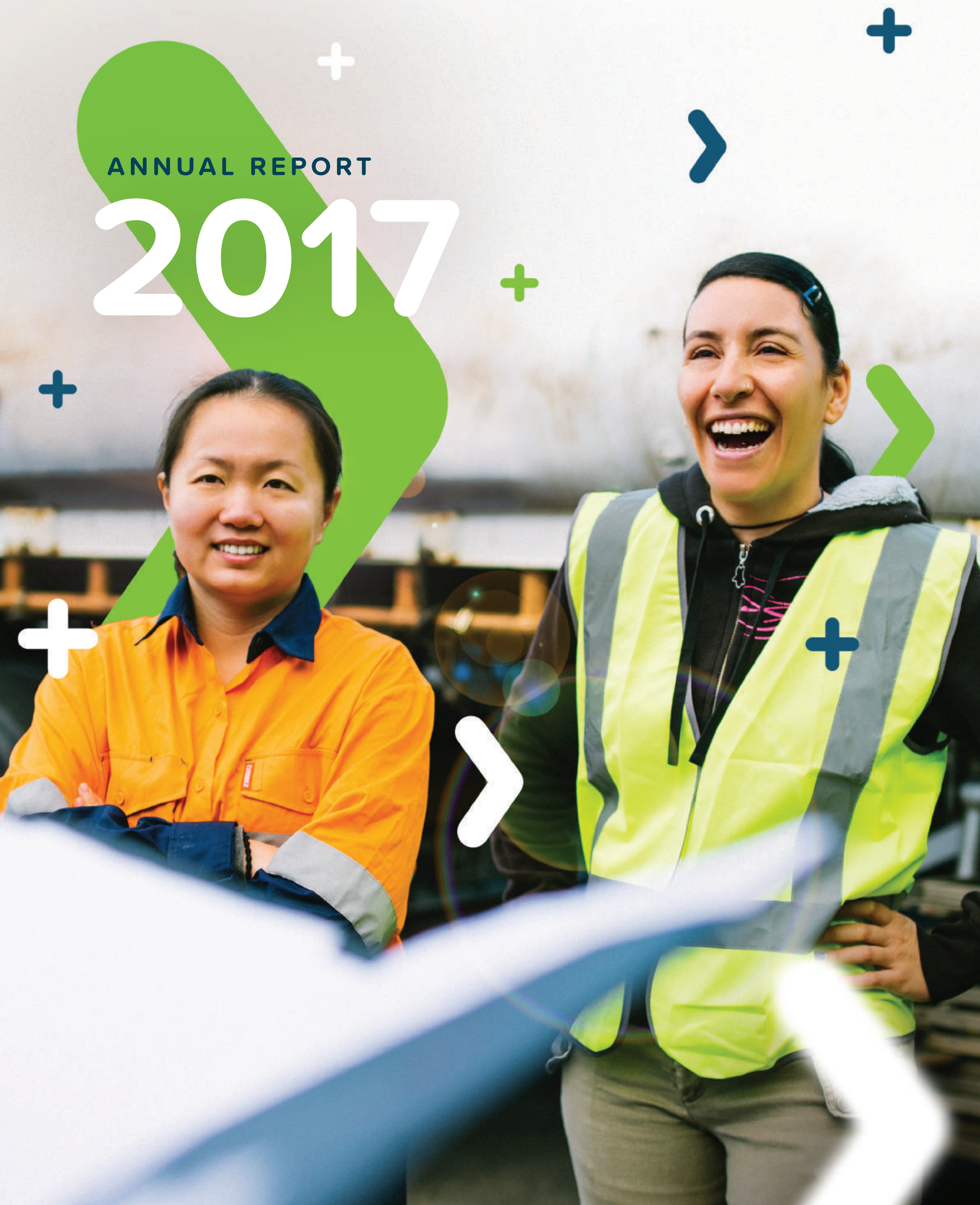
MOVE
PEOPLE DRIVEN BANKING

ANNUAL REPORT 2017



Railways Credit Union Ltd trading as MOVE

Registered Office	Level 1, 179 Ann Street Brisbane QLD 4000
ABN	ABN 91 087 651 090
AFSL/Australian credit licence	234536
Postal Address	GPO Box 648, Brisbane QLD 4001
Phone	1300 362 216
Facsimile	(07) 3221 1672
Email	info@mymove.com.au
Website	www.mymove.com.au
Branch	Ground Floor, RC2, Plaza Level Central Station
Auditors	BDO Audit Pty Ltd
Affiliated with	Customer Owned Banking Association
Board of Directors	Andrew Haynes - *Chair* Bron Davies Kellie Dyer Andrew Hughes Scott Riedel Henry Scheuber (retired) Mick Skinner
Management Team	Therese Turner - *Chief Executive Officer* Grant Freeman - *Executive Manager Operations* Gavin Burkhardt - *Executive Manager Commerce & Marketing* Rebecca Beling - *Business Development Manager* Geoff Ryan - *ICT Manager* Katey Cochrane - *Sales Manager* Nikki Hutson - *HR Manager* Bernard Luton - *CRO and Company Secretary* Stephen Shorten - *Support Services Manager* Noeline Stewart - *Project Manager* Jeff Urquhart - *Chief Financial Officer*

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FROM YOUR

Chair

Andrew Haynes

I am pleased to present you with the Annual Report for MOVE People Driven Banking for the financial year ended June 30, 2017.

This was our first full year trading under the new brand – MOVE, People Driven Banking.

I advise that we achieved our budgeted asset growth for the year. This is a solid performance by the management team under challenging trading conditions, with continuing low interest rates affecting all financial institutions.

Our capital and liquidity ratios are strong and we are confident that there are significant opportunities for future growth as we expand into NSW and Victoria.

Following the resignation of our long-standing CEO, Julianne Plath, the Board welcomes Therese Turner as the new CEO of MOVE effective the 11th of September. Therese is a highly experienced executive with substantial financial services expertise and mutual sector knowledge. She has held a number of senior roles within credit unions and is on the Board of the Customer Owned Banking Association.

We have new leadership and some strong strategic initiatives for expansion.

I would like to thank Julianne for her service to our credit union over 32 years, including 10 years as CEO. Julianne was instrumental to the successful implementation of the MOVE brand and setting up the organisation for expansion into the southern states under our national transport and logistics strategy.

I would also like to thank Executive Manager Operations, Grant Freeman, who was appointed Interim CEO on the 7th of July and who has ably led the credit union through the CEO transition period.

During the year, we were also delighted to announce the Express Saver account was awarded a prestigious MOZO Experts Choice Award for "No Strings Savings". I am also pleased to advise members that MOVE has entered into a partnership with Bridges Financial Services. Bridges is one of Australia's largest financial planning and stockbroking organisations.

Also pleasing was the feedback we received in this year's member survey. We gained some useful insights to help improve our services and a very good Net Promoter Score. This rating is used across different industries to rate customer satisfaction and loyalty.

I would like to acknowledge the individual contribution of Henry Scheuber who retired from the Board this year. Henry has been a positive influence and made a significant contribution to MOVE through his ongoing commitment and dedication to the organisation.

I would like to thank my fellow Board members for their contributions over the past 12 months and ensuring the continuing success of MOVE. I also thank them for their vote of confidence in retaining me as Chair – it is a great honour to lead this Board.

I would also like to extend my thanks to our corporate partners - BDO, KPMG, Indue, CGU, Bridges Financial Services and Orange Digital - for their valued contributions last year.

We are entering a vibrant time for MOVE. The board is confident that our strategic initiatives will support the future growth and sustainability of the credit union.

I look forward to working with Therese and to our leadership and staff delivering on our goals for 2017/18. MOVE remains committed to delivering exceptional service to our members.

Andrew Haynes
CHAIR

The MOVE Board

The MOVE Board

From left to right:
Kellie Dyer, Scott Riedel, Andrew Haynes (Chair), Andrew Hughes, Bron Davies and Mick Skinner

FROM YOUR

Interim CEO

Grant Freeman

This was our first full year operating under the MOVE brand and what a year it has been. A highlight of our first anniversary celebrations was being able to present one lucky couple with an introductory 1% home loan representing the culmination of a very successful campaign.

Over the last financial year, we have expanded our product range and earned some prestigious industry awards along the way. CANSTAR awarded both our Wealth Builder and 3 Year Lockit Loan – Investor, a 5-Star rating. CANSTAR is the national rating and comparison website that gathers data annually on the home loans available from providers across the industry, including the major banks. From the information gathered, the loans are compared and judged across a range of criteria to determine the value that they offer to consumers. The 5-Star Rating means that our Wealth Builder and Lockit Loans have been deemed by CANSTAR to offer exceptional value to consumers by being in the top 10% of related products in the market. It is very pleasing to receive this recognition and to know that the products that we offer our members really do represent excellent value.

The MOVE team loves spending time in the community,

Likewise, our Express Saver account was awarded a prestigious MOZO Experts Choice Award for "No Strings Savings" with only the top 10% of accounts in each category receiving an award. The Express Saver also garnered three of Money Magazine's Best of the Best Awards 2017. What this means is that the Express Saver is one of the best value savings accounts in Australia and our Members can be assured they are getting excellent value across MOVE's product range.

Continuing our commitment to alleviating the financial stress of our members, we've worked hard to ensure that our home loans rates remain as low as possible in the current market, while savings and investments provide highly competitive returns. That's why we launched the Straightforward Home Loan, an uncomplicated low-interest, monthly fee-free product, designed for new borrowers who are looking for a product that represents great value.

As in previous years, we asked members to provide feedback on their experiences with MOVE. We would like to thank everyone who completed our member survey. The feedback was tremendously beneficial and will guide our efforts as we continue to improve our products and services. Even more positive was the resulting Net Promoter Score (NPS), this is a standardised metric used to indicate both satisfaction and loyalty. The NPS scale ranges from minus 100 to plus 100, with scores between 0 and 50 regarded as good. MOVE scored between 15 and 53 across differing age groups which is extremely encouraging given the larger banks had scores from -8.6 down to -16.2.

We have continued to invest in technology to make it easier for our members to do their banking. Members can now open and maintain deposit accounts online in just a few minutes using myMOVE Banking. Our joining process has also been greatly enhanced and for the first time new members are able to verify themselves and join MOVE online. This is a key component of our expansion into new markets, giving all of our new members the same great experience as they engage with MOVE for the first time and allowing them to enjoy the benefits of being a MOVE member sooner.

For members who prefer banking on their mobiles, our technology and security teams are always upgrading and improving the myMOVE app. We are committed to creating a more convenient lending process for members and this year it has been greatly enhanced through changes made to our back office processes. MOVE staff are now able to easily source and share all of the relevant information quickly, so that our members receive a response to their loan application much sooner.

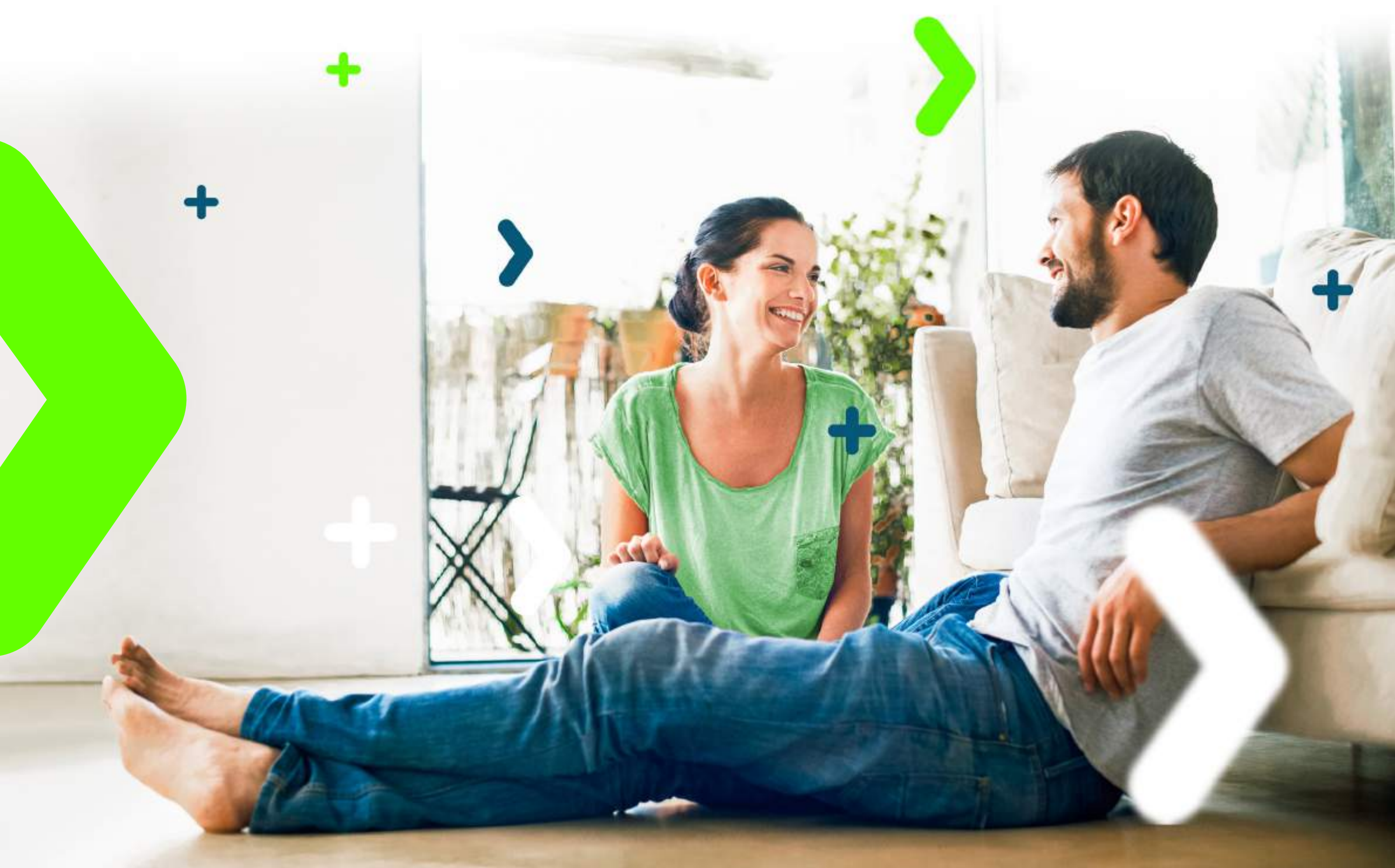
The MOVE team loves spending time in the community, meeting with members and their families. Thank you to those who joined us at a BBQ, toolbox talk or one of our financial planning sessions. As we continue to enhance the ways in which we engage with our members, social media and online channels have provided more relevant and engaging content, particularly for those living in remote areas.

We continue to engage with Queensland Rail through staff inductions, site visits and over the past year we have had a much greater presence throughout the organisation. We have continued to support the next generation of rising stars through our sponsorship of the QR Young Professional program. A highlight was our sponsorship of the committee's Chair, Jenna Hood, with her successful entry in the CILTA Young Professional of the Year award.

Throughout the year, we have announced a number of new partnerships with various rail, transport and logistics organisations as we look to spread the word about the benefits of joining MOVE. These included the Australian Rail Association (ARA) Alliance, RT Health Alliance, the Queensland Trucking Association Alliance and many others. Our continued expansion into the greater rail, transport and logistics sectors doesn't mean we've forgotten our roots. We have continued to maintain good relationships with the Rail, Tram and Bus Union, and the Transport Workers Union.

Finally, a big thank you to the Members, Board, Management, and Staff whose hard work and dedication has contributed to the organisation's achievements over the past year. We have some very exciting times ahead in the next twelve months and I look forward to continuing the successful growth of the MOVE brand across Australia.

Grant Freeman
INTERIM CEO



BUSINESS HIGHLIGHTS

2016-17

Straightforward rates and returns

In line with our commitment to help members achieve their financial goals, we've worked hard to ensure that home loan rates remain as low as possible, while savings and investments provide competitive returns. It's also why we launched the Straightforward Home Loan, an uncomplicated product that will greatly appeal to new borrowers who are looking for a product that represents great value.

Important industry recognition

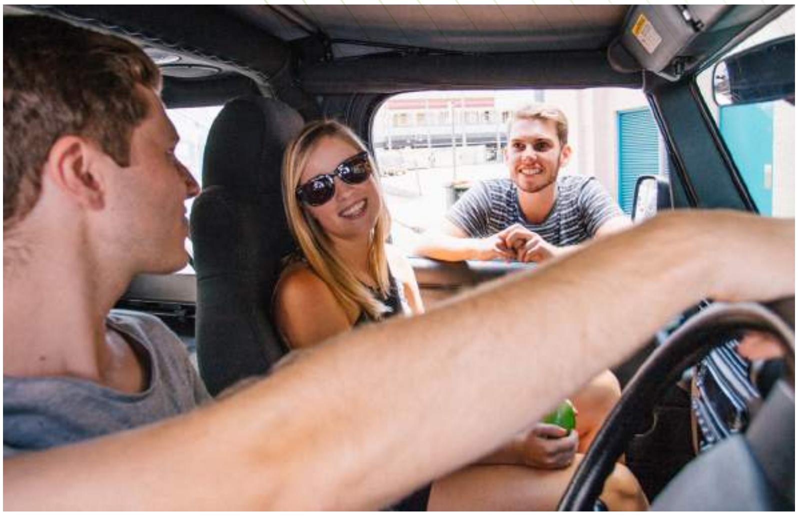
The value that our products present to members has garnered significant industry approval and several prestigious awards. A host of home loans and savings accounts received five-star ratings from CANSTAR, Australia's largest comparison service. Our Express Saver account also secured three accolades from Money Magazine's Best of the Best Awards 2017 and an Expert's Choice Award from MOZO.

Members get started sooner online

It's never been easier to start managing your finances with MOVE. With the launch of a new technology platform in early 2017, members can open and maintain deposit accounts online through myMOVE Banking in just a few minutes. Our joining process has also been greatly enhanced and for the first time new members are able to verify themselves and join MOVE online.

4.40%
ASSET GROWTH

+36
MBR SURVEY NET PROMOTER SCORE



Member engagement and connections

Members are at the heart of everything we do, which is why MOVE spent more time with the community this year. We hope we had the pleasure of meeting you at a barbecue, toolbox talk or financial planning session. We also continued to support the next generation, again sponsoring the Queensland Rail Young Professional program - we were pleased to support Jenna Hood, with her successful entry in the CILTA Young Professional of the Year award.

We're listening

Member feedback is the foundation for MOVE's future initiatives. Online surveys, one-on-one sessions and focus groups are regularly conducted to hear first-hand how we can enhance our products and services for you. We feel confident in our products from the feedback provided thus far, however we continue to look for areas of improvement. We are truly grateful to all members who have taken the time to provide constructive feedback to our organisation.

Enhanced lending experiences

Recognising the stress that comes with buying a new home, we've committed to creating a more convenient lending process for our members. Internal software upgrades have allowed the MOVE team to simply source and share all the relevant information internally, so you receive a response to your application even sooner.

20.79%

STRONG CAPITAL ADEQUACY

SIGNIFICANT INCREASE IN LOANS & SAVINGS BUSINESS
with Queensland Rail employees.

AFFILIATIONS

Partnerships & Community Engagement

Alliances to add value to the MOVE relationships

Our alliances with the Australian Rail Association (ARA), RT Health, and the Queensland Trucking Association have helped to provide valuable introductions and involvement within a number of organisations. We have sponsored site events and been given the opportunity to distribute our literature within the organisations. These relationships will be invaluable for our expansion interstate.

Sponsorships to encourage and support our members and their employers

The Queensland Rail Young Professionals is a great forum for QR's leaders of tomorrow. MOVE's sponsorship of the program puts us directly in touch with a younger, up-and-coming audience through events such as our Lunch and Learn sessions.

Partnerships to engage with new and existing member workplaces

Our partnerships with Queensland Rail and Aurizon continue to provide an onsite presence allowing us to gain new members and to maintain relationships with the existing member base. The visits also provide a strong reference and endorsement to help with our growth into other states, particularly in the NSW and the Victorian transport sectors.

New financial planning service for members

Recently we launched a new financial planning service for our members through Bridges Financial Services. Bridges is a highly respected Australian wealth management group and they are providing the initial complimentary consultation at no charge to members. A financial planner can make a big difference and help our members achieve their financial goals and future lifestyle.

Our alliances

QueenslandRail

Queensland Rail's purpose is to provide a safe, reliable, on-time, value for money and customer focused rail service that benefits the community, supports the industry and is integrated with the public transport system. The organisation's vision is to connect communities through a modern, world-class rail service.

The Chartered Institute of Logistics and Transport

The Chartered Institute of Logistics and Transport Australia (CILTA) is a non-profit industry organisation for the Transport and Logistics industry with a truly global connection. Together with our individual and corporate members, sponsors and partners, we are united in our commitment to making a difference in global excellence and innovation within the Transport and Logistics industry.

QTA QUEENSLAND TRUCKING ASSOCIATION

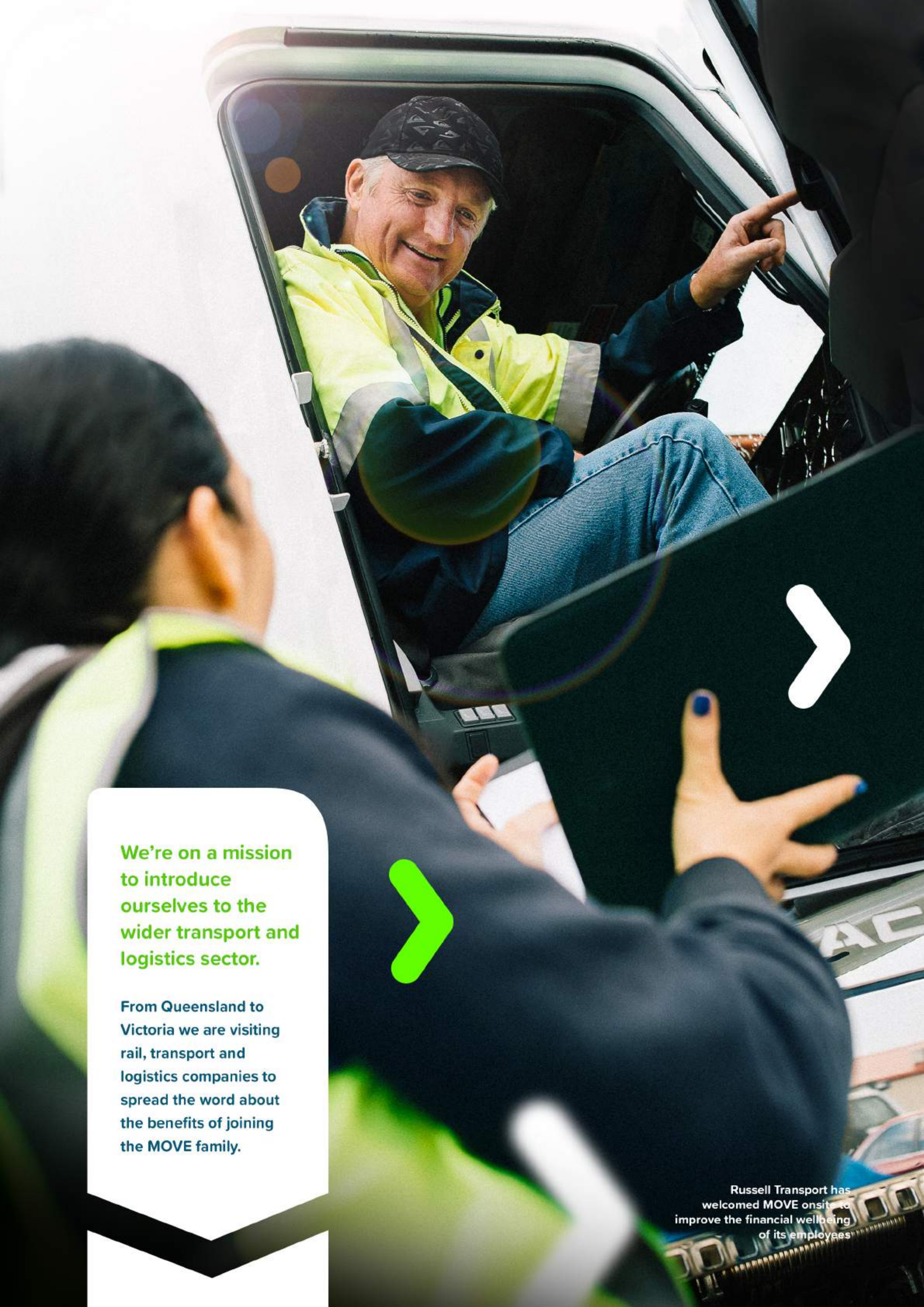
QTA Ltd is the peak industry association for road freight operators in Queensland who have been actively serving the industry since 1907. QTA represents road freight operators across all sectors of the industry. QTA advocates for a productive, efficient and safe industry with a unified voice.

victoriantransportassociation inc.

The Victorian Transport Association (VTA) represents over 800 employers and businesses supplying transport, logistics and freight related services throughout Victoria and Australia. As one of Australia's oldest transport industry associations, their aim has always been to advocate to governments, regulators and other industry stakeholders from a freight operator perspective.

GenR8

GenR8 is an industry-demand driven, youth attraction and employment pathway for Year 12 students in schools throughout Queensland. Through our alliance with the Queensland Trucking Association (QTA), MOVE had the opportunity to deliver a series of financial education workshops as part of the GenR8 program at Redbank Plains State High School. The workshops were an unqualified success, and we look forward to increasing our involvement with this innovative industry initiative over the next 12 months.



We’re on a mission to introduce ourselves to the wider transport and logistics sector.

From Queensland to Victoria we are visiting rail, transport and logistics companies to spread the word about the benefits of joining the MOVE family.

Russell Transport has welcomed MOVE onsite to improve the financial wellbeing of its employees

FINANCIAL REPORT 2017

MOVE

Directors' Report

Your Directors submit their report on Railways Credit Union Ltd trading as MOVE ("MOVE") for the financial year ended 30 June 2017.

MOVE is a company registered under the *Corporations Act 2001.*

DIRECTORS

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

Andrew R Haynes (Chair)	
Bronwyn (Bron) D Davies	
Kellie L Dyer	
Andrew J Hughes	
Scott J Riedel	
Henry C Scheuber	Retired 29 March 2017
Michael (Mick) F Skinner	

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

Bernard Luton	
Julianne Plath	Resigned 7 July 2017

Qualifications, experience and special responsibilities

Andrew R Haynes — B.A., LL.B., MBA, H Dip IS, Cert Legal Practice, FGIA, FCIS, GAICD, JP (Qual)
Position: Independent Governance & Risk Consultant
Andrew qualified as an Attorney in South Africa in 1994, practising in the areas of civil litigation and tax law, before immigrating to Australia in 1997. He is an accredited Governance professional with executive management experience in major ASX listed, multinational, Government Owned Corporations and Not-for-Profit companies. Andrew was formerly Company Secretary of QR Limited. He has been a Director on the MOVE Board since 2009 and was appointed Chairman in May 2016. Andrew is a member of the Audit & Compliance Committee, Risk Management Committee and the Remuneration & Succession Committee.

Bronwyn (Bron) D Davies — B. Econ, CPA, CIA, GAICD
Position: Chief Auditor, Airservices Australia
Bron has been a Director of MOVE since 2012. Bron is the Chair of the Audit & Compliance Committee.

Kellie L Dyer — Bachelor of Business (Marketing), MBA (Tech Mgt), Graduate Diploma of Management, GAICD
Position: City Innovation Lead, Logan City Council
Kellie has been a Director of MOVE since 2009. Kellie is the Chair of the Remuneration & Succession Committee and a member of the Audit & Compliance Committee.

Andrew J Hughes — B. Com., FCPA, Master of Commerce (Accounting), Associate Diploma in Civil Engineering, GAICD
Position: Finance Business Partner, Network - Queensland Rail
Andrew has been a Director of MOVE since 2009. Andrew is the Chair of the Risk Management Committee and a member of the Remuneration & Succession Committee.

Scott J Riedel — GAICD, B Eng (Hons), RPEQ (Registered Profession Engineer of Qld), Grad Dip Business
Position: General Manager Network Operations - Aurizon
Scott has been a Director of MOVE since 2016 and is a member of the Risk Management Committee.

Directors' Report

Qualifications, experience and special responsibilities (continued)

Henry C Scheuber B.Bus, FCPA, GAICD
Position: Company Director
Henry served as a Director of MOVE since 2006. Henry retired from the Board in March 2017. He was a member of the Risk Management Committee and the Remuneration & Succession Committee.

Michael (Mick) F Skinner GAICD, FCILT, B Bus (Transport & Logistics Mgt), Grad Cert (Intermodal Transport)
Position: Supervisor – Belbaker Bus Charters
Mick has been a Director of MOVE since 2016 and is a member of the Audit & Compliance Committee.

Company Secretaries:

Qualifications and experience

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

Julianne Plath Advanced Diploma of Business (Accounting), GAICD
Position: Chief Executive Officer (CEO)
Julianne resigned as CEO and Company Secretary on 7 July 2017.

All Directors have held their office from 1 July 2016 to the date of this report unless otherwise stated.

DIRECTORS' MEETINGS

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

		Meetings of committees		
	Board	Risk Management	Audit & Compliance	Remuneration & Succession
Number of meetings held:	11	5	5	4
Number of meetings attended:	Attended/Eligible to attend	Attended/Eligible to attend	Attended/Eligible to attend	Attended/Eligible to attend
Andrew R Haynes	11/11	5/5	5/5	4/4
Bronwyn (Bron) D Davies	11/11	n/a	5/5	n/a
Kellie L Dyer	11/11	n/a	5/5	4/4
Andrew J Hughes	11/11	5/5	n/a	4/4
Scott J Riedel	11/11	5/5	n/a	n/a
Henry C Scheuber	8/8	3/3	n/a	2/2
Michael (Mick) F Skinner	11/11	n/a	4/5	1/1

INSURANCE AND INDEMNIFICATION OF OFFICERS OR AUDITOR

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

No insurance cover or indemnity has been provided for the benefit of the auditors of MOVE.

Directors' Report

PRINCIPAL ACTIVITIES

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

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

OPERATING RESULTS

Review of operations
MOVE's operations from its activities of providing financial services to its members did not change from the previous financial year.

Operating Results for the Year
The net profit of MOVE for the year ended 30 June 2017 after providing for income tax was $1,187,984 (2016: $1,975,939).

DIVIDENDS

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

OPTIONS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

PROCEEDINGS

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

Directors' Report

REGULATORY DISCLOSURES

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

AUDITOR INDEPENDENCE

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

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

Andrew R Haynes	Bronwyn (Bron) D Davies
Chair	Chair of the Audit and Compliance Committee

Brisbane, 27 September 2017

Auditor's Independence Declaration

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

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

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

As lead auditor of Railways Credit Union Ltd for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

P A Gallagher
Director

BDO Audit Pty Ltd

Brisbane, 27 September 2017

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Note	**2017** **$**	2016 $
Interest income	5(a)	**24,286,576**	26,338,776
Interest expense	6(a)	**(12,778,089)**	(14,534,317)
Net interest income		**11,508,487**	11,804,459
Other revenue and income	5(b)	**2,315,865**	2,586,026
Employee benefits expense	6(b)	**(5,874,256)**	(5,492,619)
Depreciation and amortisation expense	6(c)	**(952,419)**	(688,531)
Impairment loss on loans and advances	6(d),13(c)	**(288,924)**	(498,019)
Other expenses	6(e)	**(4,987,747)**	(4,899,592)
Profit before income tax		**1,721,006**	2,811,724
Income tax expense	7	**(533,022)**	(835,785)
Profit for the year		**1,187,984**	1,975,939
Other comprehensive income, net of income tax			
Items that will not be reclassified to profit or loss			
Net gain on revaluation of land and buildings	14(a)	**103,988**	-
Income tax relating to these items	7(d)	**(31,199)**	-
Other comprehensive income for the year, net of income tax		**72,789**	-
Total comprehensive income for the year		**1,260,773**	1,975,939

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

Statement of Financial Position

As at 30 June 2017

	Note	**2017 $**	2016 $
ASSETS			
Cash and cash equivalents	8	**20,092,703**	14,791,826
Financial assets available for sale	9	**1,128,715**	1,128,715
Other receivables	10	**761,578**	749,326
Income tax receivable		**298,788**	136,160
Financial assets held to maturity	11	**110,734,903**	88,347,282
Loans and advances	12	**476,841,183**	478,709,890
Property, plant and equipment	14	**5,531,655**	5,771,254
Intangible assets	15	**701,000**	638,856
Other assets		**132,131**	2,983
TOTAL ASSETS		**616,222,656**	590,276,292
LIABILITIES			
Deposits	16	**552,070,465**	527,507,443
Other payables	17	**897,799**	894,916
Provisions	18	**683,512**	587,438
Deferred tax liabilities	7	**239,631**	216,019
TOTAL LIABILITIES		**553,891,407**	529,205,816
NET ASSETS		**62,331,249**	61,070,476
EQUITY			
Redeemed preference share capital	19	**185,220**	177,030
Reserves	20	**62,146,029**	60,893,446
TOTAL EQUITY		**62,331,249**	61,070,476

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

Statement of Changes in Equity

For the year ended 30 June 2017

	Redeemed preference share capital *$*	*Retained earnings* *$*	*Reserves (note 20)* *$*	*Total equity* *$*
At 1 July 2016	**177,030**	**-**	**60,893,446**	**61,070,476**
Profit for the year	-	1,187,984	-	1,187,984
Other comprehensive income				
Net gain on revaluation of land and buildings, net of tax	-	-	72,789	72,789
Total comprehensive income for the year	**-**	**1,187,984**	**72,789**	**1,260,773**
Transfers				
Redeemed preference share capital	8,190	(8,190)	-	-
Transfers to/(from) reserves (Note 20)	-	(1,179,794)	1,179,794	-
Total transfers	**8,190**	**(1,187,984)**	**1,179,794**	**-**
Transactions with owners in their capacity as owners	**-**	**-**	**-**	**-**
At 30 June 2017	**185,220**	**-**	**62,146,029**	**62,331,249**
At 1 July 2015	**164,070**	**-**	**58,930,467**	**59,094,537**
Profit for the year	-	1,975,939	-	1,975,939
Other comprehensive income				
Net gain on revaluation of land and buildings, net of tax	-	-	-	-
Total comprehensive income for the year	**-**	**1,975,939**	**-**	**1,975,939**
Transfers				
Redeemed preference share capital	12,960	(12,960)	-	-
Transfers to/(from) reserves (Note 20)	-	(1,962,979)	1,962,979	-
Total transfers	**12,960**	**(1,975,939)**	**1,962,979**	**-**
Transactions with owners in their capacity as owners	**-**	**-**	**-**	**-**
At 30 June 2016	**177,030**	**-**	**60,893,446**	**61,070,476**

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

Statement of Cash Flows

For the year ended 30 June 2017

	Note	**2017 $**	2016 $
Operating activities			
Interest received		**24,273,904**	26,346,092
Payments to suppliers and employees		**(11,032,495)**	(10,501,057)
Dividends received		**116,983**	116,983
Fees and commissions received		**2,252,823**	2,483,820
Other income		**20,859**	47,502
Interest and other costs of finance paid		**(12,534,116)**	(14,855,930)
Income tax paid		**(703,237)**	(1,095,832)
Net movement in financial assets held to maturity		**(22,387,621)**	6,291,538
Net movement in loans and advances		**1,635,891**	(4,349,259)
Net movement in deposits		**24,328,862**	(2,105,224)
Net cash flows from/(used in) operating activities	21(b)	**5,971,853**	2,378,633
Investing activities			
Net movement in financial assets available for sale		**-**	(302,940)
Purchase of property, plant and equipment		**(318,671)**	(1,162,844)
Purchase of intangible assets		**(352,305)**	(255,473)
Net cash flows used in investing activities		**(670,976)**	(1,721,257)
Net increase/(decrease) in cash and cash equivalents		**5,300,877**	657,376
Cash and cash equivalents at 1st July		**14,791,826**	14,134,450
Cash and cash equivalents at 30th June	8	**20,092,703**	14,791,826

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

Notes to the Financial Statements

For the year ended 30 June 2017

1 CORPORATE INFORMATION

The financial statements cover Railways Credit Union Ltd trading as MOVE (the 'Credit Union') for the financial year ended 30 June 2017 and were authorised for issue in accordance with a resolution of the Directors on 27 September 2017.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

The presentation currency of the financial statements is Australian Dollars.

(b) Compliance with IFRS

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

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

The Credit Union applied, for the first time, certain standards and amendments which are effective for annual periods beginning on or after 1 July 2016. The nature and the impact of each new standard and/or amendment did not have a significant impact to the financial statements.

Notes to the Financial Statements

For the year ended 30 June 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Credit Union. The Credit Union's assessment of the impact of these new standards and interpretations is set out below.

New/revised pronouncements	Nature of change	Application date to the Credit Union	Impact on the Credit Union
AASB 9 Financial Instruments (December 2014)	The AASB has issued the complete AASB 9. The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. This supersedes AASB 9 (issued in December 2009-as amended) and AASB 9 (issued in December 2010).	30 June 2019	AASB 9 may have a potential increase in the Credit Union's loans and advances provisioning. The change is applied retrospectively; however comparatives need not be retrospectively restated. Instead, the cumulative effect of applying the change for the first time is recognised as an adjustment to the opening balance of retained earnings on 1 July 2018. The Credit Union has yet to assess the full impact of these changes.
AASB 15 *Revenue from Contracts with Customers (December 2014)*	The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.	30 June 2019	The Credit Union is in the process of assessing the impact of the new standard but does not expect a significant impact as most of the Credit Union's revenue will be outside the scope of AASB 15.
AASB 16 Leases	Except for short-term leases (less than 12 months from commencement date, including extension options), and 'low value' items, all leases will be capitalised on the balance sheet by recognising a 'right-of-use' asset and a lease liability for the present value of the obligation. This means that we will no longer see straight-line 'rental' expense in profit or loss (except for short-term leases and low value items). All leases will incur a front-end loaded expense, comprising depreciation on the right-of-use asset, and interest on the lease liability. When initially measuring the right-of-use asset and lease liability, non-cancellable lease payments (including inflation-linked payments), as well as payments for option periods which the entity is reasonably certain to exercise, must be included in the present value calculation. There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis. No changes to accounting for entities as a lessor, as it retains the accounting for operating and finance leases for lessors.	30 June 2019	To the extent that the Credit Union, as lessee, has significant operating leases outstanding at the date of initial application, 1 July 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years.

Notes to the Financial Statements

For the year ended 30 June 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial assets and financial liabilities

Introduction

(i) Initial recognition

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

(ii) Derecognition

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

(iii) Offsetting

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

(iv) Amortised cost measurement

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

(v) Identification and measurement of impairment

Refer Note 2(f) for details.

Notes to the Financial Statements

For the year ended 30 June 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial assets and financial liabilities (continued)

Application

Cash and cash equivalents

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

Loans and advances to members

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

Investment securities

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

(i) Held-to-maturity

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

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

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

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

(ii) Available-for-sale

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

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

Notes to the Financial Statements

For the year ended 30 June 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial assets and financial liabilities (continued)

Application (continued)

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

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

Deposits

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

Borrowings

Refer to note 2(l) for details.

(f) Impairment – member loans & advances

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment – member loans & advances (continued)

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

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

(g) Fair Value Measurement

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

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

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

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

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

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

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

(h) Property, plant and equipment

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

Property
Freehold land and buildings are measured at their fair value, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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

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

Notes to the Financial Statements

For the year ended 30 June 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment (continued)

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

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

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

A summary of the rates used is:
Buildings: 4%
Computer Hardware: 33.3%
Leasehold improvements: 10% - 20%
Office furniture and equipment: 10% - 15%
Motor vehicles: 20%

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

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

(i) Leases

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

(j) Impairment of assets (excluding financial assets)

At each reporting date, the Credit Union reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in profit or loss (except for items carried at revalued amount).

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

(k) Intangibles

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

(l) Borrowings

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

Notes to the Financial Statements

For the year ended 30 June 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Employee benefits

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

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

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

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

(n) Revenue

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Income tax

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

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

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

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

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

(p) Goods and Services Tax (GST)

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

3 FINANCIAL RISK MANAGEMENT

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

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

(a) Risk management

The Credit Union has appointed a Chief Risk Officer whose responsibilities include maintaining and continuously reviewing the Credit Union’s risk management framework. Oversight of risk management is the responsibility of the Risk Management Committee operating in accordance with formal risk policies approved by the Board. The Risk Management Committee, which meets regularly, comprises independent non-executive Directors. It recommends to the Board the risk management policies which the Audit and Compliance Committee monitor. This includes the identification, assessment and reporting of risks. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations.

Notes to the Financial Statements

For the year ended 30 June 2017

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Risk management (continued)

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

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

(b) Market risk

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

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

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

(c) Credit risk

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

Credit risk policy

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

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

(ii) Liquid investments
Credit risk in relation to liquid investments is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. Refer to note 3(d).

Notes to the Financial Statements

For the year ended 30 June 2017

3 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

Credit risk management

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

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

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

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

	Maximum credit exposure			
	% of total loans		$	
Industry	***2017***	*2016*	***2017***	*2016*
Queensland Rail employees	**30.28%**	25.01%	**144,568,163**	119,967,534
Aurizon employees	**17.18%**	20.85%	**82,018,701**	100,043,286

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

(ii) Liquid investments
To limit the concentration of risk, the Credit Union uses the following credit rating limits:

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

On 22 May 2017 the credit rating of a number of institutions in which the Credit Union invests were changed. As a consequence, as at 30 June 2017 the Credit Union had exposures to BBB+ to BBB- rated institutions on both aggregate and individual basis in excess of the above limits. Subsequent to 22 May 2017 the Credit Union undertook steps to manage these exposures and is now adhering to these limits.

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

Notes to the Financial Statements

For the year ended 30 June 2017

3 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

Measurement of credit risk

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

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

Stress testing is an integral tool in the management of credit risk exposure, by projecting financial impacts of movements in market conditions including economic downturn resulting in low business growth, increase in unemployment and reduction in property values. Recent stress testing has indicated that the Credit Union is resistant to a significant downturn in the economy.

(ii) Liquid investments
The Credit Union uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure.

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

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

	2017 Carrying value $	*2016 Carrying value $*
ADI's – rated AAA to A-	**59,971,988**	69,426,041
ADI's – rated BBB+ to BBB-	**62,886,621**	25,202,236
ADI's – unrated	**7,968,997**	8,510,831
Total	**130,827,606**	103,139,108

Impairment and provisioning policies

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2017

3 FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

Impairment and provisioning policies (continued)

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

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

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

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

Credit risk exposure

The Credit Union's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the Statement of Financial Position where the maximum credit risk exposure is $565,546,863 (2016: $575,144,383).

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

(d) Liquidity risk

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

Liquidity risk management

The Credit Union manages liquidity risk by:
► Continuously monitoring actual daily cash flows and longer term forecast cash flows;
► Monitoring the maturity profiles of financial assets and liabilities;
► Maintaining adequate reserves and liquidity support facilities; and
► Monitoring the prudential liquidity ratio daily.

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

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

Notes to the Financial Statements

For the year ended 30 June 2017

3 FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

Liquidity risk management (continued)

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

	2017	*2016*
Ratio to total adjusted liabilities:		
- As at 30 June	**21.43%**	17.15%
- Average for the year	**20.18%**	19.33%
- Minimum during the year	**16.58%**	16.55%
Ratio to total deposits:		
- As at 30 June	**21.85%**	17.62%

Maturity profile of financial liabilities

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

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

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

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

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

Year ended 30 June 2017	*Carrying value*	*Within 1 month*	*1-3 months*	*3-12 months*	*1-5 years*	*No maturity*	*Gross nominal outflows*
	$	*$*	*$*	*$*	*$*	*$*	*$*
FINANCIAL LIABILITIES							
Deposits	**552,070,465**	**466,070,851**	**20,928,764**	**58,227,615**	**7,761,021**	**-**	**552,988,251**
Other payables	**897,799**	**582,033**	**-**	**-**	**-**	**315,766**	**897,799**
Total financial liabilities	**552,968,264**	**466,652,884**	**20,928,764**	**58,227,615**	**7,761,021**	**315,766**	**553,886,050**
Off balance sheet items undrawn (note 22(b)).	**-**	**88,049,569**	**-**	**-**	**-**	**-**	**-**

Year ended 30 June 2016	*Carrying value*	*Within 1 month*	*1-3 months*	*3-12 months*	*1-5 years*	*No maturity*	*Gross nominal outflows*
	$	*$*	*$*	*$*	*$*	*$*	*$*
FINANCIAL LIABILITIES							
Deposits	527,507,443	449,231,323	18,615,552	54,836,650	7,100,863	-	529,784,388
Other payables	894,916	591,034	-	-	-	303,882	894,916
Total financial liabilities	528,402,359	449,822,357	18,615,552	54,836,650	7,100,863	303,882	530,679,304
Off balance sheet items undrawn (note 22(b)).	-	95,416,492	-	-	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2017

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Interest rate risk

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

The policy of the Credit Union is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The Credit Union aims to limit any loss due to a change in interest rates to be no greater than 1.5% of regulatory capital. The gap is measured monthly to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposit liabilities to rectify the imbalance to within acceptable levels. The Credit Union can undertake derivative transactions to reduce the interest rate risks.

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

Based on calculations as at 30 June 2017, the profit before tax and equity impact for a 1% (2016: 1%) movement in interest rates would be as follows:

	2017		2016	
Movement in interest rates	**Impact on Profit after tax**	**Impact on Equity**	**Impact on Profit after tax**	**Impact on Equity**
1% Increase	29,200	29,200	249,300	249,300
1% Decrease	(29,200)	(29,200)	(249,300)	(249,300)

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2017

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Interest rate risk (continued)

Interest rate risk maturity profile

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

	Floating interest rate	Fixed interest rate maturing			Non-interest sensitive	Total	Effective interest rate
2017		Within 1 year	1-5 years	Over 5 years			
Assets	$	$	$	$	$	$	
Cash and cash equivalents	**19,091,585**	**1,001,118**	**-**	**-**	**-**	**20,092,703**	**1.88%**
Financial assets available for sale	**-**	**-**	**-**	**-**	**1,128,715**	**1,128,715**	**N/A**
Other receivables	**-**	**-**	**-**	**-**	**761,578**	**761,578**	**N/A**
Financial assets held to maturity	**-**	**110,734,903**	**-**	**-**	**-**	**110,734,903**	**2.42%**
Loans and advances	**415,327,604**	**23,874,480**	**37,639,099**	**-**	**-**	**476,841,183**	**4.40%**
	434,419,189	**135,610,501**	**37,639,099**	**-**	**1,890,293**	**609,559,082**	
Liabilities							
Deposits from members	**448,037,102**	**96,418,961**	**7,614,402**	**-**	**-**	**552,070,465**	**2.19%**
Other payables	**-**	**-**	**-**	**-**	**897,799**	**897,799**	**N/A**
	448,037,102	**96,418,961**	**7,614,402**	**-**	**897,799**	**552,968,264**	
2016							
Assets							
Cash and cash equivalents	13,787,844	1,003,982	-	-	-	14,791,826	2.05%
Financial assets available for sale	-	-	-	-	1,128,715	1,128,715	N/A
Other receivables	-	-	-	-	749,326	749,326	N/A
Financial assets held to maturity	-	88,347,282	-	-	-	88,347,282	2.81%
Loans and advances	429,133,198	19,587,619	29,989,073	-	-	478,709,890	4.65%
	442,921,042	108,938,883	29,989,073	-	1,878,041	583,727,039	
Liabilities							
Deposits from members	431,692,731	89,713,124	6,101,588	-	-	527,507,443	2.49%
Other payables	-	-	-	-	894,916	894,916	N/A
	431,692,731	89,713,124	6,101,588	-	894,916	528,402,359	

Notes to the Financial Statements

For the year ended 30 June 2017

3 FINANCIAL RISK MANAGEMENT (continued)

(f) Operational risk

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

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

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

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

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

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

(g) Capital management

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

Tier 1 capital comprises the highest quality components of capital that fully satisfy the following essential characteristics:
(a) provide a permanent and unrestricted commitment of funds;
(b) are freely available to absorb losses;
(c) do not impose any unavoidable servicing charge against earnings; and
(d) rank behind claims of depositors and other creditors in the event of winding up.

Notes to the Financial Statements

For the year ended 30 June 2017

3 FINANCIAL RISK MANAGEMENT (continued)

(g) Capital management (continued)

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

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

Capital in the Credit Union is made up as follows:

Tier 1 Capital	***2017*** ***$***	*2016* *$*
General reserve	**56,694,475**	54,722,231
Retained earnings	**1,187,984**	1,975,939
Asset revaluation reserve	**3,308,514**	3,235,725
Capitalised loan origination and settlement costs	**(150,951)**	(129,122)
Prescribed deductions	**(1,829,715)**	(1,767,571)
Net Tier 1 capital	**59,210,307**	58,037,202
Tier 2 Capital		
Reserve for credit losses	**955,056**	959,551
Net Tier 2 capital	**955,056**	959,551
Total Tier 1 & Tier 2 Capital	**60,165,363**	58,996,753
Less deductions from total capital	**-**	-
Total Capital	**60,165,363**	58,996,753

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

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

2017	*2016*	*2015*	*2014*	*2013*
20.79%	20.57%	20.00%	19.90%	18.90%

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2017

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

(i) Significant accounting judgements

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

Fair value of property, plant and equipment
Refer to Note 14.

(ii) Significant accounting estimates and assumptions

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

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

Notes to the Financial Statements

For the year ended 30 June 2017

5 INCOME

	2017 $	2016 $
(a) Interest income on assets carried at amortised cost		
Cash and cash equivalents	**341,547**	396,914
Financial assets held to maturity	**2,619,729**	2,828,473
Loans and advances	**21,325,300**	23,113,389
Total interest income	**24,286,576**	26,338,776
(b) Non-interest income		
Fees and commissions	**2,178,023**	2,421,541
Dividends received - other corporations	**116,983**	116,983
Bad debts recovered	**18,418**	11,006
Frauds recovered	**-**	11,603
Other	**2,441**	2,293
Gain on sale of fixed assets	**-**	22,600
	2,315,865	2,586,026
TOTAL INCOME	**26,602,441**	28,924,802

6 EXPENSES

	2017 $	2016 $
(a) Interest expense on liabilities carried at amortised cost		
Borrowings	**2,392**	3,367
Deposits	**12,775,697**	14,530,950
Total interest expense	**12,778,089**	14,534,317
(b) Employee benefits expense		
Wages, salaries and other employee benefits expense	**5,410,143**	5,050,215
Workers' compensation costs	**12,683**	9,321
Defined contribution superannuation expense	**451,430**	433,083
Total employee benefits expense	**5,874,256**	5,492,619
(c) Depreciation and amortisation expense		
Depreciation of non-current assets		
Buildings	**117,996**	117,996
Plant and equipment	**544,262**	354,341
Total depreciation of non-current assets	**662,258**	472,337
Amortisation of non-current assets		
Computer software	**290,161**	216,194
Total amortisation of non-current assets	**290,161**	216,194
Total depreciation and amortisation expense	**952,419**	688,531
(d) Impairment		
Impairment of loans in advances	**288,924**	498,019
(e) Other expenses		
Audit and other accounting expenses	**270,726**	264,460
Director fees and other expenses	**408,770**	373,819
Information technology expenses	**990,911**	925,265
Marketing and promotion expenses	**703,318**	918,402
Member transaction expenses	**927,913**	960,885
Operating lease expenses	**250,191**	190,319
Other occupancy expenses	**200,842**	217,777
Other expenses	**842,102**	653,405
Telephone and postage expenses	**392,974**	395,260
Total other expenses	**4,987,747**	4,899,592

Notes to the Financial Statements

For the year ended 30 June 2017

7 INCOME TAX

	2017 $	2016 $
(a) Income tax expense		
The major components of income tax expense are:		
Current income tax		
Current income tax charge	**543,303**	888,551
Over provision of income tax in prior year	**300**	-
Deferred income tax		
Relating to origination and reversal of temporary differences	**(10,581)**	(52,766)
Income tax expense	**533,022**	835,785
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Credit Union's applicable income tax rate is as follows:		
Accounting profit before tax	**1,721,006**	2,811,724
At Company's statutory income tax rate of 30% (2016: 30%)	**516,302**	843,517
Adjustments in respect of current income tax of previous years		
Non-deductible entertainment	**16,422**	25,299
Rebatable fully franked dividends	**(15,041)**	(35,095)
Other non-deductible items	**15,039**	2,064
Over provision of income tax in prior year	**300**	-
Aggregative income tax expense	**533,022**	835,785
(c) Recognised deferred tax assets and liabilities		
Deferred income tax at 30 June relates to the following:		
(i) Deferred tax liabilities		
Land & buildings - recognised in other comprehensive income	**280,345**	249,146
Land & buildings - recognised in profit or loss	**516,134**	569,596
Gross deferred tax liabilities	**796,479**	818,742
(ii) Deferred tax assets		
Provisions	**445,586**	512,606
Depreciation	**51,515**	23,275
Other	**59,747**	66,842
Gross deferred tax assets	**556,848**	602,723
Net deferred tax liabilities	**239,631**	216,019

Notes to the Financial Statements

For the year ended 30 June 2017

7 INCOME TAX (continued)

(d) The movement in deferred tax assets and liabilities for each temporary difference during the year is as follows:

Deferred income tax at 30 June relates to the following:

	2017	*2016*
	$	*$*
(i) Deferred tax liabilities		
Land & buildings – recognised in other comprehensive income		
Opening balance	**249,146**	249,146
Change recognised in other comprehensive income	**31,199**	-
Closing balance	**280,345**	249,146
Land & buildings – recognised in profit or loss		
Opening balance	**569,596**	602,728
Prior year adjustment	**804**	-
Change recognised in profit or loss	**(54,266)**	(33,132)
Closing balance	**516,134**	569,596
Gross deferred tax liabilities	**796,479**	818,742
(ii) Deferred tax assets		
Provisions		
Opening balance	**512,606**	510,983
Change recognised in profit or loss	**(67,020)**	1,623
Closing balance	**445,586**	512,606
Depreciation		
Opening balance	**23,275**	56,933
Prior year adjustment	**(2,190)**	-
Change recognised in profit or loss	**30,430**	(33,658)
Closing balance	**51,515**	23,275
Other		
Opening balance	**66,842**	15,172
Change recognised in profit or loss	**(7,095)**	51,670
Closing balance	**59,747**	66,842
Gross deferred tax assets	**556,848**	602,723
Net deferred tax liabilities	**239,631**	216,019

(e) Franking credit balance

Balance of the franking account at year-end adjusted for franking credits or debits arising from payment of the provision for income tax or receipt of dividends receivable at the end of the reporting period based on a tax rate of 30% (2016: 30%)	**24,285,621**	23,336,937
	24,285,621	23,336,937

Notes to the Financial Statements

For the year ended 30 June 2017

8 CASH AND CASH EQUIVALENTS

	2017	*2016*
	$	*$*
Deposits with ADI's	**20,092,703**	14,791,826
	20,092,703	14,791,826

(a) Reconciliation to Statement of Cash Flows

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

	2017	*2016*
	$	*$*
Deposits with ADI's	**20,092,703**	14,791,826
	20,092,703	14,791,826

(b) Fair value

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

9 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2017	*2016*
	$	*$*
At Cost		
Shares in other entities	**1,128,715**	1,128,715
	1,128,715	1,128,715
Amount of financial assets available for sale expected to be recovered more than 12 months after the reporting date	**1,128,715**	1,128,715

Shares in Cuscal Limited (Cuscal) and Indue Ltd (Indue)

The shareholdings in Cuscal and Indue are measured at cost as their fair value cannot be measured reliably. These companies provide transactional banking solutions to various financial institutions across Australia. The shares are not publicly traded and are not redeemable.

The financial statements of these companies record net tangible assets backing these shares exceeding their cost value. Based on the net assets of these companies any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily. The Credit Union is not able to dispose of these shares without the Board’s approval.

10 OTHER RECEIVABLES

	2017	*2016*
	$	*$*
Accrued interest	**580,027**	567,355
Sundry debtors	**181,551**	181,971
	761,578	749,326
Amount of other receivables expected to be recovered more than 12 months after the reporting date	**-**	-

Fair value

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

Notes to the Financial Statements

For the year ended 30 June 2017

11 FINANCIAL ASSETS HELD TO MATURITY

	2017	2016
	$	$
ADI interest bearing deposits	**110,734,903**	88,347,282
	110,734,903	88,347,282
Amount of financial assets held to maturity expected to be recovered more than 12 months after the reporting date	**27,000,000**	28,000,000

Fair value

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

12 LOANS AND ADVANCES

	2017	2016
	$	$
Overdrafts	**83,719,333**	95,540,732
Term loans	**393,777,961**	384,187,159
Gross loans and advances	**477,497,294**	479,727,891
Deferred application fees	**(242,092)**	(259,363)
Deferred loan document and settlement costs	**150,951**	129,122
Specific provisions for impairment (note 13)	**(564,970)**	(887,760)
Net loans and advances	**476,841,183**	478,709,890
Amount of loans and advances expected to be recovered more than 12 months after the reporting date	**454,648,831**	455,476,493

Fair value

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

13 IMPAIRMENT OF LOANS AND ADVANCES

	2017	2016
	$	$
(a) Provisions for impairment		
Opening balance	**887,760**	803,657
Doubtful debts (income)/expense	**(322,790)**	84,103
Closing balance	**564,970**	887,760

Details of credit risk management are set out in Note 3(c).

	2017	2016
(b) Provision for impairment calculation		
Provision prescribed by Prudential Standards	**392,527**	472,837
Additional specific provision	**172,443**	414,923
Closing balance	**564,970**	887,760
(c) Impairment expense on loans and advances		
Movement in provision for impairment	**(322,790)**	84,103
Bad debts written off directly to profit or loss	**611,714**	413,916
	288,924	498,019

Notes to the Financial Statements

For the year ended 30 June 2017

13 IMPAIRMENT OF LOANS AND ADVANCES (continued)

(d) Assets acquired from loan recovery

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

(e) Loans and advances by impairment class

	2017	2016
	$	$
Net impaired loans and advances – refer 13 (f)	**493,960**	898,602
Past due but not impaired – refer 13(g)	**4,713,985**	4,908,639
Neither past due or impaired – refer 13(h)	**471,724,379**	473,032,890
Deferred loan fees	**(91,141)**	(130,241)
Net loans and advances	**476,841,183**	478,709,890

(f) Impaired loans and advances

Impaired loans	**1,058,930**	1,786,362
Provision for impairment	**(564,970)**	(887,760)
	493,960	898,602

Individually impaired loans and advances to members at reporting date:

Purpose analysis

Housing	**286,143**	**502,450**
Personal including revolving credit	**772,787**	**1,283,912**
Provision for impairment	**(564,970)**	**(887,760)**
Carrying amount	**493,960**	**898,602**

Aging analysis

Past due [0-90] days in arrears	**224,526**	259,432
Past due [90-180] days in arrears	**506,038**	361,698
Past due [180-272] days in arrears	**153,293**	184,881
Past due [273-364] days in arrears	**27,564**	9,840
Past due [365] days and over in arrears	**147,509**	970,511
Provision for impairment	**(564,970)**	(887,760)
Carrying amount	**493,960**	896,602

(g) Past due but not impaired loans and advances

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

Purpose analysis	**2017**	2016
	$	$
Housing	**4,497,421**	4,708,377
Personal including revolving credit	**216,564**	200,262
Carrying amount	**4,713,985**	4,908,639

Aging analysis

Past due [0-90] days in arrears	**3,176,288**	3,252,808
Past due [90-180] days in arrears	**689,035**	362,137
Past due [180-272] days in arrears	**187,522**	243,661
Past due [273-364] days in arrears	**258,996**	579,095
Past due [365] days and over in arrears	**402,144**	470,938
Carrying amount	**4,713,985**	4,908,639

Notes to the Financial Statements

For the year ended 30 June 2017

13 IMPAIRMENT OF LOANS AND ADVANCES (continued)

(h) Neither past due nor impaired loans and advances

Purpose analysis	***2017*** ***$***	*2016* *$*
Housing	**442,854,477**	440,181,857
Personal including revolving credit	**28,869,902**	32,851,033
Carrying amount	**471,724,379**	473,032,890

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

(i) Collateral held

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

	2017 ***$***	*2016* *$*
Loans and advances with no collateral	**20,990,930**	23,468,436
Loans and advances with collateral	**456,506,364**	456,259,455
Gross loans and advances	**477,497,294**	479,727,891

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

14 PROPERTY, PLANT AND EQUIPMENT

	2017 ***$***	*2016* *$*
Land and buildings		
At valuation - 2017	**4,000,000**	4,250,000
Accumulated depreciation	**-**	(235,992)
Net carrying amount	**4,000,000**	4,014,008
Plant and equipment		
At cost	**3,585,651**	3,384,304
Accumulated depreciation	**(2,053,996)**	(1,627,058)
Net carrying amount	**1,531,655**	1,757,246
Total property, plant and equipment		
At valuation - 2017	**4,000,000**	4,250,000
At cost	**3,585,651**	3,384,304
	7,585,651	7,634,304
Accumulated depreciation and impairment	**(2,053,996)**	(1,863,050)
Net carrying amount	**5,531,655**	5,771,254

Notes to the Financial Statements

For the year ended 30 June 2017

14 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2017	2016
	$	$
Land and buildings		
Net carrying amount at beginning of the year	**4,014,008**	4,132,004
Revaluation	**103,988**	-
Depreciation charge	**(117,996)**	(117,996)
Balance at the end of the year	**4,000,000**	4,014,008
Plant and equipment		
Net carrying amount at beginning of the year	**1,757,246**	948,743
Additions	**318,671**	1,162,844
Depreciation charge for the year	**(544,262)**	(354,341)
Balance at the end of the year	**1,531,655**	1,757,246

(b) Revaluation of land and buildings

The valuations of freehold land and buildings were carried out by an independent firm, John Watt and Associates Valuers and Development Consultants on 18 March 2017.

The current market value of the property has been assessed on the basis of direct comparison reflecting a rate per square metre of floor area with a check valuation carried out on the basis of a capitalisation of the estimated net return. The revaluation was based on this market value. The revaluation was made in accordance with a policy to revalue land and buildings every three years. Land and buildings were re-valued to $4,000,000 as at 30 June 2017 based upon this independent valuation.

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

	2017	2016
	$	$
Cost	**1,347,967**	1,347,967
Accumulated depreciation	**(1,124,054)**	(1,070,136)
Net book value	**223,913**	277,831

15 INTANGIBLE ASSETS

	2017	2016
	$	$
Computer software		
At cost	**2,357,765**	2,075,904
Accumulated amortisation	**(1,656,765)**	(1,437,048)
Net carrying amount	**701,000**	638,856

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

	2017	2016
Computer software		
Balance at the beginning of the year at cost	**638,856**	599,577
Additions	**352,305**	255,472
Amortisation expense	**(290,161)**	(216,193)
Balance at the end of the year	**701,000**	638,856

Notes to the Financial Statements

For the year ended 30 June 2017

16 DEPOSITS

	2017 $	2016 $
Current		
Call deposits (including withdrawable shares)	**448,037,102**	431,692,731
Term deposits	**104,033,363**	95,814,712
	552,070,465	527,507,443
Amount of deposits expected to be settled more than 12 months after the reporting date	**7,525,945**	6,040,167

(a) Concentration of deposits

There are no concentrations of deposits greater than 10% of total deposits.

(b) Fair value

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

17 OTHER PAYABLES

	2017 $	2016 $
Annual leave	**315,766**	303,882
Sundry creditors and accrued expenses	**582,033**	591,034
	897,799	894,916
Amount of other payables expected to be paid more than 12 months after the reporting date	**-**	-

Fair value

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

18 PROVISIONS

	2017 $	2016 $
Long service leave and associated costs	**683,512**	**587,438**
	683,512	**587,438**
Amount of provisions expected to be paid more than 12 months after the reporting date	**231,597**	140,222

19 REDEEMED PREFERENCE SHARE CAPITAL

	2017 $	2016 $
Redeemed preference share capital	**185,220**	177,030
	185,220	177,030

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

Notes to the Financial Statements

For the year ended 30 June 2017

20 RESERVES

	Credit loss reserve (a)	*Asset revaluation reserve (b)*	*General reserve (c)*	*Total*
	$	*$*	*$*	*$*
At 1 July 2015	951,680	3,235,725	54,743,062	58,930,467
Transfers				
- Credit loss reserve	7,871	-	(7,871)	-
- General reserve	-	-	1,962,979	1,962,979
At 30 June 2016	959,551	3,235,725	56,698,170	60,893,446
Transfers				
- Credit loss reserve	**(4,495)**	**-**	**4,495**	**-**
- General reserve	**-**	**72,789**	**1,179,794**	**1,252,583**
At 30 June 2017	**955,056**	**3,308,514**	**57,882,459**	**62,146,029**

Nature and purpose of reserves

(a) *Credit loss reserve*

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

(b) *Asset revaluation reserve*

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

(c) *General reserve*

The general reserve records funds set aside for future expansion and to ensure the prudential strength of the Credit Union.

Notes to the Financial Statements

For the year ended 30 June 2017

21 CASH FLOW STATEMENT RECONCILIATION

(a) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the statement of cash flows:

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

	2017	2016
	$	$
(b) Reconciliation of net profit after tax to net cash flows from operating activities		
Net profit	**1,187,984**	1,975,939
Adjustments for:		
Depreciation	**662,258**	472,337
Amortisation	**290,161**	216,194
Impairment of loans in advances	**288,924**	498,019
Changes in assets and liabilities		
(Increase)/Decrease in other receivables	**(140,525)**	(133,597)
(Increase)/Decrease in financial assets held to maturity	**(22,387,621)**	6,291,538
(Increase)/Decrease in loans and advances	**1,579,783**	(4,417,830)
(Increase)/Decrease in other assets	**(129,148)**	3,207
(Decrease)/Increase in current tax payable	**(162,628)**	(207,280)
(Decrease)/Increase in provisions	**96,074**	33,786
(Decrease)/Increase in other payables	**131,156**	(103,207)
(Decrease)/Increase in deferred tax liabilities	**(7,587)**	(52,767)
(Decrease)/Increase in deposits	**24,563,022**	(2,197,706)
Net cash flows from/(used in) operating activities	**5,971,853**	2,378,633

22 COMMITMENTS

(a) Leasing commitments

Operating lease commitments

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

	2017	2016
	$	$
Within one year	**251,144**	**245,847**
After one year but not more than five years	**566,488**	**811,297**
After more than five years	**-**	**-**
Total minimum lease payments	**817,632**	**1,057,144**

Notes to the Financial Statements

For the year ended 30 June 2017

22 COMMITMENTS (continued)

(a) Leasing commitments (continued)

Operating lease commitments comprise 3 leases:

(i) Ground Floor, 179 Ann Street, Brisbane - a five year extension of lease with monthly payments in advance. The lease expires on 30 June 2020.

(ii) Rockhampton Regional Office - a two year lease with monthly payments in advance effective from 1 May 2016 and expiring 30 April 2018.

(iii) Central Railway Station, Brisbane (Plaza Level) – a five year lease with monthly payments in advance effective from 16 December 2015 and expiring 15 December 2020.

(b) Outstanding loan commitments

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

	2017	*2016*
	$	*$*
Loans approved but not funded	**8,617,257**	12,137,352
Undrawn overdrafts	**79,432,312**	83,279,140

23 CONTINGENCIES

Credit Union Financial Support Scheme (CUFSS)

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

The balance of the debt at 30 June 2017 was Nil (2016: Nil).

24 AUDITORS' REMUNERATION

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

	2017	*2016*
	$	*$*
Amounts received or due and receivable by BDO Audit Pty Ltd for:		
• An audit or review of the financial report of the Credit Union	**76,500**	**68,500**
• Regulatory or prudential audits	**41,500**	**46,500**
	118,000	**115,000**

Notes to the Financial Statements

For the year ended 30 June 2017

25 STANDBY BORROWING FACILITIES

The Credit Union has a gross borrowing facility of:

	Approved Facility $	Current Borrowing $	Net Available $
2017			
Corporate Online Funds Transfer (NAB)	1,000,000	-	1,000,000
	1,000,000	-	1,000,000
2016			
Corporate Online Funds Transfer (NAB)	1,000,000	-	1,000,000
	1,000,000	-	1,000,000

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

26 KEY MANAGEMENT PERSONNEL

(a) Directors

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

Andrew R Haynes
Bronwyn (Bron) D Davies
Kellie L Dyer
Andrew J Hughes
Scott J Riedel
Henry C Scheuber
Michael (Mick) F Skinner

(b) Remuneration of Key Management Personnel

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2017

26 KEY MANAGEMENT PERSONNEL (continued)

(b) Remuneration of Key Management Personnel (continued)

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

	Directors		***Other KMP***	
	2017	*2016*	***2017***	*2016*
	$	*$*	***$***	*$*
Short-term	**248,041**	245,726	**854,546**	755,595
Post-employment (including superannuation)	**23,564**	24,181	**73,726**	68,461
Other Long-term (including long-service leave and annual leave)	**-**	-	**81,646**	76,865
	271,605	269,907	**1,009,918**	900,921

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

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

(c) Loans to KMP and their Close Family Members

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

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

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

	2017	*2016*
	$	*$*
The aggregate value of loans	**5,185,830**	4,864,332
The total value of other credit facilities to KMP as at the balance date amounted to:	**323,000**	625,000
Less amounts drawn down and included in the above balance	**(170,551)**	(255,863)
Net balance available	**152,449**	369,137
During the year the aggregate value of loans disbursed to KMP amounted to:		
Term loans	**2,048,757**	1,417,772
	2,048,757	1,417,772
During the year the aggregate value of revolving credit facility limits granted or increased to KMP amounted to:	**42,633**	-
Interest and other revenue earned on loans and revolving credit facilities to KMP and related parties	**179,072**	181,826

Notes to the Financial Statements

For the year ended 30 June 2017

26 KEY MANAGEMENT PERSONNEL (continued)

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

KMP have received interest on deposits with the Credit Union during the financial year. Interest has been paid to Directors on terms and conditions no more favourable than those available on similar transactions to members of the Credit Union. The Credit Union provide a 1% bonus interest rate on term deposits to Executives and other staff members. During the year one executive received this bonus interest.

	2017	*2016*
	$	*$*
Total value term and savings deposits at year end	**435,611**	**1,368,465**
Total interest paid on deposits	**5,798**	**16,301**

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

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

27 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

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

28 CLASSES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following is a summary of financial instruments by class.

	2017	*2016*
	$	*$*
Loans and receivables - measured at amortised cost		
Cash and cash equivalents	**20,092,703**	14,791,826
Other receivables	**761,578**	749,326
Loans and advances	**476,841,183**	478,709,890
	497,695,464	494,251,042
Held to maturity investments - measured at amortised cost		
Financial assets held to maturity	**110,734,903**	88,347,282
Financial assets available for sale or at cost		
Financial assets	**1,128,715**	1,128,715
Financial liabilities measured at amortised cost		
Deposits	**552,070,465**	527,507,443
Other payables	**897,799**	894,916
	552,968,264	528,402,359

Notes to the Financial Statements

For the year ended 30 June 2017

29 FAIR VALUE MEASUREMENT

(a) Fair value hierarchy

The Credit Union measures fair values of assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using:
  - quoted market prices in active markets for similar instruments
  - quoted prices for identical or similar instruments in markets that are considered less than active; or
  - other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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

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

(b) Fair value estimates

The fair value estimates were determined as follows:

Cash and cash equivalents and other receivables

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

Investments

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

The shareholdings in Cuscal and Indue are measured at cost as their fair value cannot be measured reliably. These companies were created by credit unions to supply services to the shareholding credit unions. Originally shares were held in Cuscal to enable the Credit Union to receive essential banking services. During the previous year the Credit Union purchased shares in Indue which now provides the banking services to the Credit Union. The shares in both companies are not able to be publicly traded and are not redeemable.

The financial reports of Cuscal and Indue record net tangible assets backing of these shares exceeding their cost value. Based on net assets of Cuscal and Indue, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily. Shares may be sold to other shareholders of the companies.

(ii) Assets measured at amortised cost: The carrying values of financial assets held to maturity approximate their fair value due to the short-term maturities of these securities.

Notes to the Financial Statements

For the year ended 30 June 2017

29 FAIR VALUE MEASUREMENT (continued)

(b) Fair value estimates (continued)

Loans and advances

For variable rate loans the carrying value is a reasonable estimate of fair value. The fair value for fixed rate loans was calculated by utilising discounted cash flow models based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio as at 30 June 2017.

Other payables

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

Deposits

The fair value of at call and variable rate deposits, and fixed rate deposits repriced within twelve months, approximates the carrying value. Discounted cash flow models based upon deposit types and related maturities were used to calculate net fair value of other term deposits. The discount rates applied were based on the current benchmark rate offered for the actual remaining term of the portfolio as at 30 June 2017.

(c) Financial assets and liabilities

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

		2017		*2016*	
	Note	***Carrying value $***	***Fair value $***	*Carrying value $*	*Fair value $*
Financial Assets					
Cash and cash equivalents	8	**20,092,703**	**20,092,703**	14,791,826	14,791,826
Other receivables	10	**761,578**	**761,578**	749,326	749,326
Financial assets held to maturity	11	**110,734,903**	**110,734,903**	88,347,282	88,347,282
Loans and advances	12	**476,841,183**	**478,609,362**	478,709,890	480,442,884
Financial assets available for sale at cost	9	**1,128,715**	**1,128,715**	1,128,715	1,128,715
Financial Liabilities					
Deposits	16	**552,070,465**	**552,507,857**	527,507,443	527,988,001
Other payables	17	**897,799**	**897,799**	894,916	894,916

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

(d) Fair value hierarchy levels

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

	Level 1 $	***Level 2 $***	***Level 3 $***	***Total $***
2017				
Financial Assets				
Financial assets available for sale	**-**	**1,128,715**	**-**	**1,128,715**
Non-Financial assets				
Land and buildings	**-**	**-**	**4,000,000**	**4,000,000**
2016				
Financial Assets				
Financial assets available for sale	-	1,128,715	-	1,128,715
Non-Financial Assets				
Land and buildings	-	-	4,250,000	4,250,000

Notes to the Financial Statements

For the year ended 30 June 2017

29 FAIR VALUE MEASUREMENT (continued)

(d) Fair value hierarchy levels (continued)

Other financial assets carried at cost
No fair value disclosures have been provided for financial assets available for sale (equity investment securities) of $1,128,715 (2016: $1,128,715) that are measured at cost because their fair value cannot be reliably measured. This pertains to the investments in CUSCAL and Indue Ltd, entities that provide products and services such as transaction processing, settlement services and ATM network services to members and other financial institutions.

Transfers into and out of the different fair value hierarchy levels are recognised at the date the event or change in circumstances that caused the transfer to occur. There have been no significant transfers into or out of each level during the year ended 30 June 2017 or the prior year.

The table below categorises assets and liabilities not measured and recognised at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	*Level 2*	*Level 3*	*Total Fair Values*	*Total Carrying Amount*
	$	*$*	*$*	*$*	*$*
2017					
Financial assets					
Financial assets held to maturity	**-**	**110,734,903**	**-**	**110,734,903**	**110,734,903**
Loans and advances	-	**478,609,362**	-	**478,609,362**	**476,841,183**
Financial Liabilities					
Deposits	-	**552,507,857**	-	**552,507,857**	**552,070,465**
2016					
Financial Assets					
Financial assets held to maturity	-	88,347,282	-	88,347,282	88,347,282
Loans and advances	-	480,442,884	-	480,442,884	478,709,890
Financial Liabilities					
Deposits	-	527,988,001	-	527,988,001	527,507,443

(e) Level 3 fair value hierarchy

	2017	*2016*
Movements in level 3 of the fair value hierarchy	***$***	*$*
Balance at the beginning of the financial year	**4,014,008**	4,132,004
Losses recognised in profit or loss	**(117,996)**	(117,996)
Gains recognised in other comprehensive income	**103,988**	-
Balance at the end of the financial year	**4,000,000**	4,014,008
Total gains/losses for the period included in other income in profit or loss that relate to assets held at the end of the reporting period	**-**	-

Notes to the Financial Statements

For the year ended 30 June 2017

29 FAIR VALUE MEASUREMENT (continued)

(e) Level 3 fair value hierarchy

Valuation techniques used to derive level 3 fair values recognised in the financial statements
The following table sets out the valuation techniques used to measure fair value within Level 3, including details of the significant unobservable inputs used and the relationship between unobservable inputs and fair value.

Description	***Valuation approach***	***Unobservable inputs***	***Range of inputs***	***Relationship between unobservable inputs and fair value***
Land and Buildings	Sale price comparison approach undertaken by an external valuer or the Board. Sale prices of comparable land and buildings in a similar location are adjusted for differences in key attributes such as property size and standard. The valuation model is based on a price per square meter.	Sale Prices	$2,972 to $5,000 per square metre	The greater the sale price per square metre of the property the greater the fair value.

Directors' Declaration

The Directors of Railways Credit Union Ltd declare that:

(a) The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the Corporations Act 2001 and:

(i) comply with Accounting Standards and the Corporations Regulations 2001; and

(ii) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date.

(b) The Credit Union has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards: and

(c) In the Directors' opinion, there are reasonable grounds to believe that Railways Credit Union Ltd will be able to pay its debts as and when they become due and payable.

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

Andrew R Haynes
Chair
Brisbane

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

Dated this 27th day of September 2017.

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INDEPENDENT AUDITOR'S REPORT

To the members of Railways Credit Union Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Railways Credit Union Ltd (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of Railways Credit Union Ltd, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_files/ar3.pdf.

This description forms part of our auditor's report.

BDO Audit Pty Ltd

P A Gallagher
Director

Brisbane, 27 September 2017

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