Qantas Deputy Treasurer

The names of the Company Secretaries in office at the end of the year are:

Name	Qualifications	Age	Experience
Cindy Hansen	LLB (Hons) F Fin MAMI	48	- Company Secretary since 24 April 2007 - General Counsel and Company Secretary, Qantas Staff Credit Union Limited
Michael Anastasi	CA, B Comm MAMI	44	- Company Secretary since 25 September 2007 - Chief Financial Officer, Qantas Staff Credit Union Limited

Directors' Meetings

The number of Directors meetings (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors of the Credit Union during the financial year are:

	Board Meetings		Committee Meetings	
Director	**Held**	**Attended**	**Held**	**Attended**
C. Adams	11	9	7	5
M. P. Boesen	11	11	20	20
W. L. Bourke *	5	5	1	1
S. C. Collins	11	9	3	3
J. Etherington	11	11	10	10
T. McAdam **	6	6	5	5
K.Grace	11	10	3	3
D. L. Hailes	11	11	21	21
G. Halliday	11	11	23	23
J. Hatten	11	11	3	3
B. G. Phair	11	11	28	28

* Resigned 26th November 2014
** Elected 26th November 2014

All Directors requested, and were granted, leave for meetings they were unable to attend.

Directors' Report (continued)

Financial Performance Disclosures

Principal Activities

The principal activities of the Group during the financial year related to the provision of retail financial and associated services to Members in accordance with our Constitution.

No significant changes to these activities occurred during the year.

Operating Results

Profit before income tax for the 2015 financial year was $21.02 million (2014: $22.08 million), reducing to $14.74 million (2014: $15.52 million) after providing $6.28 million (2014: $6.55 million) for taxation.

Dividends

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

Review of Operations

Total assets at year end were $3,126.82 million, representing an increase of $118.40 million, or 3.94% over the previous year. Included in total assets are Member loans and advances of $2,204.67 million, having risen by $1.39 million or 0.06%. Deposits increased by $186.01 million, or 7.06% to $2,820.17 million at year end. Total Member's equity at year end was $225.31 million, an increase of $15.72 million, or 7.50%. Continued Member support together with increased lending levels and competitive interest rates offered to depositors and borrowers, along with prudent expenditure controls, enabled the Group to further strengthen its financial position during the year.

Significant Changes in State of Affairs

No significant changes occurred in the state of affairs of the Group during the year that has not otherwise been disclosed in this Report or the consolidated financial statements.

Events Occurring after Balance Date

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

Indemnification of Directors and Officers

Since the end of the previous financial year, the Credit Union has not indemnified or made a relevant agreement for indemnifying against a liability for any person who is or has been an officer, Director or Auditor of the Group.

Insurance of Directors and Officers

During the financial year, the Group paid an insurance premium of $63,699 (2014: $63,699) in respect of Directors' and Officers' Liability and Company Reimbursement insurance policies for any past, present or future, Director, secretary or executive officer of the Group. The policy does not contain details of the premiums paid in respect of individual Directors or officers. The insurance policy does not cover payments made arising out of claims made against any Directors or officers by reason of any wrongful act in their capacity as Directors or officers.

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

Likely Developments

No other matter, circumstance or likely development in the operations has arisen since the end of the financial year that has significantly affected or may significantly affect: -

(i) The operations of the Group;
(ii) The results of those operations; or
(iii) The state of affairs of the Group

in the financial years subsequent to this financial year.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 12 and forms part of the Directors' report for financial year ended 30 June 2015.

Rounding

The amounts contained in the financial statements have been rounded to the nearest one thousand dollars in accordance with ASIC Class Order 98/100 (as amended). The Credit Union is permitted to round to the nearest one thousand ($'000) for all amounts except prescribed disclosures that are shown in whole dollars.

Public Prudential Disclosures

As an Approved Deposit-taking Institution ("ADI") regulated by the Australian Prudential Regulation Authority ("APRA"), the group is required to publicly disclose certain information in respect of:

- consolidated equity and regulatory capital,
- risk exposure and assessment, and
- remuneration disclosures.

The disclosures are to be found on the company's website: https://www.qantsacu.com.au/about-us-corporate-information-financial-reports.html.

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

Mark Boesen
Chairman

David Hailes
Deputy Chairman
Sydney

29th September 2015

Lead Auditor's Independence Declaration
under Section 307C of the Corporations Act 2001

To: the Directors of Qantas Staff Credit Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Michael O Connell
Partner
Sydney

29th September 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Corporate Governance Statement

Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised.

The Australian Prudential Regulation Authority (APRA) has issued Prudential Standard CPS 510 Governance, which sets out minimum foundations for good governance of regulated financial institutions, such as the Credit Union. This standard's *"objective is to ensure that an institution is managed soundly and prudently by a competent Board..., which can make reasonable and impartial business judgements in the best interests of the institution and which duly considers the impact of its decisions on depositors"*.

Framework

Directors and management are committed to high standards of corporate governance and with this in mind, have articulated and formalised the corporate governance framework within which the Credit Union operates in a Board Charter.

The Board Charter is a written policy document that defines the respective roles, responsibilities and authorities of the Board, both individually and collectively, and of Management in setting the direction, management and control of the organisation. As such, it establishes the guidelines within which the Directors and Officers are to operate as they carry out their respective roles.

The Credit Union is not bound by but has elected to adopt the Corporate Governance Principles and Recommendations published by the Australian Stock Exchange Corporate Governance Council (ASX Principles), to the extent that the principles are appropriate to the Credit Union's particular circumstances as a non-listed, mutual, financial institution.

Corporate Governance Statement (continued)

Statement of Principles

Lay solid foundations for management and oversight

To establish and disclose the respective roles and responsibilities of Board and Management and how their performance is monitored and evaluated.

The Board Charter outlines the role of the Board and Senior Management. In governing the Credit Union, the Directors must act in the best interests of the Credit Union as a whole.

The Board has the final responsibility for the successful operations of the Credit Union. In general, it is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Credit Union. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Credit Union.

The Board is responsible for ensuring that the Credit Union complies with all of its contractual, statutory and any other legal obligations, including the requirements of the Australian Prudential Regulation Authority and the Australian Securities and Investments Commission (ASIC) as well as any other regulatory body.

Board responsibilities include:

- providing leadership through sound governance practices, appointment of the Chairman and Deputy Chairman, an appropriate culture and values, and its Code of Conduct
- setting, and overseeing Management's implementation of, strategy
- oversight of reporting and disclosure
- oversight of the Credit Union's risk management framework
- management oversight, appointment of the CEO and approval of operating budgets and major capital expenditure

The details of some Board functions are handled through Board Committees. However, the Board as a whole is responsible for determining the extent of powers residing in each Committee and is ultimately responsible for accepting, modifying or rejecting Committee recommendations. Each Committee has its own Charter, which includes its structure, authority and responsibilities.

The Board currently has the following Committees:

- Executive & Remuneration Committee
- Audit Committee
- Risk Committee
- Nominations Committee (comprising 2 non-Director members and 1 Board representative member)
- Oversight Committee (comprising 4 Director members and 2 Management members).

It is the role of Senior Management to manage the Credit Union in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties. Senior management is responsible for the day-to-day management of the Credit Union.

Due to the detailed process for nomination and Member election of Directors set out in the Constitution, the Board cannot establish a set of objectives for achieving gender diversity on the Board. However, when considering nominates to fill casual vacancies, the Board will take into account a candidate's capacity to enhance the mix of skills, experience, expertise and diversity of the Board.

While QCU does not have a formal diversity policy, the QCU Board, Management Team and employees understand that workplace diversity refers to the variety of differences between people in an organisation.

Diversity encompasses acceptance and respect. It is an understanding that there are individual differences between people. These differences can include ethnicity, gender, sexual orientation, age, physical abilities, family status, religious beliefs, perspective, experience or other ideologies.

QCU's commitment to recognising the importance of diversity extends to all areas of our business including recruitment, talent development, learning and development, appointment to roles, retention of employees, mentoring and coaching programmes and flexible work arrangements.

As at 30 June 2015, the Credit Union gender diversity split was 65.43% female and 34.57% male. The Board was 30% female and 70% male. As we move through to Senior Executive it was 16.67% female and 83.33% male, Senior Management (excluding Executive Management) was 33.33% female and 66.67% male and other managers were 25% female and 75% male. At non-manager level (including professionals) it was 73.33% female and 26.67% male.

The Board considers the evaluation of its own and senior executive performance as fundamental to establishing a culture of performance and accountability and the ongoing development and improvement of its own performance as a critical input to effective governance. As a result, the Board undertakes an annual evaluation of Board, Board Committee and Director performance via group, self and peer reviews overseen by the Executive & Remuneration Committee and periodically facilitated by external consultants. The review is based on a number of objectives for the Board and individual Directors. The objectives are based on the role of the Board and individual Directors as well as corporate objectives and any areas for improvement identified in previous reviews. A performance evaluation for the Board, Board Committees and Directors has taken place in the reporting period in accordance with this process.

All senior executives at QCU are subject to an annual performance evaluation. Each year senior executives (including the CEO) establish a set of performance targets with her or his superior. These targets are aligned to overall business goals and QCU's requirements of the position. In the case of the CEO, these targets are negotiated between the CEO and the Executive & Remuneration Committee.

A full evaluation of the executive's performance against the agreed targets takes place in the following year. This will normally occur in conjunction with goal setting for the coming year.

A performance review of Senior Management and the Chief Executive Officer has taken place in the reporting period in accordance with the above process.

Structure the Board to add value

Have a Board of appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

Qantas Staff Credit Union Limited currently has 10 Directors, following a Member resolution at the 2012 AGM approving a reduction in the size of the Board on retirement of a Director on 30 June 2013. The Board can increase the number of Directors to the maximum under the Constitution in future, if necessary to fulfil its obligations.

Directors are elected by Members by democratic ballot for a three (3) year term. Under the Credit Union's Constitution the number of Directors must be at least 5 and no more than 11. The eligibility requirements to nominate as a Director and the process for election of Directors are governed by the Constitution.

The overriding principle to which the Board has regard in relation to the structure of the Board is that all Directors must be fit and proper persons as defined in APRA Prudential Standard CPS 520 Fit and Proper. The Board Charter and the Credit Union's Fit and Proper Policy set out how the Credit Union assesses whether or not

Corporate Governance Statement (continued)

Statement of Principles (continued)

a person is fit and proper and the Board has established a Nominations Committee to assess the fitness and propriety of all candidates for appointment as a Director.

Collectively, the Board must have the necessary skills, knowledge and experience to understand the risks of the Credit Union, including its legal and prudential obligations, and to ensure that the Credit Union is managed in an appropriate way taking into account these risks. The Credit Union regularly reviews the need for various skills and experience against the current skills and experience represented on the Board.

Given the size of QCU and the business that it operates, QCU should at all times have a Board with a blend of skills, knowledge and experience in functional competencies as deemed necessary by the Board from time to time, which may include:

- accounting and financial management
- law
- retail banking
- business (which may include the disciplines of branding/marketing, human resources, information technology, strategic planning, risk management or other disciplines deemed necessary).

Each Director of the Credit Union must have relevant tertiary qualifications, professional memberships and/or type/length of experience such that the Director is able to provide a high level strategic input into Board deliberations in relation to at least one of the listed functional competencies.

All Directors must bring certain personal attributes to the Board table to allow them to make an effective contribution to Board deliberations and processes. This includes having sufficient time available to fulfil the role and possession of the following core competencies:

- an understanding of the role and responsibilities of a Director of an Authorised Deposit-taking Institution (ADI);
- the ability to listen, evaluate and form conclusions;
- financial literacy;
- appropriate experience in the senior management or governance of a financial institution or a significant public company, or in a senior professional role relevant to the business (for example, accountancy or law);
- an understanding of the collegial nature of a Board and the ability to function effectively in a collegial way;
- an understanding of, and demonstrated commitment to the values of QCU, including Mutual, Authentic, Achieving, Energetic;
- the ability to understand QCU's business and regulatory risks, including the identification, monitoring and mitigation of risk;
- the capacity and willingness to prepare and contribute to Board meetings and deliberations;
- the capacity and willingness to undertake continuous professional development and learning consistent with the QCU's policies on Board renewal.

A summary of the qualifications, experience and tenure for each Director are set out in the Directors' Report. All current Directors have been assessed as being fit and proper, in accordance with the Credit Union's policy.

In its Prudential Standard CPS 510 Governance, APRA requires the Board to have a majority of independent and non-executive Directors at all times. In addition, certain positions, such as Chairman of the Board and Chairman of the Audit Committee, must be held by an independent, non-executive Director.

The Board Charter sets out how the Credit Union assesses whether or not a person is independent. In assessing independence, the Board is mindful that the Credit Union is a mutual and, as such, Directors are democratically elected by the Members. Directors are not appointed by the Board other than to fill casual vacancies and no Director represents a group of shareholders.

The following table sets out the elements of the CPS510 definition of independence and how those elements apply to the Credit Union.

Element	Application to Qantas Credit Union/Materiality Threshold Adopted by the Board
An independent director is a non-executive director (i.e. is not a member of management) and:	Under the Credit Union's Constitution employees of the Credit Union are ineligible to be a director (clause 50), except where the Board has nominated one employee (clause 62). The Board has not exercised its right to nominate an employee to stand for election as a Director nor to fill any casual vacancy.
Is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;	As the Credit Union is a mutual, no shareholder of the Credit Union can have a relevant interest in 5% or more of the voting shares of the Credit Union.
Is not employed, or has not previously been employed in an executive capacity by the company or another group member, and there has been a period of at least three years between ceasing such employment and serving on the Board;	Employment in an executive capacity means a position that enables the employee to influence the commercial operations of the Credit Union.
Within the last three years has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided;	A material professional adviser or consultant is one whose commercial relationship sees more than 5% of the adviser's/consultant's total annual revenue or $30,000 (whichever is the lesser) being attributable to the Credit Union or its associated companies.
Is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;	A material supplier to the Credit Union is one where the amount of goods and/or services supplied to the Credit Union (or its associated companies) exceeds either (a) $2,000,000; (b) 2% of the Credit Union's total revenue; and/or (c) 5% of the supplier's total costs (whichever is the lesser). A material customer means a customer with an account that is not on normal commercial terms or that constitutes a large exposure under the APRA Prudential Standards. All Directors are Members and customers of the Credit Union (with savings, loans and/or RSA accounts), however all are at arm's length, on normal commercial terms and are not material.
Has no material contractual relationship with the company or another group member other than as a director of the company.	Any other contractual relationships are considered material where more than 5% of the provider's total annual revenue or $30,000 (whichever is the lesser) is attributable to the Credit Union or its associated companies.

The Board has resolved that all Directors are independent, in accordance with the Board Charter. All Directors are currently non-executive.

Corporate Governance Statement (continued)

Statement of Principles (continued)

Act ethically and responsibly

In making its decisions, the Credit Union not only complies with its legal obligations, but also considers the reasonable expectations of its stakeholders, including Members and employees. The Credit Union's policies and procedures promote responsibility, accountability and integrity.

The Board has implemented and enforced a strict Directors' and Officers' Code of Conduct.

Under this Code, all Directors, Officers and employees must, in summary:

- comply at all times, with all laws governing the Credit Union's operations
- not knowingly participate in illegal or unethical activitiy
- act in keeping with the highest legal, moral and ethical standards
- perform their duties in accordance with the Credit Union's values, policies, controls and delegations
- report breaches of the Code and potential conflicts of interest
- not make or accept any prohibited payments, contributions or gifts
- protect the Credit Union's assets, records and confidential information
- not engage in activity in conflict with the Credit Union's interest or use their position for personal gain.

It is vital that any breaches of the Code of Conduct, non-compliance with the law or policies or unethical behaviour are reported to the relevant person within the Credit Union and/or to the relevant regulatory authority. Accordingly, the Credit Union has adopted a policy detailing how QCU encourages and will protect whistleblowers.

In addition, the Credit Union has policies and procedures in relation to disclosing and managing actual or potential conflicts of interest that may or might reasonably be thought to exist, and to minimise the risk of related party transactions.

Safeguard integrity in corporate reporting

Have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

QCU has established an Audit Committee. The membership, composition, authority and duties of the Committee are set out in its Charter and are in accordance with the requirements of *APRA Prudential Standard CPS 510 Governance*. The Audit Committee meets at least 3 times per year.

The Board has in place a structure of review and authorisation designed to ensure the truthful and factual presentation of the Credit Union's financial position. The structure includes the following:

- review and consideration of the accounts by the Audit Committee;
- a process to ensure the independence and competence of the Credit Union's internal and external auditors.

Respect the rights of Members

Respect the rights of security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

The Credit Union makes information about the company freely and readily available on our website, including:

- governance statement
- constitution
- story and mutual structure
- vision and values

- other corporate information, including annual reports, notices of meetings and regulatory disclosures

The Credit Union provides options for Members to vote for Directors and to appoint a Proxy to vote at meetings electronically via online banking to encourage participation and allow Members to vote ahead of the meeting. The Credit Union also provides:

- a secure email facility via our online banking website to allow Members to send communications
- optional electronic communication channels for Members to receive communications.

Electronic communications are formatted to be easily readable on a computer screen and other electronic devices commonly used and include a printer friendly option and/or download option for those Members who wish to retain a copy of the communication.

Recognise and manage risk

Establish a sound risk management framework and periodically review the effectiveness of that framework.

The Board has established a Risk Committee to assist the Board to manage and monitor material business risks. The membership, composition, authority and duties of the Committee are set out in its Charter and are in accordance with the requirements of *APRA Prudential Standards CPS 510 Governance and CPS 220 Risk Management.*

The Board has in place a system of risk oversight and management and internal control to:

- identify, and where possible, quantify the major risks confronting the Credit Union; and
- develop and review policies to monitor, control and where possible, minimise risks within the broader objectives of the Credit Union.

The Credit Union also has an internal audit function, independent of the external auditor and management, reporting directly to the Audit Committee.

The Risk Committee and Board review the Credit Union's risk management framework at least annually to satisfy itself that it continues to be sound and in accordance with the requirements of *APRA Prudential Standard CPS 220 Risk Management*. A review has taken place during the reporting period.

Remunerate fairly and responsibly

Pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

Directors are paid fees approved by Members/Shareholders. Additional fees are paid for participation on Board Committees, which are separately approved by Members/Shareholders on a per meeting basis.

The Credit Union has adopted remuneration policies that comply with the requirements of APRA Prudential Standard CPS 510 Governance. The policies are designed to encourage behaviour that supports the Credit Union's long-term financial soundness and risk management framework. The policies aim to attract and maintain appropriately experienced Directors and employees so as to encourage enhanced performance by the Credit Union and the offering of the highest level of service to Members. There is a clear relationship between performance and remuneration of executive employees.

The Executive & Remuneration Committee assists the Board by recommending compensation of the Chief Executive Officer and Directors' fees to the Board for approval and reviewing remuneration proposals made by the CEO for senior management. The membership, composition, authority and duties of the Committee are set out in its Charter and are in accordance with the requirements of *APRA Prudential Standards CPS 510 Governance*.

Directors' Declaration

1 In the opinion of the Directors of Qantas Staff Credit Union Limited ("the Group"):

(a) the consolidated financial statements and notes that are contained on pages 25 to 66 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

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

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

(c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2 The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2015.

Signed in accordance with a resolution of the Directors:

Mark Boesen, Chairman
Director

David Hailes, Deputy Chairman
Director

Sydney
29th September 2015

Independent Auditor's Report

to the Members of Qantas Staff Credit Union Limited

Report on the Financial Report

We have audited the accompanying financial report of Qantas Staff Credit Union Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2015, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 30 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

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 is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of *Financial Statements*, that the financial statements of the Group 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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*.

Auditor’s opinion

In our opinion:

(a) the financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group’s financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

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

KPMG

KPMG

Michael O Connell
Partner

Sydney
29th September 2015

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2015

	Note	2015 $000	2014 $000
Interest revenue	2a	139,430	140,206
Interest expense	2b	(85,113)	(87,661)
Net interest income		**54,317**	**52,545**
Other income	2c	10,795	10,912
Total operating income		**65,112**	**63,457**
Non interest expenses			
Impairment losses on loans and advances	2d	(717)	(693)
Other expenses	2e	(43,373)	(40,689)
Profit before income tax		**21,022**	**22,075**
Income tax expense	3	(6,283)	(6,552)
Profit after income tax		**14,739**	**15,523**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Net fair value gain/(loss) on available for sale financial assets, net of tax		1,217	389
Net movement on cash flow hedge, net of tax		(238)	(117)
Total comprehensive income		**15,718**	**15,795**

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Financial Statements set out on pages 29 to 66.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

	Note	Capital Reserve $000	General Reserve for Credit Losses $000	Cash Flow Hedge Reserve $000	Available for Sale Reserve $000	Retained Profits $000	Total $000
Total as at 1 July 2013		**302**	**5,920**	**-**	**-**	**187,571**	**193,793**
Profit for the year	19	-	-	-	-	15,523	15,523
Other comprehensive income							
Items that may be reclassified to profit or loss:							
Net fair value gain/(loss) on available for sale financial assets, net of tax		-	-	-	389	-	389
Net movement on cash flow hedge, net of tax		-	-	(117)	-	-	(117)
Transfers to/(from) Reserves	18	13	520	-	-	(533)	-
Total as at 30 June 2014		**315**	**6,440**	**(117)**	**389**	**202,561**	**209,588**
Profit for the year	19	-	-	-	-	14,739	14,739
Other comprehensive income							
Items that may be reclassified to profit or loss:							
Net fair value gain on available for sale financial assets, net of tax		-	-	-	1,217	-	1,217
Net movement on cash flow hedge, net of tax		-	-	(238)	-	-	(238)
Transfers to/(from) Reserves	18	9	837	-	-	(846)	-
Total as at 30 June 2015		**324**	**7,277**	**(355)**	**1,606**	**216,454**	**225,306**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements set out on pages 29 to 66.

Consolidated Statement of Financial Position

As at 30 June 2015

	Note	2015 $000	2014 $000
ASSETS			
Cash	4	104,532	85,491
Receivables	5	15,331	4,492
Held to Maturity Financial Instruments	6	214,762	210,101
Loans and advances to Members	7	2,204,665	2,203,281
Available for Sale Assets	9	579,491	497,856
Plant and equipment	10.a	3,448	3,420
Intangibles	10.b	223	482
Prepayments & Debtors	11	2,852	1,819
Deferred Tax Assets	12	1,515	1,480
TOTAL ASSETS		**3,126,819**	**3,008,422**
LIABILITIES			
Payables to other Financial Institutions	13	62,996	146,384
Deposits	14	2,820,174	2,634,165
Creditor accruals and settlement accounts	15	14,708	14,664
Derivative liability	28	507	168
Current tax liability	16	27	1,407
Provisions	17	3,101	2,046
TOTAL LIABILITIES		**2,901,513**	**2,798,834**
NET ASSETS		**225,306**	**209,588**
MEMBERS' EQUITY			
Reserves	18	**8,852**	**7,027**
Retained earnings	19	**216,454**	**202,561**
TOTAL MEMBERS' EQUITY		**225,306**	**209,588**

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements set out on pages 29 to 66.

Consolidated Statement of Cash Flows

For the year ended 30 June 2015

	Note	2015 $000	2014 $000
OPERATING ACTIVITIES			
Interest received		138,330	139,483
Fees and commissions received		10,499	10,675
Dividends received		123	232
Interest paid		(85,797)	(90,480)
Cash paid to suppliers and employees		(50,151)	(39,356)
Income taxes paid		(8,697)	(6,326)
Net (increase) in Member loans		(2,117)	(60,024)
Net increase in deposits and shares		103,065	204,060
Net (increase) in receivables from other financial institutions		(82,918)	(143,152)
Net cash from operating activities	**27b**	**22,337**	**15,112**
INVESTING ACTIVITIES			
Proceeds on sale of property, plant and equipment		86	115
Purchase of property plant and equipment		(1,592)	(1,641)
(Purchase) of Investments		(1,640)	-
Purchase of intangibles		(150)	(166)
Net cash used in investing activities		**(3,296)**	**(1,692)**
Total net cash increase		**19,041**	**13,420**
Cash at beginning of year		85,491	72,071
Cash at end of year	**27a**	**104,532**	**85,491**

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements set out on pages 29 to 66.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

1. Statement of Accounting Policies

Qantas Staff Credit Union Limited (the "Company" or the "Credit Union") is a company domiciled in Australia. The address of the Company's registered office is 420 Forest Road, Hurstville, NSW 2220. The consolidated financial statements of the Company as at and for the year ended 30 June 2015 comprise the Company and the MEAA Funding Trust (the "Trust"), a Special Purpose Vehicle deemed under the Accounting Standards to be controlled by the Credit Union, for the year ended the 30 June 2015 (together referred to as the "Group"). The Group is a for-profit entity and primarily is involved in the provision of financial products, services and associated activities to Members.

a. Basis of Preparation

(i) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 29th September 2015.

(ii) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except where otherwise stated.

(iii) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (as amended) and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(iv) Use of estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Management have made judgements when applying the Group's accounting policies with respect to the classification of assets as available for sale and in assessing the impairment provision for loans.

(v) Changes in accounting policies

The Group has consistently applied the accounting policies set out in Note 1b to all periods presented in the financial statements unless otherwise stated.

b. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

c. Loans to Members

(i) Basis of inclusion

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

All loans are initially recognised at fair value, net of transaction costs incurred and inclusive of loan origination fees. Loans are subsequently measured at amortised cost using the effective interest method less any impairment losses. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the loans using the effective interest method.

Loans to Members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Group at balance date, less any allowance or provision for impairment.

(ii) Interest earned

Term Loans – The loan interest is calculated on the basis of daily balance outstanding and is charged in arrears to a Member's account on the last day of each month.

Credit Cards – For interest free credit cards, interest will be charged only where the relevant transactions do not qualify for interest free status in accordance with the terms and conditions of the facility.

(iii) Loan origination fees and transaction costs

Loan establishment fees and associated transaction costs are initially deferred as part of the loan balance, and are brought to account as either a net expense or net income over the expected life of the loan. The amounts brought to account are included as part of interest revenue or expense as appropriate.

d. Loan Impairment

(i) Specific Provision

Losses for impaired loans are recognised when there is objective evidence that the impairment of a loan has occurred. Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment, status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. Impairment losses are calculated on individual loans. The amount provided for impairment is determined by management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement.

(ii) Collective Provision

A collective provision is made for groups of loans with similar credit risk characteristics. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of impairment loss is based upon estimated losses incurred within the portfolio, based upon objective evidence of impairment, the estimated probability of default and the expected loss given default having regard to the historical experience of the Group. The provision increase or decrease is recognised in the profit or loss.

(iii) General Reserve for Credit Losses

In addition to the above provisions, the Group will maintain a general reserve for credit losses of at least 0.5%, but no more than 1.25% of total risk weighted assets (as defined in APS 112 Capital Adequacy: Credit Risk).

e. Bad Debts Written Off

Bad debts are written off from time to time as determined by management and the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off as expenses in the profit or loss or against the provision for impairment.

f. Plant and Equipment

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Plant and equipment with the exception of freehold land, are depreciated on a straight-line basis, so as to write off the net cost of each asset over its expected useful life to the Group. The useful lives are adjusted if appropriate at each reporting date. Estimated useful lives at the balance date are as follows:

- Leasehold Improvements – 3 to 10 years.
- Plant and Equipment – 2.5 to 7 years.

Assets less than $300 are not capitalised.

g. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

h. Capital work in progress

Research costs are expensed as incurred. Development expenditures on individual projects are recognised in capital work in progress when the Group can demonstrate:

- the technical feasibility of completing the capital project so that it will be available for use or sale;
- its intention to complete and its ability to use the capital project;
- how the capital project will generate future economic benefits;
- the availability of resources to complete the capital project; and
- the ability to measure reliably the expenditure during the development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated depreciation/amortisation and accumulated impairment losses. Depreciation/amortisation of the asset begins when development is complete and the asset is available for use and occurs over the period of expected future benefit.

i. Advances to Other Financial Institutions

Receivables from other financial institutions include loans, bank accepted bills of exchange, certificates of deposit, floating rate notes and settlement account balances due from other banks. They are brought to account at the gross value of the outstanding balance. Interest on receivables due from other financial institutions is recognised on an effective yield basis.

j. Financial Instruments

The Group utilises a range of financial instruments. Financial instruments are classified and measured as follows:

Loans and advances: This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost; refer Note 1(c) Loans to Members for further details.

Held to maturity investments: This category includes non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Group has a positive intention and ability to hold to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Held-to-maturity financial assets comprise certificate of deposits.

Available for sale assets: This category includes non derivative financial assets and investments in equity instruments. Available-for-sale financial assets are recognised on acquisition at cost on a trade date basis and thereafter at fair value unless fair value is unable to be determined reliably, in which case they are carried at cost. Changes in the fair value of available-for-sale assets are reported in the "available-for-sale reserve" net of applicable income taxes until the investments are sold, collected or otherwise disposed of, or until such investments are impaired. On disposal the accumulated change in fair value is transferred to the Statement of Comprehensive Income.

Investments in shares which do not have a quoted market price in an active market and are not capable of being reliably valued are measured at cost less any provision for impairment.

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

Other Financial Liabilities: These financial liabilities are measured at fair value plus direct acquisition costs and subsequently measured at amortised cost using the effective interest method. When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset at a fixed price on a future date (repurchase agreement), the financial assets sold under such agreements continue to be recognised in the statement of financial position and the obligation to repurchase is recognised as deposits and short term borrowings. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Derivative financial instruments and hedge accounting: The Group holds derivative financial instruments to hedge its interest rate risk exposures. Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Cash flow hedges: When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

k. Deposits

(i) Basis for determination

Savings, term investments and retirement savings accounts are quoted at the aggregate amount of money owing to depositors.

(ii) Interest on deposits

At Call

Interest on deposit balances is calculated and accrued on a daily basis at current rates and credited to accounts on a monthly basis.

Term deposits

Interest on term deposits is calculated and accrued on a daily basis at agreed rates and is paid or credited to accounts in accordance with the terms of the deposit.

Retirement Savings Accounts (RSA)

Interest on Retirement Savings Accounts are calculated and accrued on a daily basis at current rates and credited to Retirement Savings Accounts on a monthly basis.

l. Borrowings

The Group initially recognises deposits, loans and borrowings on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the loans and borrowings using the effective interest method.

m. Provision for Employee Benefits

The provision for long service leave is based on the present value of the estimated future cash outflows to be made resulting from employees' service up to reporting date, and having regard to the probability that employees as a group will remain employed for the period of time necessary to qualify for long service leave.

Provisions for annual leave represent present obligations resulting from employees' services calculated on undiscounted amounts based on remuneration, wage and salary rates that the Group expects to pay as at reporting date.

Contributions are made by the Group to an employee's superannuation fund and are charged to the profit or loss as incurred.

n. Leasehold on Premises

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

o. Income Tax

The income tax expense shown in the profit or loss is based on the operating profit before income tax adjusted for any non-tax deductible or non-assessable items between accounting profit and taxable income. Deferred tax assets and liabilities are recognised using the Statement of Financial Position liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements. Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 30%.

Deferred tax assets are only brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences. The recognition of these benefits is based on the assumption that no adverse change will occur in income tax legislation; and the anticipation that the Group will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit a future income tax benefit to be obtained.

p. Goods and Services Tax (GST)

As a financial institution, the Group is input taxed on all income except other income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on purchases cannot be recovered. In addition certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable. In addition, general apportionment may be recoverable in some cases.

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of the GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included where applicable GST is collected. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the Australian Taxation Office, are classified as operating cash flows.

q. Impairment of Assets

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

r. Principles of Consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the Group are eliminated in full.

s. Redeemable Preference Shares

The Credit Union issues redeemable preference shares to each Member upon joining. Up until 1st April 2010, all Members were required to hold five fully paid preference shares of $2 each in accordance with the constitution of the Credit Union. These shares are redeemed for their face value of $2 each on leaving the Credit Union. Subsequent to 1 April 2010, this share capital remains uncalled.

t. Recoverable Amount of Non-Current Assets Valued on Cost Basis

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the profit or loss in the reporting period in which it occurs. In assessing the recoverable amounts of non-current assets relevant cash flows have been discounted to their present value.

u. Other Trade and Other Receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (q)).

v. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

w. Expenses – Operating Lease Payments

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense and spread over the lease term.

x. Intangibles – Computer Software Costs

The Group capitalises computer software costs and recognises them as an intangible asset where they are clearly identifiable, can be reliably measured and will lead to future economic benefits that the Group controls. Capitalised software assets are carried at cost less amortisation and any impairment losses. The Group amortises these assets on a straight-line basis at a rate applicable to the expected useful life of the asset, but usually not exceeding 5 years. Any impairment loss is recognised under operating expenditure in the profit or loss when incurred.

y. Trade and Other Payables

Trade and other payables are stated at their amortised cost.

Trade payables are non-interest bearing and are normally settled on 60-day terms.

z. New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments (2010, 2009), which becomes mandatory for the 2018 financial statements, introduces new requirements for the classification and measurement of financial assets and liabilities. The adoption of AASB 9 will impact the classification of the Group's financial assets only.

AASB 15 Revenue from contracts with customer establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue. The Group is assessing the impact of the new standard, which is applicable for annual reporting periods beginning on or after 1 January 2017.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2015

2. Statement of Profit or Loss and Other Comprehensive Income

	2015 $000	2014 $000
a. Analysis of interest revenue and expense		
Category of interest bearing assets		
Loans and advances to Members	112,969	117,978
Investment Securities	16,760	13,214
Call Deposits with other Financial Institutions	1,893	1,774
Term Deposits with other Financial Institutions	7,121	6,519
Regulatory Deposits	687	721
TOTAL INTEREST REVENUE	**139,430**	**140,206**

	2015 $000	2014 $000
b. Category of interest bearing liabilities		
Deposits	85,098	87,651
Bank Overdraft	15	10
TOTAL INTEREST EXPENSE	**85,113**	**87,661**

	2015 $000	2014 $000
c. Other Income		
Fees and Commissions	10,224	10,360
Dividends received	239	232
Bad debts recovered	323	294
Gain on disposal of property, plant and equipment	9	26
TOTAL OTHER INCOME	**10,795**	**10,912**

	2015 $000	2014 $000
d. Impairment losses on loans and advances		
Bad debts written off directly against profit	781	797
(Release) / addition to provision for doubtful debts	(64)	(104)
TOTAL IMPAIRMENT LOSSES ON LOANS & ADVANCES	**717**	**693**

	2015 $000	2014 $000
e. Other Expenses		
Salaries and on costs	14,025	13,565
Superannuation costs	1,141	1,017
Transaction costs	10,781	10,671
Information technology	4,301	3,769
Insurance and legal	422	462
Directors remuneration	613	593
Depreciation of plant and equipment	1,483	1,292
Amortisation of intangibles	409	520
Amounts set aside to provisions:		
Employee entitlements	449	200
Rental – operating leases	3,194	2,381
Research & Development costs expensed	702	632
Supervision levies	137	158
Marketing costs	3,076	2,911
Other costs	2,640	2,518
TOTAL OTHER EXPENSES	**43,373**	**40,689**

f. Auditor's Remuneration	2015 $	2014 $
Statutory Audit	158,947	152,540
Regulatory Audits	60,472	48,438
Subtotal	**219,419**	**200,978**
Non Audit Services	-	272,467
TOTAL	**219,419**	**473,445**

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2015

	2015 $000	2014 $000
3. Income Tax Expense		
a. Current tax expense		
Current year	6,453	6,529
Prior year under provision for current tax	286	-
Deferred Tax Expense		
Prior year under provision for deferred tax	(286)	-
(Decrease) in deferred tax liability	-	(3)
Decrease in deferred tax asset	(170)	26
TOTAL INCOME TAX EXPENSE IN INCOME STATEMENT	**6,283**	**6,552**

b. Reconciliation between Tax Expense and Pre Tax Net Profit

	2015 $000	2014 $000
Profit before tax	**21,022**	**22,075**
Income tax using the Company tax rate of 30%	6,307	6,622
Tax effect of expenses/income		
- Other non-deductible expenses	47	3
- Prior year under/(over) provision for income tax	-	-
- Rebatable dividend imputation credits	(71)	(73)
INCOME TAX EXPENSE ATTRIBUTABLE TO PROFIT	**6,283**	**6,552**

4. Cash

	2015 $000	2014 $000
Cash on hand	839	894
Deposits at call		
Cash at Bank	79,658	32,980
Other Financial Institutions	4,035	13,332
Other Authorised Deposit-taking Institutions	20,000	38,285
TOTAL CASH	**104,532**	**85,491**

	2015 $000	2014 $000

5. Receivables

	2015 $000	2014 $000
Interest receivable	4,383	3,283
Sundry debtors and settlement accounts	10,948	1,209
TOTAL RECEIVABLES	**15,331**	**4,492**
Maturity Analysis		
Not longer than 3 months	14,593	4,492
3 to 12 months	738	-
	15,331	**4,492**

6. Held to Maturity Financial Instruments

	2015 $000	2014 $000
Deposits with other Authorised Deposit-taking Institutions	214,762	210,101
TOTAL HELD TO MATURITY FINANCIAL INSTRUMENTS	**214,762**	**210,101**
Maturity Analysis		
Not longer than 3 months	182,004	-
3 to 12 months	32,758	210,101
	214,762	**210,101**
Fair Value		
Deposits with other Authorised Deposit-taking Institutions	214,788	210,127
	214,788	**210,127**

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2015

7. Loans and Advances

	2015 $000	2014 $000
Amount due comprises		
Overdrafts and revolving credit	45,008	43,063
Term loans	2,161,079	2,161,704
Subtotal	**2,206,087**	**2,204,767**
Less:		
Provision for impaired loans (Note 8)	(1,422)	(1,486)
TOTAL LOANS AND ADVANCES	**2,204,665**	**2,203,281**
Maturity analysis – gross loans and advances		
Not longer than 3 months	48,960	45,213
Longer than 3 months and not longer than 12 months	27,553	5,435
Longer than 1 year and not longer than 5 years	261,839	244,550
Longer than 5 years	1,867,735	1,909,569
	2,206,087	**2,204,767**

The Credit Union has established the MEAA Funding Trust ("Trust") to provide access to emergency liquidity support in the event of a systemic liquidity crisis. The Credit Union sells the rights to future cash flows of eligible residential home loans into the Trust and receives funds equal to the aggregated outstanding balances on all loans which the Trust has purchased and subsequently issued Notes for investors to invest in. Two classes of notes were issued by the Trust and both are fully owned by the Credit Union. Whilst the rights to the underlying cash flows have been transferred, the Credit Union has been appointed to service the loans and accordingly must continue to manage the loans as if it were the lender. The Trust is in substance controlled by the Group. Accordingly, the Trust is consolidated and the loans are included in the Group's statement of financial position. The balance of securitised loans included in Note 7 is $559,753,464 (30 June 2014: $189,263,056).

8. Provision on Impaired Loans

		2015 $000	2014 $000
a.	**Total Provision Comprises**		
	Specific provisions	-	-
	Collective provisions	1,422	1,486
	TOTAL PROVISION	**1,422**	**1,486**
b.	**Movement in the Specific Provision**		
	Balance at the beginning of year	-	-
	Amounts written off against the specific provision	-	-
	Increase/(decrease) in provision	-	-
	Specific provision balance at end of year	-	-
c.	**Movement in the Collective Provision**		
	Balance at the beginning of year	1,486	1,590
	Increase/(decrease) in provision	(64)	(104)
	Collective provision balance at end of year	**1,422**	**1,486**
d.	**Impaired Loans Written Off**		
	Amounts written off directly to expense	781	797
	Total bad debts	**781**	**797**
		323	294
	Total bad debts recovered in the period	**323**	**294**

9. Available for Sale Financial Instruments

	2015 $000	2014 $000
Shares in unlisted corporations		
Indue Limited	5,625	1,935
Other securities:		
Bank issued certificates of deposit	374,245	345,354
Floating rate notes	199,621	150,567
TOTAL AVAILABLE FOR SALE FINANCIAL INSTRUMENTS	**579,491**	**497,856**
Maturity Analysis		
Not longer than 3 months	220,939	207,447
3 to 12 months	352,927	288,474
No maturity	5,625	1,935
	579,491	**497,856**
Fair Value		
Bank issued certificates of deposit	374,245	345,354
Floating rate notes	199,621	150,567
Shares in Indue	5,625	1,935
	579,491	**497,856**

Indue Limited

The financial assets designated as available for sale (AFS) at 30 June 2015 consist of shares in a non-listed entity – Indue Limited – which are not actively traded. In the current financial year, the fair value of these assets has been estimated taking into consideration recently transacted prices for the shares. The AFS investment is categorised at Level 3 in the fair value hierarchy given the unobservability of the valuation variables.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2015

The AFS investment is categorised at Level 3 in the fair value hierarchy given the unobservability of the valuation variables.

10a. Plant and Equipment

	2015 $000	2014 $000
Leasehold property improvements - at cost	8,648	7,880
Less: provision for depreciation	(6,683)	(5,890)
	1,965	1,990
Office furniture and equipment - at cost	1,845	1,691
Less: provision for depreciation	(1,446)	(1,301)
	399	390
Computer equipment - at cost	4,343	3,867
Less: provision for depreciation	(3,693)	(3,332)
	650	535
Motor vehicles - at cost	769	800
Less: provision for depreciation	(335)	(295)
	434	505
TOTAL PLANT AND EQUIPMENT – NET BOOK VALUE	**3,448**	**3,420**

Movement in the assets balances during the year were:

	2015		2014	
Plant & Equipment	**Leasehold improvements $000**	**Other plant & equipment $000**	**Leasehold improvements $000**	**Other plant & equipment $000**
Opening balance	1,990	1,430	1,715	1,471
Purchases	768	824	866	775
Less:				
Assets disposed	-	(81)	-	(115)
Depreciation charge	(793)	(690)	(591)	(701)
Balance at the end of the year	**1,965**	**1,483**	**1,990**	**1,430**

10b. Intangibles

	2015 $000	2014 $000
Computer Software - at cost	6,548	6,397
Less: provision for amortisation	(6,325)	(5,915)
TOTAL INTANGIBLES	**223**	**482**

Movement in the Intangibles balances during the year were:

	2015 $000	2014 $000
Computer Software		
Opening balance	482	837
Purchases	150	166
Less:		
Assets disposed	-	-
Amortisation charge	(409)	(521)
Balance at the end of the year	**223**	**482**

11. Prepayments & Debtors

Prepayments	1,529	931
Debtors	28	28
Capitalised Expenses	1,295	860
TOTAL PREPAYMENTS & DEBTORS	**2,852**	**1,819**
Maturity Analysis		
Less than 12 months	1,704	931
Greater than 12 months	1,148	888
	2,852	**1,819**

12. Deferred Tax

Net Deferred Tax Asset/(Liability)	**1,515**	**1,480**
Net Deferred Tax Assets represents the estimated future tax benefit/liability at the applicable rate of 30% on the following items:		
Deferred Tax Assets		
- Provisions for impairment on loans	427	445
- Provisions for employee benefits not currently deductible	676	615
- Provisions for Makegood	282	-
- Lease liability	-	1
- Other accruals	291	194
- Fixed assets	376	341
- Financial Instruments	152	51
	2,204	**1,647**
Deferred Tax Liabilities		
- Prepayments	(1)	-
- Financial Instruments	(688)	(167)
	(689)	**(167)**
NET DEFERRED TAX ASSETS	**1,515**	**1,480**

	2015 $000	2014 $000

13. Payables Due to Other Financial Institutions

	2015 $000	2014 $000
Electronic Certificates of Deposits issued	62,996	146,384
TOTAL PAYABLES TO OTHER FINANCIAL INSTITUTIONS	**62,996**	**146,384**
Maturity analysis		
Not longer than 3 months	57,061	142,945
Longer than 3 and not longer than 6 months	5,935	3,439
Longer than 6 and not longer than 12 months	-	-
	62,996	**146,384**

14. Deposits

	2015 $000	2014 $000
Deposits		
- Call deposits	1,890,728	1,724,788
- Superannuation Savings Accounts	294,760	286,384
- Term deposits	633,942	622,238
Total deposits	**2,819,430**	**2,633,410**
Member withdrawable shares	744	755
TOTAL DEPOSITS & SHARES	**2,820,174**	**2,634,165**
Maturity analysis		
At call	2,186,232	2,141,204
Not longer than 3 months	291,407	218,306
Longer than 3 and not longer than 6 months	189,225	183,376
Longer than 6 and not longer than 12 months	95,090	77,980
Longer than 12 months and not longer than 5 years	58,220	13,299
	2,820,174	**2,634,165**

Customer or Industry Groups

The majority of deposits are from employees and former employees of companies within the Qantas Group, associated companies, Commonwealth Government departments and authorities and from related or nominated persons or entities in accordance with the Constitution of the Credit Union. Deposits are also accepted from non Members and wholesale depositors.

Charge on Members' accounts

The Credit Union may charge the deposit accounts of a Member in relation to any debt owed by the Member to the Credit Union.

	2015 $000	2014 $000

15. Creditor Accruals and Settlement Accounts

	2015 $000	2014 $000
Creditors and accruals	3,581	3,010
Interest payable on deposits	6,171	6,855
Sundry creditors	4,956	4,799
TOTAL CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS	**14,708**	**14,664**

16. Taxation Liabilities

	2015 $000	2014 $000
Current income tax liability	27	1,407
TOTAL TAXATION LIABILITIES	**27**	**1,407**
Current income tax liability comprises:		
Balance – previous year	1,407	1,322
Income tax paid	(8,697)	(7,134)
RSA tax liability	578	690
Liability for income tax in current year	6,453	6,529
Understatement in prior year	286	-
	27	**1,407**

17. Provisions

	2015 $000	2014 $000
Employee entitlements	2,253	2,046
Other	848	-
TOTAL PROVISIONS	**3,101**	**2,046**
Provisions movements		
Employee Entitlements		
Balance – previous year	2,046	2,172
Less amounts paid	(207)	(326)
Increases in provision	414	200
Closing balance	**2,253**	**2,046**
Other		
Balance – previous year	-	-
Less amounts paid	-	-
Increases in provision	848	-
Closing balance	**848**	**-**

	2015 $000	2014 $000

18. Reserves

	2015 $000	2014 $000
a. Capital Reserve Account	324	315
b. General Reserve for Credit Losses	7,277	6,440
c. Cash Flow Hedge Reserve	(355)	(117)
d. Available for Sale Reserve	1,606	389
TOTAL RESERVES	**8,852**	**7,027**
Capital Reserve Account		
Balance at the beginning of the year	315	302
Transfer from retained earnings on share redemptions	9	13
Balance at the end of year	**324**	**315**

This account represents the amount of redeemable preference shares redeemed by the Credit Union since 1 July 1999. The Law requires that the redemption of the shares be made out of profits. Since the value of the shares has been paid to Members in accordance with the terms and conditions of the share issue, the account represents the amount of profits appropriated to the account.

	2015 $000	2014 $000
General Reserve for Credit Losses		
Balance at the beginning of the year	6,440	5,920
Add: increase/(decrease) transferred from retained earnings	837	520
Balance at end of year	**7,277**	**6,440**

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

	2015 $000	2014 $000
Cash Flow Hedge Reserve		
Balance at the beginning of the year	(117)	-
Movement of cash flow hedge	(339)	(168)
Effect of tax	101	51
Balance at end of year	**(355)**	**(117)**

	2015 $000	2014 $000
Available for Sale Reserve		
Balance at the beginning of the year	389	-
Fair value gain/(loss) on available for sale financial assets	1,737	556
Effect of Tax	(520)	(167)
Balance at end of year	**1,606**	**389**

19. Retained Earnings

	2015 $000	2014 $000
Retained profits at the beginning of the financial year	202,561	187,571
Add: operating profit for the year	14,739	15,523
Less: Transfer to reserve for credit losses in year	(837)	(520)
Less: Transfer to capital account on redemption of shares	(9)	(13)
Retained profits at the end of the financial year	**216,454**	**202,561**

20. Interest Rate Change Profile of Financial Assets and Liabilities

Financial assets and liabilities have conditions that allow interest rates to be amended either on maturity (term deposits and term investments) or after adequate notice is given (loans and savings). The table below shows the respective value of funds where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual repricing date, or maturity date.

2015	Up to 3 months $000	Up to 12 months $000	1-5 years $000	Non interest bearing $000	Total $000
ASSETS					
Cash	103,693	-	-	839	**104,532**
Receivables	-		-	15,331	**15,331**
Available for sale assets:					
Shares in Indue Ltd	-	-	-	5,625	**5,625**
Certificates of deposit	220,939	153,307	-	-	**374,246**
Floating rate notes	199,621	-	-	-	**199,621**
Authorised deposit taking institutions	182,004	32,758	-	-	**214,762**
Loans & advances	2,087,077	17,821	99,767	-	**2,204,665**
Total Assets	**2,793,334**	**203,886**	**99,767**	**21,795**	**3,118,782**
LIABILITIES					
Payables to other FIs	62,996	-	-	-	**62,996**
Deposits	2,476,895	284,315	58,220	-	**2,819,430**
Redeemable Preference Shares	-	-	-	744	**744**
Payables	-	-	-	6,171	**6,171**
Derivative Liability	-	37	470	-	**507**
Total Liabilities	**2,539,891**	**284,352**	**58,690**	**6,915**	**2,889,848**

2014	Up to 3 months $000	Up to 12 months $000	1-5 years $000	Non interest bearing $000	Total $000
ASSETS					
Cash	84,597	-	-	894	**85,491**
Receivables	-		-	4,492	**4,492**
Investment Securities:					
Bills of exchange	-	-	-	1,935	**1,935**
Certificates of deposit	345,354	-	-	-	**345,354**
Floating rate notes	150,567	-	-	-	**150,567**
Authorised deposit taking institutions	210,101	-	-	-	**210,101**
Loans & advances	2,119,797	9,774	73,710	-	**2,203,281**
Total Assets	**2,910,416**	**9,774**	**73,710**	**7,321**	**3,001,221**
LIABILITIES					
Payables to other FIs	146,384	-	-	-	**146,384**
Deposits	2,358,756	261,355	13,299	-	**2,633,410**
Redeemable Preference Shares	-	-	-	755	**755**
Payables	-	-	-	6,855	**6,855**
Derivative Liability	25	88	55	-	**168**
Total Liabilities	**2,505,165**	**261,443**	**13,354**	**7,610**	**2,787,572**

21. Fair Value of Financial Assets and Liabilities

Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability. Significant assumptions used in determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts. The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	2015			2014		
	Fair Value $000	**Book Value $000**	**Fair Value Level**	**Fair Value $000**	**Book Value $000**	**Fair Value Level**
FINANCIAL ASSETS						
Investment Securities:						
Shares in Indue Ltd	5,625	5,625	Level 3	1,935	1,935	Level 3
Certificates of deposit	374,245	374,245	Level 2	345,354	345,354	Level 2
Floating rate notes	199,621	199,621	Level 2	150,567	150,567	Level 2
Authorised deposit taking institutions	214,788	214,762	Level 2	210,127	210,101	Level 2
Loans & advances	2,204,713	2,204,665	Level 2	2,203,216	2,203,281	Level 2
FINANCIAL LIABILITIES						
Payables to Other FI's	63,271	62,996	Level 2	146,942	146,384	Level 2
Deposits	2,820,680	2,819,430	Level 2	2,633,512	2,633,410	Level 2
Derivative liability	507	507	Level 2	168	168	Level 2

Fair values are categorised into different levels in fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

There have been no transfers between levels for the year ended 30 June 2015.

The following methods and assumptions are used to determine the fair values of financial assets and liabilities.

Cash Assets
The carrying amounts approximate fair value because of their short term to maturity or are receivable on demand.

Receivables
The carrying amount approximates fair value because of their short term to maturity.

Investment Securities
For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows or the underlying net asset base of the investment / security.

Loans and Advances
For variable rate loans, (excluding impaired loans) the amount shown in the Statement of Financial Position is considered to be a reasonable estimate of fair value. The fair value for fixed rate loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio's future principal and interest cash flows), based on the maturity of the loans. The discount rates applied are based on the current applicable rate offered for the average remaining term of the portfolio.

The fair value of impaired loans is calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Other Assets
The carrying amount approximates fair value as they are short term in nature.

Deposits
The book value of non interest bearing, call and variable rate deposits, and fixed rate deposits is the amount shown in the Statement of Financial Position as at 30 June 2015. Discounted cash flows (based upon the deposit type and its related maturity) were used to calculate the fair value of other term deposits.

Payables
The carrying value of payables approximates their fair value as they are short term in nature and reprice frequently.

Derivatives
The fair value of derivatives is calculated by discounting expected cash flows using applicable market rates.

22. Financial Commitments

	2015 $000	2014 $000
a. Outstanding Loan Commitments		
Loans approved but not funded	45,281	43,016
The loans will be made available at the discretion of Management and the Board subject to the availability of funds, anticipated to be drawn down within 6 months.		
b. Outstanding Overdraft Commitments		
Member overdraft facilities approved but not funded	44,148	43,111
There are no restrictions as to the utilisation of such overdraft facilities.		
c. Outstanding Line of Credit Commitments		
Member line of credit facilities approved but not funded	34,941	34,011
These facilities are subject to the availability of funds.		
d. Outstanding Credit Card Commitments		
Member credit card facilities approved but not funded	61,741	54,056
There are no restrictions as to the utilisation of such credit card facilities.		
e. Loan Redraw Facilities		
Loan Redraw facilities available	289,986	-

	2015 $000	2014 $000
f. Future Lease Rental Commitments		
Operating lease payments under existing lease arrangements for building accommodation, are payable over the following periods:		
Within 1 year	**1,866**	**1,792**
Later than 1 year but not later than 5 years	**7,002**	**3,333**
Over 5 years	**9,241**	**12**
	18,109	**5,137**

The Group leases various properties under operating leases expiring from one to ten years, such leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental subject to movements in the Consumer Price Index.

g. Material Contracts

The Group has the following commitments as at year end predominantly relating to IT related projects and a contract with Data Action Pty. Ltd. who provide computer facilities, management services and associated support services.

Within 1 year	3,324	2,299
Later than 1 year but not 5 years	2,160	2,493
	5,484	**4,792**

h. Charge over Assets

The Group has executed an equitable mortgage over its assets in favour of Indue Limited. The equitable charge is to meet any settlement obligations arising from Member chequeing and debit card facilities.

i. Contingent Liabilities and Contingent Assets

The Directors of the Group are of the opinion that there are no matters that require a provision other than those that are adequately provided for.

23. Standby Borrowing Facilities

Unrestricted access to the following credit facilities with a bank and an Authorised Deposit-taking Institution are held:

2015	Gross $000	Current Borrowing $000	Net Available $000
Unsecured Overdraft	11,100	-	11,100
TOTAL STANDBY BORROWING FACILITIES	**11,100**	**-**	**11,100**

2014	Gross $000	Current Borrowing $000	Net Available $000
Unsecured Overdraft	11,100	-	11,100
TOTAL STANDBY BORROWING FACILITIES	**11,100**	**-**	**11,100**

24. Related Parties

a. Remuneration of Key Management Personnel (KMP)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

Key management personnel have been taken to comprise the Directors and the three Members (2014: three Members) of the executive management responsible for the day-to-day financial and operational management of the Group.

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

	2015 $	2014 $
(a) Short-term employee benefits	1,761,185	1,709,909
(b) Post-employment benefits – superannuation contributions	169,590	158,599
(c) Other long-term benefits – net increases in long service leave provision	27,120	23,871
(d) Termination benefits	-	-
Total	**1,957,895**	**1,892,379**

In the preceding table, remuneration shown as short term benefits means (where applicable) wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

All remuneration to Directors was approved by the Members at the 2014 Annual General Meeting of the Credit Union.

b Loans to Key Management Personnel

	2015 $	2014 $
(i) The aggregate value of loans to key management personnel as at balance date amounted to	**9,221,699**	**7,687,956**
(ii) The total value of revolving credit facilities to key management personnel, as at balance date amounted to	40,000	40,000
Less amounts drawn down and included in (i)	-	-
Net balance available	**40,000**	**40,000**
(iii) During the year the aggregate value of loans disbursed to key management personnel amounted to:		
Revolving credit facilities	960,681	882,959
Term Loans	2,572,728	1,640,058
	3,533,409	**2,523,017**
(iv) During the year the aggregate value of repayments received amounted to:	**2,362,677**	**3,533,688**
(v) Interest and other revenue earned on Loans and revolving credit facilities to KMP	**363,011**	**396,450**

The Group's policy for lending to Directors and Management is that all loans are approved and deposits accepted on the same terms and conditions that applied to Members for each class of loan or deposit.

There are no loans that are impaired in relation to the loan balances with Directors or other KMP.

There are no benefits or concessional terms and conditions applicable to the close family members of the key management persons. There are no loans which are impaired in relation to the loan balances with close family relatives of Directors and other KMP.

c. Other transactions between related parties including deposits from Key Management Personnel are:

	2015 $	2014 $
Total value term and savings deposits from KMP	**3,303,384**	**2,886,405**
Total Interest paid on deposits to KMP	**91,824**	**89,543**

The Group's policy for receiving deposits from KMP is that all transactions are approved and deposits accepted on the same terms and conditions that applied to Members for each type of deposit.

d. Transactions with Other Related Parties

Other transactions between related parties include deposits from Director related entities or close family members of Directors, and other KMP. The Group's policy for receiving deposits from related parties is that all transactions are approved and deposits accepted on the same terms and conditions that applied to Members for each type of deposit.

There are no benefits paid or payable to the close family members of the key management personnel.

e. Securitisation

The Credit Union entered into transactions with its Controlled Entity (refer to Note 7). These transactions were all carried out under normal commercial terms and are eliminated in the financial reports. The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

A summary of the transactions between the Group and the Trust during the year is as follows:

	2015 $000	2014 $000
Proceeds from securitisation of loans	508,629	130,439
Servicing fees received	73	46
Management fees received	554	345
Excess income received	3,551	2,212
Net interest paid	(4,270)	(2,662)

25. Membership

a. Eligibility

Membership is available to employees and former employees of companies within the Qantas Group, associated companies and industries, Commonwealth Government departments and authorities and nominated or related persons or entities in accordance with the Constitution of the Credit Union.

All Members are required to hold five redeemable preference shares of $2 each in accordance with Member eligibility. From 1 April 2010, the Credit Union ceased calling up the share capital and for all new Members who joined the Credit Union since this date, the share capital remains uncalled.

	2015 Number	2014 Number
b. Total Membership	**95,415**	**92,262**
of which fully paid	74,208	75,323
of which uncalled	21,207	16,939

26. Superannuation Liabilities

The Group contributes to the Qantas Superannuation Plan ("the Plan") with other entities in the Qantas Airways Group. For all employees the Group contributes the minimum required under the Superannuation Guarantee Act (1992) plus, for permanent employees other employer contributions to the Plan. Employees may also contribute between 4% and 10% of their salary to the Plan, depending on their age or by election. All employees are entitled to benefits on resignation, retirement, disability or death. The Group has no interest in the Plan (other than as a contributor) and is not liable for the performance of the Plan, or the obligations of the Plan. The Group contributed $1,191,343 to the Plan during the 2015 financial year, ($1,067,901 in 2014). No contributions were outstanding as at 30 June 2015.

27. Notes to Statement of Cash Flows

		2015 $000	2014 $000
a.	**Reconciliation of Cash**		
	For the purpose of the Statement of Cash Flow, cash includes:		
	Cash on hand	839	894
	Deposits at call	99,658	71,265
	Other Authorised Deposit-taking Institutions	4,035	13,332
	Total Cash	**104,532**	**85,491**

		2015 $000	2014 $000
b.	**Reconciliation of Cash from Operations to Accounting Profit**		
	The net cash increase/(decrease) from operating activities is reconciled to the profit after tax		
	Profit after income tax	14,739	15,523
	Add/(Deduct):		
	Bad debts written off	781	797
	Depreciation & amortisation expense	1,888	1,813
	(Decrease)/increase in provision for impairment	(64)	(104)
	(Decrease)/increase in provisions for employee entitlements	207	(126)
	(Decrease) in other provisions	848	-
	Increase in provision for income tax	(1,380)	86
	(Increase)/decrease in net deferred tax assets	(651)	139
	(Decrease) in interest payable	(684)	(2,838)
	(Decrease)/increase in creditors and other liabilities	571	(94)
	(Increase) in prepayments	(1,034)	(259)
	(Increase) in sundry debtors	(9,814)	(4)
	(Increase)/decrease in interest receivable	(1,100)	(705)
	(Increase) in Member loans	(2,117)	(60,024)
	Increase in deposits and shares	103,065	204,060
	(Increase) in receivables from other financial institutions	(82,918)	(143,152)
	Net Cash From Operating Activities	**22,337**	**15,112**

28. Financial Risk Management

a. Introduction and overview

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

- credit risk
- liquidity risk
- market risk
- operational risk

This Note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing those risks, and the Group's management of capital.

Risk management framework
The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established both a Risk Committee and Audit Committee to oversee the financial reporting, audit and risk management processes.

The Risk Committee is comprised of not less than three non-executive Directors.

The Risk Committee's major activities are to:

- Assist the Board to update and regularly review the Group's risk profile, including the Group's risk appetite;
- Assist the Board to review the Group's policy on risk and review the Group's system of risk management and internal control, having regard to the Group's material business risks. These risks may include but are not limited to:
    - Credit risk;
    - Liquidity risk;
    - Market risk (funding risk and interest rate risk);
    - Financial reporting risk (the risk of material error in the financial statements);
    - Operational risk (risks attributable to the daily operations of the Group, such as data, legal, fraud, property and asset);
    - Other risks which if not properly managed will affect the Group (such as environmental, sustainability, compliance, strategic, external, ethical conduct, reputation or brand, technological, product or service quality and human capital).
- Oversee, monitor and review the Group's system of risk management, policies and procedures;
- Report to the Board on all material matters arising from its review and monitoring functions by the provision to the Board of the Committee's minutes of meetings or by special report, as appropriate;
- Review and make recommendations on any changes to risk limit structures;
- Oversee and monitor Management's annual risk assessment;
- Oversight compliance with statutory responsibilities relating to financial disclosure and management information reporting to the Board; and
- Review and approve the compliance approach, ensuring that it covers all material risks and financial reporting requirements of the Group.

The Audit Committee is comprised of not less than three non-executive Directors, the majority of who must be independent. The Chairman of the Board cannot be Chairman of the Audit Committee.

The Audit Committee's major activities are to:

- Recommend to the Board the appointment of both the internal and external auditor
- Monitor reports received from internal audit, external audit, and management's responses thereto;
- Liaise with the auditors (internal and external) on the scope of their work, and experience in conducting an effective audit;
- Ensure that external auditors remain independent in the areas of work conducted;
- Assist the Board in the engagement, performance assessment and remuneration of the auditors;

- Evaluate the adequacy and effectiveness of the Group's administrative, operating and accounting policies;
- Monitor and review the propriety of any related party transactions;
- Overseeing APRA statutory reporting requirements, as well as other financial reporting requirements; and
- Establish and maintain policies and procedures for whistle blowing.

b. Credit risk

Credit risk is the risk of financial loss to the Group if a Member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to Members, liquid investments and investment securities.

Management of credit risk – loans and advances

The Board of Directors has delegated responsibility for the management of credit risk to the Lending & Credit Control departments in respect of loans and advances. The Group has established functional areas responsible for the oversight of the Group's credit risk, including:

- Formulating credit policies covering credit assessment, collateral requirements, reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorisation limits are delegated by the Board of Directors and are detailed within policy;
- The CEO, or in his absence the CFO, must approve all loans outside of approved policy;
- Total loan facilities to any one Member or family group must not exceed $1,350,000 without the prior approval of the Board lending panel. Loans approved by the Board lending panel must be confirmed at the next Board meeting;
- Limit concentrations of exposure to counterparties. Total borrowings for any Member must not exceed 5% of the Group's consolidated capital base;
- Reviewing and assessing credit risk. The Credit Control department assesses all credit exposures where they are in breach of contractual obligations;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures; and
- Review of compliance with the above policies.

Management of credit risk – liquid investments

The risk of losses from liquid investments is reduced by the nature and quality of the independent rating of the counterparty, and the limits of concentration of investments to any individual counterparty. The Group will only hold investments with Authorised Deposit-taking Institutions (ADIs) trading in Australia and Australian Federal and State Governments. Any exposures to any individual ADI (or group) will not exceed 50% of the Group's capital base. There is no set limit for government counterparties.

In addition to limiting counterparty exposures, the Group will only hold High Quality Liquid Investments (HQLA) within the range detailed below:

Short Term Credit Rating	Min HQLA %	Max HQLA %
Standard & Poors A1 or Equivalent*	50	100
Standard & Poors A2 or Equivalent*	0	50
Unrated (Indue Limited only)**	0	Refer below

Indue Limited exposures are allowable as part of HQLA. Minimum holding requirements are prescribed by Indue Limited on an as required basis, which is typically revised quarterly, (refer Note 9).

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2015

28. Financial Risk Management (continued)

Management of credit risk – equity investments

In respect of equity investments, the Board must approve any equity holding, and will have regard to the size and risks associated with any proposed investment to ensure it will not have a detrimental effect on the Group's capital position.

The Board has approved the holding of membership and participation equity in Indue Limited and future equity subscriptions. The equity may be in the form of shares and/or subordinated debt. The level of equity is based on the assets of the Group and is reviewed twice yearly. The Constitution of Indue Limited also provides for deferral of equity subscriptions if, in Indue Limited's assessment, it holds sufficient capital. The Group is required at all times to hold sufficient equity in Indue Limited to support the services sourced from them, which may be raised from time to time. Indue Limited is an ADI supervised by APRA. The Group will obtain APRA's approval before committing to any exposure to an unrelated entity in excess of prescribed limits.

Exposure to credit risk – loans and advances to Members

	2015 $000	2014 $000
Carrying amount	**2,204,665**	**2,203,281**
Collectively impaired – mortgage loans		
90 days & less than 182 days	-	-
182 days & less than 273 days	-	-
Carrying amount	-	-
Collectively impaired – personal loans		
30 days & less than 60 days	307	364
60 days & less than 90 days	224	179
90 days & less than 182 days	349	288
182 days & less than 273 days	220	128
273 days & less than 365 days	42	6
Greater than 365 days	32	7
Carrying Amount	**1,174**	**972**
Overdrawn/Overlimit		
14 days & less than 90 days	147	133
90 days & less than 182 days	129	133
182 days & over	56	76
Carrying Amount	**332**	**342**
Gross Amount – Collectively Impaired	**1,506**	**1,314**
Past due but not impaired		
30 days & less than 60 days	3,348	2,404
60 days & less than 90 days	1,625	1,644
90 days & less than 182 days	492	646
182 days & less than 365 days	0	1,029
Carrying amount	**5,465**	**5,723**
Neither past due nor impaired	**2,199,116**	**2,197,730**
Specific Provision	-	-
Collective Provision	(1,422)	(1,486)
Carrying amount	**2,204,665**	**2,203,281**

Impaired loans
Loans for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

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

Loans with renegotiated terms
Loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. Currently, the Group has no renegotiated loans.

Allowances for impairment
The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main component of this allowance is the collective loan loss allowance established for the Group in respect of loan losses that have been incurred but have not been identified, subject to individual assessment for impairment.

Write-off policy
Bad debts are written off as determined by Management and the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off as expenses in the profit or loss or against the provision for impairment, if a provision for impairment had previously been recognised.

Where the Group holds collateral against loans and advances to Members, it is in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

An estimate of the fair value of collateral and other security enhancements held against past due and impaired financial assets are shown below:

Loans and advances to Members

	2015 $000	2014 $000
Past due but not impaired	5,465	5,723
Collateral – Property	5,465	5,723
Collectively impaired – mortgage loans	-	-
Collateral – Property	-	-

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. The Group does not use or take repossessed properties for business use. During the year ended 30 June 2015, the Group took possession of nil collateral (30 June 2014: nil).

The Group monitors concentration of credit risk by purpose. An analysis of concentrations of credit risk at the reporting date is shown below:

	2015 $000	2014 $000
Residential loans	2,098,832	2,086,686
Personal loans	107,255	118,081
Total gross loans	**2,206,087**	**2,204,767**

28. Financial Risk Management (continued)

The Group also monitors the investment options in the market based on the credit rating of the counter party. An analysis of concentrations of investment credit risk at the reporting date is shown below:

	2015 $000	2014 $000
Short Term Rating		
A1	453,869	249,036
A2	411,007	501,904
Unrated (Indue Limited)	31,586	40,813
Total	**896,462**	**791,753**

c. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting Member withdrawal requests in a timely manner.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds available to meet its liabilities under both normal and stressed conditions, without incurring unacceptable losses.

The Group maintains a portfolio of short term liquid assets to ensure that sufficient liquidity is maintained for daily operational requirements.

The Group has documented its strategy to manage liquidity risk in a liquidity policy and liquidity management plan which includes the following activities by Management:

- On a daily basis, an assessment is made of the daily cash position and the investment action to be undertaken.
- On a daily basis, a summary of the Group's liquidity position, including movements in major liquid assets and liabilities is reviewed.
- On a monthly basis, the liquidity position is reported to the Board, including an explanation of significant movements and corrective action taken, where applicable.
- Periodically liquidity forecasts and associated "stress-tested" worst-case scenarios are modeled and reported to the Risk Committee.
- Regularly reporting current and emerging liquidity management trends to the Risk Committee and highlighting risk areas and relevant market conditions/expectations.

Management provides an annual budget to the Board, which includes details of the Group's forecast liquidity position. Monthly Board reporting includes tracking against the budgeted forecast position.

APRA Prudential Standards require at least 9% of total adjusted liabilities to be held as liquid assets capable of being converted to cash within 48 hours. The Group's policy is to apply a minimal target of 11.5% (2014:11.5%) of funds as liquid assets to maintain adequate funds for meeting daily cash flow needs. A trigger level of 13% (2014:13%) has been set for a detailed review of liquidity levels by the Group to provide sufficient time for remedial action to be taken. During the past year the Group did not breach these requirements.

The liquidity policy and management plan are reviewed at least annually by the Risk Committee, with the policy then approved by the Board.

The liquidity ratio is calculated based on the formula prescribed by APRA in APS 210 as can be seen below:

	2015 $000	2014 $000
High quality liquid assets	678,806	598,393
Total Liabilities Base	**3,237,464**	**2,841,748**
Liquidity Ratio	**27.33%**	**27.48%**
MLH Ratio	**20.97%**	**21.06%**

28. Financial Risk Management (continued)

The residual contractual maturities of the financial liabilities are outlined in the table below:

30 June 2015	Note	Carrying amount $000	Gross nominal (outflows) $000	Less than 1 month $000	1 – 3 months $000	3 months to 1 year $000	1 – 5 years $000
Financial Institutions	13	62,996	62,996	13,909	43,152	5,935	-
Deposits	14	2,820,174	2,827,746	2,281,810	205,293	328,321	12,322
Creditors and accruals	15*	8,537	8,537	8,537	-	-	-
Derivative Liability		507	507	28	66	318	95
Subtotal		**2,892,214**	**2,899,786**	**2,304,284**	**248,511**	**334,574**	**12,417**
Off Statement of Financial Position							
Commitments to extend credit	22	476,097	476,097	476,097	-	-	-
Total		**3,368,311**	**3,375,883**	**2,780,381**	**248,511**	**334,574**	**12,417**

30 June 2014	Note	Carrying amount $000	Gross nominal (outflows) $000	Less than 1 month $000	1 – 3 months $000	3 months to 1 year $000	1 – 5 years $000
Financial Institutions	13	146,384	146,384	46,177	96,768	3,439	-
Deposits	14	2,634,165	2,640,737	2,143,433	220,560	263,260	13,484
Creditors and accruals	15*	7,809	7,976	7,976	-	-	-
Derivative Liability		168	171	8	17	91	55
Subtotal		**2,788,526**	**2,795,268**	**2,197,594**	**317,345**	**266,790**	**13,539**
Off Statement of Financial Position							
Commitments to extend credit	22	174,194	174,194	174,194	-	-	-
Total		**2,962,720**	**2,969,462**	**2,371,788**	**317,345**	**266,790**	**13,539**

* excluding interest payable and PAYG tax

d. Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices or foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risks
The Group is exposed to interest rate risk arising from changes in market interest rates. However, the Group is not exposed to currency risk and other price risk as the Board prohibits trading in financial instruments.

Overall authority for market risk is vested in the Board. The Risk Committee is responsible for the development of detailed risk management policies (subject to review and approval by the Board) and review of their implementation.

Exposure to market risks

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. The main tool used to measure and control market risk exposure within the Group's non-trading portfolio is Value at Risk (VaR). The VaR of the non-trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 99% confidence level and assumes a 20-day holding period. The VaR model used is based mainly on historical simulation, taking account of market data from the previous two years, and observed relationships between different markets and prices. The model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 20-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used, there is a one percent probability that losses could exceed the VaR.
- A 250-day observation period. The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Group's position and volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The Group uses VaR limits for interest rate risk. The interest rate risk policy which details the overall structure of VaR limits is subject to review and approval by Risk Committee and the Board. The VaR limit has been set at a maximum of 3% of Capital. VaR is measured monthly and reported to the Board at each meeting. A detailed VaR report is provided to the Risk Committee on a monthly basis.

A summary of the VaR position of the Group's non-trading portfolio at 30 June is as follows:

	2015 (% of Capital)	2014 (% of Capital)
At 30 June	0.32%	0.13%

A summary of the Group's interest rate gap position can be seen in note 20.

The management of interest rate risk also involves the monitoring of the sensitivity of the Group's financial assets and liabilities to a parallel shift across the yield curve. An analysis of the Group's sensitivity to a 200 basis points increase in market interest rates is as follows:

	2015 (% of Capital)	2014 (% of Capital)
At 30 June	1.22%	1.36%

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2015

Derivative assets and liabilities

The Group enters into derivative transactions which are designated and qualify as cash flow hedges, for recognised assets, liabilities or forecast transactions. The Group adopted hedge accounting on 1 July 2013.

The Group uses interest rate swaps to protect against changes in cash flows of certain fixed rate loans. For the year ended 30 June 2015 the Group recognised a profit of $874 (2014: $152), which represents the ineffective portion of the cash flow hedges.

The effective portion of gains or losses on derivative contracts designated as cash flow hedges are initially recorded in the Cash Flow Hedge Reserve but are reclassified to current period earnings when the hedged cash flow occurs.

During the year ended 30 June 2015 the Group did not sell any swaps designated in cash flow hedge relationships.

2015	Notional value $000	Fair value asset $000	Fair value liability $000
Derivatives designated as cash flow hedges	40,000	-	507

Below is the schedule indicating as at 30 June 2015, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss.

2015	Within 1 year $000	1-2 years $000	2-3 years $000
Cash outflows	(1,375)	(886)	(1,256)
Cash inflows	963	679	1,368
Net cash flows	**(412)**	**(207)**	**112**

2014	Notional value $000	Fair value asset $000	Fair value liability $000
Derivatives designated as cash flow hedges	30,000	-	168

Below is the schedule indicating as at 30 June 2014, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss.

2014	Within 1 year $000	1-2 years $000	2-3 years $000
Cash outflows	(889)	(880)	(337)
Cash inflows	773	816	349
Net cash flows	**(116)**	**(64)**	**12**

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the balance sheet are disclosed in the first three columns of the tables below.

30 June 2015	Effects of offsetting on the balance sheet			Related amounts not offset	
	Gross amounts of financial assets	Gross amounts set off in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts subject to master netting arrangements and cash collateral	Net amounts
	$000	$000	$000	$000	$000
Financial assets					
Derivative financial instruments	-	-	-	-	-
Financial liabilities					
Derivative financial instruments	507	-	507	-	507

30 June 2014	Effects of offsetting on the balance sheet			Related amounts not offset	
	Gross amounts of financial assets	Gross amounts set off in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts subject to master netting arrangements and cash collateral	Net amounts
	$000	$000	$000	$000	$000
Financial assets					
Derivative financial instruments	-	-	-	-	-
Financial liabilities					
Derivative financial instruments	168	-	168	-	168

Master netting arrangement

Agreements with derivative counterparties are based on the ISDA Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Group does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, but have been presented separately in the above table.

e. Operational risk

Operational risk is a risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks (such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour). Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial loss and damage to the Group's reputation, against excessive cost and control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior Management within each business unit. This responsibility is supported by the development of the Group's overall standards for management of operational risk in the following areas:

- Compliance with regulatory and other legal requirements;
- Third party supplier relationships;
- Business continuity and contingency planning;
- People & key person risk including training and professional development;
- Outsourcing risk associated with materially outsourced services;
- Competition risk;
- Fraud risk;
- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

Compliance with the Group's standards is supported by a program of periodic reviews undertaken by Internal Audit and Compliance. The results of these reviews are discussed with the management of the business unit to which they relate and are reported to the Audit Committee.

f. Capital management

The Group is licensed as an ADI under the Banking Act 1959 and is subject to prudential supervision by APRA. APRA has issued a series of prudential standards to implement the Basel II capital framework which took effect from 1 January 2008. The Basel III measurement and monitoring of Capital has been effective since 1 January 2013.

The Basel III standards include *APS 110 Capital Adequacy* which:

(a) Imposes on the Board a duty to ensure that the Group maintains an appropriate level and quality of capital commensurate with the level and extent of the risks to which the Group is exposed from its activities; and

(b) Obliges the Group to have in place an Internal Capital Adequacy Assessment Process (ICAAP).

The Group has documented its strategy to manage capital in a capital policy and capital management plan.

Under Basel III framework, the regulatory capital is divided into Common Equity Tier 1, Additional Tier 1, and Tier 2 Capital. Common Equity Tier 1 capital consists of retained earnings and capital reserve less intangible assets and other regulatory adjustments. Tier 2 Capital consists of collective impairment reserve. Total capital is the aggregate of Tier 1 and Tier 2 capital.

Capital Adequacy is measured by means of a risk based capital ratios. The capital ratios reflect capital as a percentage of total risk weighted assets.

The Group is required to maintain at least 12% capital. The Group's policy is to apply a minimum target of 13% capital. A trigger level of 13.5% has been set by the Board to provide sufficient time for remedial action to be taken.

The Group's regulatory capital position at 30 June was as follows:

	2015 $000	2014 $000
Tier 1 Capital		
General reserves	202,316	186,454
Current year earnings	14,739	15,523
Less: Deferred tax assets	(1,505)	(1,480)
Less: Intangible assets	(222)	(482)
Less: Other Capitalised Expenses	(940)	(675)
Less: Equity investment in other ADI's	(3,575)	(1,935)
Less: Fair value adjustments	(1,787)	(271)
Total	**209,026**	**197,134**
Tier 2 Capital		
Collective impairment reserve	8,150	7,493
Total	**8,150**	**7,493**
Total regulatory capital	**217,176**	**204,627**
Risk weighted assets		
Credit risk	1,257,146	1,121,728
Operational risk	182,060	165,964
Total risk weighted assets	1,439,206	1,287,692
Capital ratios	**15.09%**	**15.89%**

29. Subsequent Events

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2015

30. Parent Entity Disclosures

As at, and throughout, the financial year ending 30 June 2014 the parent of the Group was the Credit Union.

	2015 $000	2014 $000
Result of parent entity		
Profit for the year	14,739	15,523
Other comprehensive income	979	272
Total comprehensive income for the year	15,718	15,795
Financial position of parent entity at year end		
Total assets*	3,721,781	3,008,422
Total liabilities*	3,496,475	2,798,834
Total equity of parent entity comprising of:		
Reserves	8,852	7,027
Retained earnings	216,454	202,561
Total equity	**225,306**	**209,588**

* The presentation of total assets and total liabilities has been updated to show notes issued by the Trust on a gross basis (refer to Note 7 for further information on the Trust structure). Accordingly, we have revised comparatives for 2014 in order to ensure consistency. The change has had no impact on the reported profit for the year. The restatement in the financial position of parent entity is summarised in the table below:

	Previously reported 2014 $000	Restatement Trust Notes $000	Currently reported 2014 $000
Financial position of parent entity at year end			
Total assets	3,008,422	200,123	3,208,545
Total liabilities	2,798,834	200,123	2,998,957

The parent entity prepares its statement of financial position on a liquidity basis and therefore current assets and liabilities are not identified. The maturity profile disclosure in note 28 approximates the maturity profile for the parent.

Parent entity contingencies

The directors of the Credit Union are of the opinion that there are no matters that require a provision other than those that are provided for.

Parent entity capital commitments for acquisition of property plant and equipment

The Credit Union's capital commitments for acquisition of property plant and equipment were $2,317,185 as at 30 June 2015 (30 June 2014: nil).

Qantas Staff Credit Union Limited trading as Qantas Credit Union
A.B.N. 53 087 650 557 Incorporated in Australia
30 June 2015 – Annual Financial Statements
Registered Office: 420 Forest Road Hurstville NSW 2220

QCU J000423