“We’re your Credit Union.”

Proudly 100% owned by our Members

Annual Report 2014

QANTAS Credit Union

Contents

Chairman's Report

"I am delighted to report another strong year for Qantas Credit Union."

Mark Boesen
Chairman

With what continues to be a highly competitive environment, I am pleased to report that Qantas Credit Union (QCU) has achieved a sound financial performance in 2014 and that our outlook remains positive.

The importance of growth

We continue to focus our attention on strategies to ensure our short and long term growth, prudent financial management and the provision of a better deal for our Members. However, while our financial results communicate our strength, it's vital that we continue to implement strategies to ensure we grow - and that involves ensuring our business returns a profit.

The importance of communicating our profit lies not in making a profit for profits sake. We are regulated in the same way as the banks; we have the same strict requirements to not only meet the prudential capital benchmarks required by our regulators but to prosper, grow and ensure the future sustainability of the business.

As a mutual our profits are not made to go into the pockets of shareholders; our profits are our source of capital, necessary to fund future growth. Rather we returned value back to Members in the form of better rates, fairer fees and enhancements to make banking easier.

This year we have put several initiatives in place to diversify our growth into new markets, in particular our naming rights sponsorship of the Qantas Credit Union Arena. Initiatives such as this raise our profile and increase the awareness of QCU as a viable alternative to the big banks.

Pursuing these growth opportunities will ensure we have the capital to continue to invest in technology, new products and services and to offer competitive rates and fairer fees to our Members.

Evolving the way you bank

Technology and banking services are continually changing, so it's important we make an investment in our technology now, to ensure we remain relevant to Members changing needs and provide the best in highly personalised service.

Over the last 18 months we have been exploring the leading and most cutting edge banking and system providers in the world, to help us deliver a banking platform where we can compete with, if not better, the big banks' digital offering.

We are pleased to report that we are now in the final stages of the vendor selection for this project, and are confident that our chosen partner will deliver products to service our Members' needs and exceed their expectations for years to come, as well as provide even better service in branch, with access to the best online, mobile and tablet technology.

The next phase will be implementation and we look forward to sharing updates with you throughout the next financial year.

100% owned by our Members

While we are proud of our history and association with Qantas Airways, I would like to take this opportunity to reinforce that we are a strong and financially secure financial institution which stands on our own feet. We are not owned or operated by any other business, airline or bank, we are proudly 100% owned by our Members and our Board is independent of any other entity.

Changes to the Board

We have continued our process of Board renewal over the year, with Katherine Grace joining the Board at the last AGM. Katherine brings extensive local and international business experience in corporate, property, finance and capital markets transactions and is a valuable addition to our Board.

Bill Bourke has announced that he will step down from the Board after our 2014 AGM. The Directors and I would like to thank Bill for his valuable contribution over the past 22 years; his business and industry experience has been greatly appreciated over the years and we wish him well.

Thank you

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

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

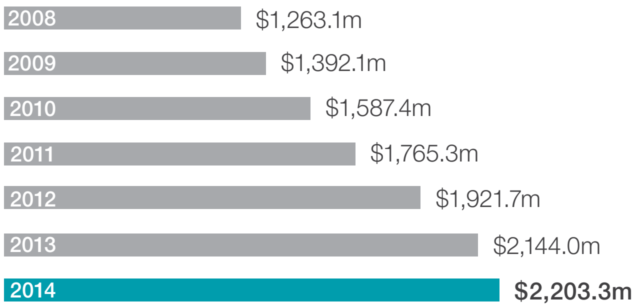
I would also like to thank our Members for their ongoing support – we look forward to ensuring you receive amongst the best in service, competitive rates, and products for the year ahead.

Mark Boesen

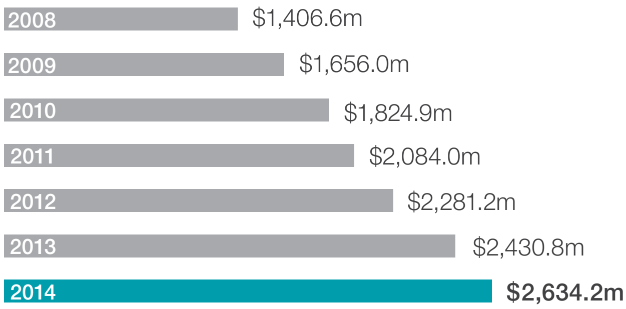
Chairman

30th September 2014

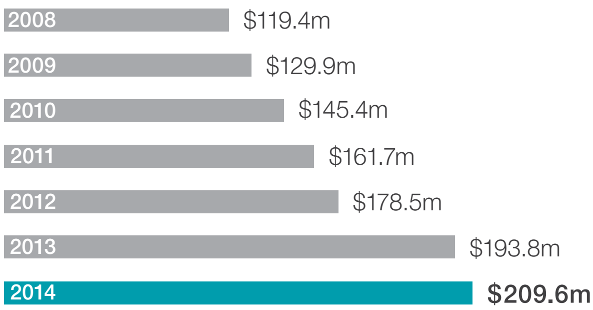
Loans to Members ($ millions)



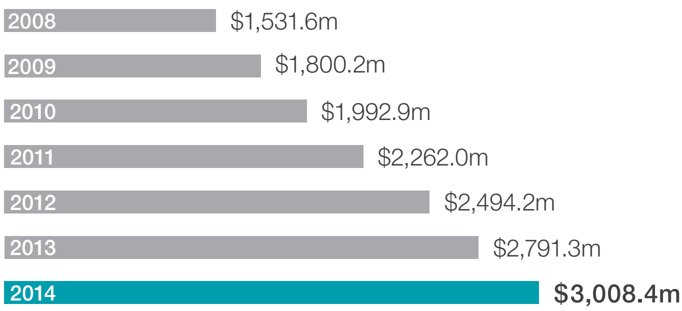
Members Deposits ($ millions)



Members Equity ($ millions)



Total Assets ($ millions)



Chief Executive Officer's Report to Members

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

Scott King
Chief Executive Officer

The past 12 months have seen Qantas Credit Union continue to focus on strategies to maintain our strength and sustainability. I'm particularly pleased to see the impact of our pricing and service strategy which has continued to deliver tangible benefits for our Members as seen in our Roy Morgan Member Satisfaction rating at an industry high of 88.6% and our Main Financial Institution (MFI) rating of 61.3% up from 57.4% in 2012.

Financial performance

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

Our end of year pre tax profit is $22.08 million, deposits have increased 8.4% to $2.63 billion and our loan book has increased by 2.8% to $2.20 billion.

Our total assets result of $3.01 billion places Qantas Credit Union as one of the largest Credit Unions in Australia, well positioned for growth and continued provision of value back to Members in the form of better rates, lower fees and great service.

Product development and enhancements

The past 12 months have been a particularly big year in product development and enhancements predominantly around ensuring the competitiveness of our home and investment loan offering.

Amongst our range we now have two packaged loan products, both with a host of features and benefits and no annual fee, as well as a new honeymoon rate product which offers a discount for the first two years.

This year has also seen the banks particularly aggressive in the fixed rate loan space and I'm pleased to report that we've been competitive, and our rates are equal if not better than their headline rates.

Qantas Points Banking launch/CANSTAR Innovation Award

Late last year we also launched our Qantas Points Banking range, a unique product offering where you can earn Qantas Points for your banking. We're one of only three financial institutions within Australia who have the exclusivity to offer these products and the only financial institution to offer a full suite of products including a home loan, car loan, savings account and credit card.

Pleasingly, we also won a financial services innovation award from rating agency CANSTAR for our Qantas Points Home Loan Package - a tribute to our team and our aim to continually innovate and provide our Members with rewarding products.

Mascot Campus

Branch footprint

We're continuously assessing the locations of our branches to best serve our Members whilst aligning us to locations with an opportunity for future growth.

This year we have made some great moves with the establishment of our Qantas campus branch at Mascot, opened in May, as well as our new kiosk-designed branch at the Sydney Domestic Terminal (T3) opened in July; both conveniently located for those working and travelling in and out of Sydney Airport.

Both sites host the latest in technology to provide Members with a more personalised and interactive experience; offering a range of banking services including lending specialists, financial planning, PIN change and ATM cash facilities.

We also recently moved our previously hard to find George street branch to a more central street front location on Hunter street.

Thank you

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

I would also like to extend a well earned thank you to our employees, Management team, and Directors for their commitment, forward thinking and drive to ensure our business continues to be successful and that our Members receive the best in banking and advice.

S. King

Scott King

Chief Executive Officer
30th September 2014

Directors' Report

The Directors present their report together with the consolidated financial statements of the Qantas Staff Credit Union Limited ("the Credit Union") and its subsidiary (together: "The Group") for the year ended 30 June 2014 and the auditor's report thereon.

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

Information on Directors

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

Name	Position	Qualifications	Age	Experience & Responsibilities
Mark Boesen	Chairman	BBus, CPA FAMI, MAICD	59	- Director since 1992 - Chairman, Board - Chairman, Executive & Remuneration Committee - Chairman, Project iQ Oversight Committee (from 28th January 2014) - Member, Nominations Committee - Currently, Partner S&K Accounting Solutions - Formerly, Qantas General Manager Retirement Programs and Qantas Superannuation - Formerly, Director of Qantas Superannuation Limited, Constellation Capital Management Limited and SeQant Asset Management Pty. Limited
David Hailes	Deputy Chairman	MBA, FAMI, MAICD	71	- Director since 1993 - Deputy Chairman, Board - Chairman, Audit & Compliance Committee - Member, Executive & Remuneration Committee - Member, Project iQ Oversight Committee (from 28th January 2014) - Formerly, Qantas Manager Flight Operations Support
Colin Adams	Non-Executive Director	MAMI, MAICD	65	- Director since 2008 - Member, Risk Committee - Director of Interrelate Family Centres Ltd, Columbia Securities Pty Ltd, Columbia Superannuation (NSW) Pty Ltd
Bill Bourke	Non-Executive Director	BSc (Qld), BEng Aero (Syd) MEngSc (Syd) AFAMI	73	- Director since 1992 - Member, Audit and Compliance Committee - Director, Sydney Maritime Museum Custodian Ltd - Formerly, Qantas Manager Environment – Aircraft Operations

Name	Position	Qualifications	Age	Experience & Responsibilities
Sarah Collins	Non-Executive Director	BEc, LLB, MAMI	48	- Director since 2001 - Member, Audit & Compliance Committee - Currently, Special Counsel – DLA Piper Australia - Formerly, Qantas General Manager Legal
Jeffrey Etherington	Non-Executive Director	BBus, MApplFin CFTP(Snr), GAICD MAMI, AICD, Fin and Treasury Assoc.	44	- Director since 2008 - Member, Risk Committee - Formerly, Group Treasurer - Qantas Airways
Henry Goodman	Non-Executive Director	FCPA, AFAMI	76	- Director since 1989 (resigned 27th November 2013) - Former Deputy Chairman - Formerly, Director of Qantas Superannuation Limited - Formerly, Finance Director, Qantek
Katherine Grace	Non-Executive Director	Master of Public Policy, BLaw, BA, AICD	39	- Director (elected 27th November 2013) - Member, Audit & Compliance Committee (from 28th January 2014) - Currently, General Counsel & Company Secretary Stockland Corporation
Gary Halliday	Non-Executive Director	FIPA, FAMI, JP	66	- Director since 2004 - Member, Audit & Compliance Committee (from 28th January 2014) - Member, Risk Committee - Member Project iQ Oversight Committee (from 28th January 2014) - Formerly, General Manager Qantas Staff Credit Union Limited

Directors' Report (continued)

Name	Position	Qualifications	Age	Experience & Responsibilities
Joshua Hatten	Non-Executive Director	MSc, BLaws(Hons) BEcSocSci Grad Dip LP MAMI, GAICD	30	- Director since November 2011 - Member, Audit and Compliance Committee - Senior Policy Advisor NSW Department of Premier and Cabinet - Director, ACON Health Ltd - Member, Finance and Audit Committee, ACON Health Ltd
Barry Phair	Non-Executive Director	FCPA, FAMI MAICD	69	- Director since 1990 - Former Deputy Chairman - Chairman, Risk Committee - Member, Executive & Remuneration Committee - Member Project iQ Oversight Committee (from 28th January 2014) - Formerly, Qantas General Manager Fleet & Long term Network Planning - Formerly, Qantas Strategic Planning Director - Formerly, Qantas Deputy Treasurer

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

Name	Qualifications	Age	Experience
Cindy Hansen	LLB (Hons) F Fin MAMI	47	- Company Secretary since 24 April 2007 - Currently, General Counsel and Company Secretary, Qantas Staff Credit Union Limited
Michael Anastasi	CA, B Comm MAMI	43	- Company Secretary since 25 September 2007 - Currently, Chief Financial Officer, Qantas Staff Credit Union Limited

Directors' Meetings

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

	Board Meetings		Committee Meetings	
Director	**Held**	**Attended**	**Held**	**Attended**
C. Adams	11	9	7	6
M. P. Boesen	11	11	14	14
W. L. Bourke	11	10	4	3
S. C. Collins	11	11	4	4
J. Etherington	11	10	7	7
H. Goodman *	5	5	1	1
K.Grace **	6	5	2	1
D. L. Hailes	11	11	17	17
G. Halliday	11	11	14	14
J. Hatten	11	11	4	4
B. G. Phair	11	11	20	20

* Resigned 27th November 2013

** Elected 27th November 2013

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

Directors' Report (continued)

Financial Performance Disclosures

Principal Activities

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

No significant changes to these activities occurred during the year.

Operating Results

Profit before income tax for the 2014 financial year was $22.08 million (2013: $21.70 million), reducing to $15.52 million (2013: $15.27 million) after providing $6.55 million (2013: $6.43 million) for taxation.

Dividends

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

Review of Operations

Total assets at year end were $3,008.42 million, representing an increase of $217.08 million, or 7.78% over the previous year. Included in total assets are Member loans and advances of $2,203.28 million, having risen by $59.33 million or 2.77%. Deposits increased by $203.34 million, or 8.36% to $2,634.17 million at year end. Total Member's equity at year end was $209.59 million, an increase of $15.80 million, or 8.15%. Continued Member support together with increased lending levels and competitive interest rates offered to depositors and borrowers, along with prudent expenditure controls, enabled the Group to further strengthen its financial position during the year.

Significant Changes in State of Affairs

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

Events Occurring after Balance Date

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

Indemnification of Directors and Officers

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

Insurance of Directors and Officers

During the financial year, the Group paid an insurance premium of $63,699 (2013: $84,893) in respect of Directors' and Officers' Liability and Company Reimbursement insurance policies for any past, present or future, Director, secretary or executive officer of the Group. The policy does not contain details of the premiums paid in respect of individual Directors or officers. The insurance policy does not cover payments made arising out of claims made against any Directors or officers by reason of any wrongful act in their capacity as Directors or officers.

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

Likely Developments

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

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

in the financial years subsequent to this financial year.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 12 and forms part of the Directors' report for financial year ended 30 June 2014.

Rounding

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

Public Prudential Disclosures

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

- Consolidated equity and regulatory capital,
- Risk exposure and assessment, and
- Remuneration disclosures.

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

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

Mark Boesen
Chairman

David Hailes
Deputy Chairman
Sydney

30th September 2014

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

To: the Directors of Qantas Staff Credit Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

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

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

KPMG

KPMG

Michael O Connell
Partner
Sydney

30th September 2014

Corporate Governance Statement

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

The Australian Prudential Regulation Authority (APRA) has issued Prudential Standard CPS 510 Governance, which sets out minimum foundations for good governance of regulated financial institutions, such as the Credit Union. This standard "aims to ensure that regulated institutions are managed in a sound and prudent manner by a competent Board of Directors, which is capable of making reasonable and impartial business judgements in the best interests of the regulated institution and which gives due consideration to the impact of its decisions on depositors".

Framework

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

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

The Credit Union is not bound by but has elected to adopt the 8 Corporate Governance Principles and Recommendations published by the Australian Stock Exchange Corporate Governance Council (ASX Principles), to the extent that the principles are appropriate to the Credit Union's particular circumstances as a non-listed, mutual, financial institution. The 3rd Edition of the ASX Principles was published in March 2014 and takes effect from an entity's first full financial year commencing on or after 1 July 2014. The Credit Union is considering the impact, if any, of the 3rd Edition of the ASX Principles on governance of Credit Union from 1 July 2014. References to principles in this report relate to the edition in effect for the 2013 –2014 financial year.

Corporate Governance Statement (continued)

Statement of Principles

Principle 1

Lay solid foundations for management and oversight

To establish and publish the respective roles and responsibilities of board and management.

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

The Board has the final responsibility for the successful operations of the Credit Union. In general, it is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Credit Union. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Credit Union. The Board is responsible for ensuring that the Credit Union complies with all of its contractual, statutory and any other legal obligations, including the requirements of the Australian Prudential Regulation Authority ("APRA") and the Australian Securities and Investments Commission ("ASIC") as well as any other regulatory body.

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

The Board currently has the following Committees:

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

The Credit Union's policies and procedures, including the Board and Committee Charters and the Delegations Manual, ensure a balance of authority so that no single individual has unfettered powers.

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

The performance of senior management (other than the Chief Executive Officer) is evaluated annually against defined objectives and key performance indicators by the Chief Executive Officer and reviewed by the Executive & Remuneration Committee. The performance of the Chief Executive Officer is evaluated annually against defined objectives and key performance indicators by the Executive & Remuneration Committee and reviewed by the Board.

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

Principle 2

Structure the board to add value

Have a board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

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

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

The overriding principle to which the Board has regard in relation to the structure of the Board is that all Directors must be fit and proper persons as defined in APRA Prudential Standard CPS 520 Fit and Proper. The Board Charter and the Credit Union's Fit and Proper Policy set out how the Credit Union assesses whether or not a person is fit and proper and the Board has established a Nominations Committee to assess the fitness and propriety of all candidates for appointment as a Director.

Collectively, the Board must have the necessary skills, knowledge and experience to understand the risks of the Credit Union, including its legal and prudential obligations, and to ensure that the Credit Union is managed in an appropriate way taking into account these risks.

The Credit Union regularly reviews the need for various skills and experience against the current skills and experience represented on the Board.

Given the size of the Credit Union and the business that it operates, the Board has determined to have a blend of skills, knowledge and experience in the following functional competencies:

- accounting and financial management
- senior level business management
- long term strategic planning
- enterprise risk management
- retail banking financial and prudential reporting.

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

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

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

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

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

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

Corporate Governance Statement (continued)

Statement of Principles (continued)

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

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

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

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

A Director of the Credit Union is expected to exercise considered and independent judgment on the matters before them. To discharge this expectation, the Board Charter sets out the process for a Director to seek independent, expert opinion on matters before them at the expense of the Credit Union, subject to authority limits.

Principle 3

Promote ethical and responsible decision making

Actively promote ethical and responsible decision-making.

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

The Board has adopted a Corporate Social Responsibility Policy and has implemented and enforced a strict Directors' and Officers' Code of Conduct. Under this Code, all Directors, Officers and employees must comply at all times, with all laws governing the Credit Union's operations and in keeping with the highest legal, moral and ethical standards.

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

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

The Credit Union recognises its talented and diverse workforce as a key competitive advantage. Our business success is a reflection of the quality and skill of our people. The Credit Union is committed to seeking out and placing the right people in the right role for continual business growth and performance.

As at 31 March 2014, the Credit Union gender diversity split was 68.7% female and 31.3% male. The Board was 20% female and 80% male. As we move through to Senior Executive it was 33% female and 67% male and Senior Management (excluding Executive Management) was also 33% female and 67% male. At team leader/Assistant Manager level it was 55% female and 45% male.

Through our robust recruitment and selection process as well as structured and tailored training and development we are committed to ensuring that we have a talented and diverse workforce at all levels to achieve the Credit Union's strategic goals and objectives.

The Credit Union is committed to the principles and promotion of equal opportunity to create a working environment free from discrimination. The key principals of this policy are that all employment decisions will be based on merit and equality of opportunity to build and maintain a culture in which diversity is valued.

Corporate Governance Statement (continued)

Statement of Principles (continued)

Principle 4

Safeguard integrity in financial reporting

Have a structure to independently verify and safeguard the integrity of the company's financial reporting.

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

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

The principal responsibilities of the Audit and Compliance Committee are set out in its Charter. The Audit and Compliance Committee is structured to comply with APRA prudential standards. The Audit & Compliance Committee meets at least 3 times per year.

Principle 5

Make timely and balanced disclosure

Promote timely and balanced disclosure of all material matters concerning the company.

The Credit Union is not a listed company and therefore is not required to comply with the ASX Listing Rules for disclosure. However, the Board still has in place mechanisms designed to ensure that:

- all Members have equal and timely access to material information concerning the Credit Union – including its financial situation, performance and governance;
- the Credit Union's announcements are factual and presented in a clear and balanced way.

Principle 6

Respect the rights of Members

Respect the rights of Members and facilitate the effective exercise of those rights.

The Board and Management of the Credit Union respect the rights of Members, and facilitate the effective exercise of those rights by:

- communicating effectively with Members;
- giving Members ready access to balanced and understandable information about the Credit Union and its corporate objectives;
- making it easy for Members to participate in general meetings.

Principle 7

Recognise and manage risk

Establish a sound system of risk oversight and management and internal control.

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

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

The Board has established a Risk Committee to assist the Board to manage and monitor material business risks. The principal responsibilities of the Risk Committee are set out in its Charter.

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

Management have reported to the Board as to the effectiveness of the Credit Union's management of its material business risks and the Chief Executive Officer and Chief Financial Officer have declared to the Board that a sound system of risk management and internal control is in place and is operating effectively in all material respects in relation to financial reporting risks.

Principle 8

Remunerate fairly and responsibly

Ensure the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is clear.

The Credit Union has adopted remuneration policies that attract and maintain appropriately experienced Directors and employees so as to encourage enhanced performance by the Credit Union and the offering of the highest level of service to Members. There is a clear relationship between performance and remuneration of executive employees.

The Executive & Remuneration Committee assists the Board by recommending compensation of the Chief Executive Officer and Directors' fees to the Board for approval and reviewing remuneration proposals made by the CEO for senior management. The principal responsibilities of the Executive & Remuneration Committee are set out in its Charter.

There is no scheme in place for retirement benefits for Directors, other than superannuation.

Independent Auditor's Report
to the Members of Qantas Staff Credit Union Limited

Report on the Financial Report

We have audited the accompanying financial report of Qantas Staff Credit Union Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 30 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

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

KPMG

KPMG

Michael O Connell
Partner

Sydney
30th September 2014

Directors' Declaration

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

(a) the consolidated financial statements and notes that are contained on pages 25 to 65 are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

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

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

2 The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2014.

Signed in accordance with a resolution of the Directors:

Mark Boesen, Chairman
Director

David Hailes, Deputy Chairman
Director

Sydney
30th September 2014

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2014

	Note	2014 $000	2013 $000
Interest revenue	2a	140,206	145,217
Interest expense	2b	(87,661)	(95,112)
Net interest income		**52,545**	**50,105**
Other income	2c	10,912	10,380
Total operating income		**63,457**	**60,485**
Non interest expenses			
Impairment losses on loans and advances	2d	(693)	(1,030)
Other expenses	2e	(40,689)	(37,760)
Profit before income tax		**22,075**	**21,695**
Income tax expense	3	(6,552)	(6,429)
Profit after income tax		**15,523**	**15,266**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Net fair value gain/(loss) on available for sale financial assets, net of tax		389	-
Net movement on cash flow hedge, net of tax		(117)	-
Total comprehensive income		**15,795**	**15,266**

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Financial Statements set out on pages 29 to 65.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Note	Capital Reserve $000	General Reserve for Credit Losses $000	Cash Flow Hedge Reserve $000	Available for Sale Reserve $000	Retained Profits $000	Total $000
Total as at 1 July 2012		**267**	**5,400**	**-**	**-**	**172,860**	**178,527**
Profit for the year	19	-	-	-	-	15,266	15,266
Transfers to/(from) Reserves	18	35	520	-	-	(555)	-
Total as at 30 June 2013		**302**	**5,920**	**-**	**-**	**187,571**	**193,793**
Profit for the year	19	-	-	-	-	15,523	15,523
Other comprehensive income							
Items that may be reclassified to profit or loss:							
Net fair value gain/(loss) on available for sale financial assets, net of tax		-	-	-	389	-	389
Net movement on cash flow hedge, net of tax		-	-	(117)	-	-	(117)
Transfers to/(from) Reserves	18	13	520	-	-	(533)	-
Total as at 30 June 2014		**315**	**6,440**	**(117)**	**389**	**202,561**	**209,588**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements set out on pages 29 to 65.

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	2014 $000	2013 $000
ASSETS			
Cash	4	85,491	72,071
Receivables	5	4,492	3,875
Held to Maturity Financial Instruments	6	210,101	562,315
Loans and advances to Members	7	2,203,281	2,143,950
Available for Sale Assets	9	497,856	1,935
Plant and equipment	10.a	3,420	3,186
Intangibles	10.b	482	837
Prepayments & Debtors	11	1,819	1,559
Deferred Tax Assets	12	1,480	1,619
TOTAL ASSETS		**3,008,422**	**2,791,347**
LIABILITIES			
Payables to other Financial Institutions	13	146,384	144,676
Deposits	14	2,634,165	2,430,829
Creditor accruals and settlement accounts	15	14,664	18,555
Derivative liability		168	-
Current tax liability	16	1,407	1,322
Provisions	17	2,046	2,172
TOTAL LIABILITIES		2,798,834	2,597,554
NET ASSETS		**209,588**	**193,793**
MEMBERS' EQUITY			
Reserves	18	**7,027**	**6,222**
Retained earnings	19	**202,561**	**187,571**
TOTAL MEMBERS' EQUITY		**209,588**	**193,793**

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements set out on pages 29 to 65.

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	Note	2014 $000	2013 $000
OPERATING ACTIVITIES			
Interest received		139,483	145,759
Fees and commissions received		10,675	10,101
Dividends received		232	242
Interest paid		(90,480)	(95,807)
Cash paid to suppliers and employees		(39,356)	(36,164)
Income taxes paid		(6,326)	(5,215)
Net (increase) in member loans		(60,024)	(223,321)
Net increase in deposits and shares		204,060	300,031
Net (increase) in receivables from other financial institutions		(143,152)	(79,099)
Net cash from operating activities	**27b**	**15,112**	**16,527**
INVESTING ACTIVITIES			
Proceeds on sale of property, plant and equipment		115	-
Purchase of property plant and equipment		(1,641)	(1,577)
(Purchase)/Sale of Investments		-	1,659
Purchase of intangibles		(166)	(647)
Net cash used in investing activities		**(1,692)**	**(565)**
Total net cash increase		**13,420**	**15,962**
Cash at beginning of year		72,071	56,109
Cash at end of year	**27a**	**85,491**	**72,071**

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements set out on pages 29 to 65.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

1. Statement of Accounting Policies

Qantas Staff Credit Union Limited (the "Company" or the "Credit Union") is a company domiciled in Australia. The address of the Company's registered office is 420 Forest Road, Hurstville, NSW 2220. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and the MEAA Funding Trust (the "Trust"), a Special Purpose Vehicle deemed under the Accounting Standards to be controlled by the Credit Union, for the year ended the 30 June 2014 (together referred to as the "Group"). The Group is a for-profit entity and primarily is involved in the provision of financial products, services and associated activities to Members.

a. Basis of Preparation

(i) Statement of compliance

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

The consolidated financial statements were authorised for issue by the Board of Directors on 30th September 2014.

(ii) Basis of measurement

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

(iii) Functional and presentation currency

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

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

(iv) Use of estimates and judgements

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

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

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

(v) Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 1b to all periods presented in the financial statements. The Group has adopted Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7), AASB 13 Fair Value Measurement, AASB 10 Consolidated Financial Statements (2011), AASB 11 Joint Arrangements, AASB 119 Employee Benefits (Amended) and AASB 12 Disclosure of Interests in Other Entities with a date of initial application of 1 July 2013. The nature and effects of the changes are explained below.

Fair value measurement

AASB 13 Fair Value Measurement establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other AASBs. It unifies the definition of fair value as 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 replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7. As a result, the Group has included additional disclosures in this regard (see Note 21). In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no impact on the measurements of the assets and liabilities.

Offsetting of financial assets and financial liabilities

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities requires additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with Group's recognised financial assets and recognised financial liabilities, on the Group's financial position. The amendments did not have any impact on the Group's financial position or performance however has resulted in additional disclosure in the notes to the financial statements.

Subsidiaries

As a result of AASB 10 (2011) Consolidated Financial Statements, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of AASB 10 (2011), the Group reassessed the control conclusion for its investees at 1 July 2013. The Group has not changed its control conclusion in respect of its investments as a result of the adoption of AASB 10.

Joint arrangements

AASB 11 Joint Arrangements aims to provide a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The Group has not entered into any joint arrangements therefore there was no impact for the Group.

Disclosure of interests in other entities

AASB 12 Disclosure of Interest's in Other Entities requires entities to disclose significant judgments and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some other interests in other entities. Entities are also required to provide more disclosures around certain structured entities. The adoption of the standard does not have a material impact on the Group.

Employee Benefits

The amendments to AASB 119 Employee Benefits revise accounting for a number of employee transactions. The Group has reconsidered the measurement of annual leave. However, the amendments did not have material impact on the measurement of liabilities.

b. Significant Accounting Policies

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

c. Loans to Members

(i) Basis of inclusion

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

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

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

(ii) Interest earned

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

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

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

d. Loan Impairment

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

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

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

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

e. Bad Debts Written Off

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

f. Plant and Equipment

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

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

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

Assets less than $300 are not capitalised.

g. Advances to Other Financial Institutions

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

h. Financial Instruments

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

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

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

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

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

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

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

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

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

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

i. Deposits

(i) Basis for determination

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

(ii) Interest on deposits

At Call

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

Term Deposits

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

Retirement Savings Account (RSA)

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

j. Borrowings

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

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

k. Provision for Employee Benefits

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

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

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

l. Leasehold on Premises

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

A provision is recognised for the lease incentive benefits on the operating leases, where applicable, based on the Net Present Value of the future payments during the life of the lease, discounted at the relevant rate of increase, as specified in the lease agreement. Increases in the provision in future years shall be recognised as part of the interest expense.

m. Income Tax

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

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

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

n. Goods and Services Tax (GST)

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

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

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

o. Impairment of Assets

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

p. Principles of Consolidation

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

q. Redeemable Preference Shares

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

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

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

s. Other Trade and Other Receivables

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

t. Cash and Cash Equivalents

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

u. Expenses – Operating Lease Payments

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

v. Intangibles – Computer Software Costs

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

w. Trade and Other Payables

Trade and other payables are stated at their amortised cost.

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

x. New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

2. Statement of Profit or Loss and Other Comprehensive Income

a. Analysis of interest revenue and expense

	2014 $000	2013 $000
Category of interest bearing assets		
Loans and advances to Members	117,978	121,669
Investment Securities	13,214	13,238
Call Deposits with other Financial Institutions	1,774	2,091
Term Deposits with other Financial Institutions	6,519	7,355
Regulatory Deposits	721	864
TOTAL INTEREST REVENUE	**140,206**	**145,217**

b. Category of interest bearing liabilities

	2014 $000	2013 $000
Deposits	87,651	95,105
Bank Overdraft	10	7
TOTAL INTEREST EXPENSE	**87,661**	**95,112**

c. Other Income

	2014 $000	2013 $000
Fees and Commissions	10,360	9,917
Dividends received	232	242
Bad debts recovered	294	237
Gain on disposal of property, plant and equipment	26	-
Loss on disposal of Available for Sale Financial Instruments	-	(16)
TOTAL OTHER INCOME	**10,912**	**10,380**

d. Impairment losses on loans and advances

	2014 $000	2013 $000
Bad debts written off directly against profit	797	964
(Release) / addition to provision for doubtful debts	(104)	66
TOTAL IMPAIRMENT LOSSES ON LOANS & ADVANCES	**693**	**1,030**

e. Other Expenses

	2014 $000	2013 $000
Salaries and on costs	13,565	12,594
Superannuation costs	1,017	964
Transaction costs	10,671	10,464
Information technology	3,769	3,439
Insurance and legal	462	401
Directors remuneration	593	546
Depreciation of plant and equipment	1,292	1,061
Amortisation of intangibles	520	363
Amounts set aside to provisions:		
Employee entitlements	200	285
Rental – operating leases	2,381	1,762
Research & Development costs expensed	632	455
Supervision levies	158	115
Marketing costs	2,911	2,709
Other costs	2,518	2,602
TOTAL OTHER EXPENSES	**40,689**	**37,760**

f. Auditor's Remuneration

	2014 $	2013 $
Statutory Audit	152,540	145,000
Regulatory Audits	48,438	46,045
Subtotal	**200,978**	**191,045**
Non Audit Services	272,467	302,316
TOTAL	**473,445**	**493,361**

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

3. Income Tax Expense

	2014 $000	2013 $000
a. Current tax expense		
Current year	6,529	6,517
Prior year under provision for current tax	-	(16)
Deferred Tax Expense		
Prior year under provision for deferred tax	-	(2)
(Decrease) in deferred tax liability	(3)	(82)
Decrease in deferred tax asset	26	12
TOTAL INCOME TAX EXPENSE IN INCOME STATEMENT	**6,552**	**6,429**
b. Reconciliation between Tax Expense and Pre Tax Net Profit		
Profit before tax	**22,075**	**21,695**
Income tax using the Company tax rate of 30%	6,622	6,509
Tax effect of expenses/income		
- Other non-deductible expenses	3	11
- Prior year under/(over) provision for income tax	-	(18)
- Rebatable dividend imputation credits	(73)	(73)
INCOME TAX EXPENSE ATTRIBUTABLE TO PROFIT	**6,552**	**6,429**

4. Cash

	2014 $000	2013 $000
Cash on hand	894	1,960
Deposits at call		
Cash at Bank	32,980	52,203
Other Financial Institutions	13,332	10,000
Other Authorised Deposit-taking Institutions	38,285	7,908
TOTAL CASH	**85,491**	**72,071**

	2014 $000	2013 $000

5. Receivables

	2014 $000	2013 $000
Interest receivable	3,283	2,578
Sundry debtors and settlement accounts	1,209	1,297
TOTAL RECEIVABLES	**4,492**	**3,875**
Maturity Analysis		
Not longer than 3 months	4,492	3,875
3 to 12 months	-	-
	4,492	**3,875**

6. Held to Maturity Financial Instruments

	2014 $000	2013 $000
Other public securities:		
Bank issued certificates of deposit	-	270,155
Floating rate notes	-	60,087
	-	330,242
Deposits with other Authorised Deposit-taking Institutions	210,101	232,073
TOTAL HELD TO MATURITY FINANCIAL INSTRUMENTS	**210,101**	**562,315**
Maturity Analysis		
Not longer than 3 months	-	484,433
3 to 12 months	210,101	77,882
	210,101	**562,315**
Fair Value		
Bank issued certificates of deposit	-	270,307
Floating rate notes	-	60,560
Deposits with other Authorised Deposit-taking Institutions	210,127	232,099
	210,127	**562,966**

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

7. Loans and Advances

	2014 $000	2013 $000
Amount due comprises		
Overdrafts and revolving credit	43,063	43,430
Term loans	2,161,704	2,102,110
Subtotal	**2,204,767**	**2,145,540**
Less:		
Provision for impaired loans (Note 8)	(1,486)	(1,590)
TOTAL LOANS AND ADVANCES	**2,203,281**	**2,143,950**
Maturity analysis - gross loans and advances		
Not longer than 3 months	45,213	48,887
Longer than 3 months and not longer than 12 months	5,435	5,406
Longer than 1 year and not longer than 5 years	244,550	207,046
Longer than 5 years	1,909,569	1,884,201
	2,204,767	**2,145,540**

The Credit Union has established the MEAA Funding Trust to provide access to emergency liquidity support in the event of a systemic liquidity crisis. The Credit Union sells the rights to future cash flows of eligible residential home loans into the Trust and receives funds equal to the aggregated outstanding balances on all loans which the Trust has purchased and subsequently issued Notes for investors to invest in. Two classes of notes were issued by the Trust and both are fully owned by the Credit Union. Whilst the rights to the underlying cash flows have been transferred, the Credit Union has been appointed to service the loans and accordingly must continue to manage the loans as if it were the lender. The Trust is in substance controlled by the Group. Accordingly, the Trust is consolidated and the loans are included in the Group's statement of financial position.
The balance of securitised loans included in Note 7 is $189,263,056 (30 June 2013: $146,214,769).

8. Provision on Impaired Loans

a. Total Provision Comprises

	2014 $000	2013 $000
Specific provisions	-	-
Collective provisions	1,486	1,590
TOTAL PROVISION	**1,486**	**1,590**

b. Movement in the Specific Provision

	2014 $000	2013 $000
Balance at the beginning of year	-	-
Amounts written off against the specific provision	-	-
Increase/(decrease) in provision	-	-
Specific provision balance at end of year	-	-

c. Movement in the Collective Provision

	2014 $000	2013 $000
Balance at the beginning of year	1,590	1,524
Increase/(decrease) in provision	(104)	66
Collective provision balance at end of year	**1,486**	**1,590**

d. Impaired Loans Written Off

	2014 $000	2013 $000
Amounts written off directly to expense	797	964
Total bad debts	**797**	**964**
Bad debts recovered in the period	294	237
	294	**237**

	2014 $000	2013 $000

9. Available for Sale Financial Instruments

	2014 $000	2013 $000
Shares in unlisted corporations		
Indue Limited	1,935	1,935
Other securities:		
Bank issued certificates of deposit	345,354	-
Floating rate notes	150,567	-
TOTAL AVAILABLE FOR SALE FINANCIAL INSTRUMENTS	**497,856**	**1,935**
Maturity Analysis		
Not longer than 3 months	207,447	-
3 to 12 months	288,474	-
No maturity	1,935	1,935
	497,856	**1,935**
Fair Value		
Bank issued certificates of deposit	345,354	-
Floating rate notes	150,567	-
Shares in Indue	1,935	1,935
	497,856	**1,935**

Indue Limited

The shareholding in Indue Limited is measured at cost as its fair value could not be measured reliably. This company was created to supply services to member credit unions and the shares are held to enable the Group to receive essential banking services. The shares are not able to be publicly traded and are not redeemable by Qantas CU.

While classified as available for sale financial instruments under the Accounting Standards, the Group is not intending, nor able, to dispose of these instruments.

The available for sale financial instruments relating to Indue Limited would be classified within level 3 of the fair value hierarchy under AASB 7 Financial Instruments: Disclosures.

Reclassification of financial instruments

During the year, the Group reclassified held to maturity securities with the carrying value of $330,242,000 from held to maturity to available for sale category as it more accurately reflects the ongoing nature of the securities portfolio.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

10a. Plant and Equipment

	2014 $000	2013 $000
Leasehold property Improvements - at cost	7,880	7,014
Less: provision for depreciation	(5,890)	(5,299)
	1,990	1,715
Office furniture and equipment - at cost	1,691	1,502
Less: provision for depreciation	(1,301)	(1,182)
	390	320
Computer equipment - at cost	3,867	3,569
Less: provision for depreciation	(3,332)	(2,952)
	535	617
Motor vehicles - at cost	800	877
Less: provision for depreciation	(295)	(343)
	505	534
TOTAL PLANT AND EQUIPMENT – NET BOOK VALUE	**3,420**	**3,186**

Movement in the assets balances during the year were:

Plant & Equipment	2014		2013	
	Leasehold improvements $000	Other plant & equipment $000	Leasehold improvements $000	Other plant & equipment $000
Opening balance	1,715	1,471	1,405	1,263
Purchases	866	775	738	843
Less:				
Assets disposed	-	(115)	-	(2)
Depreciation charge	(591)	(701)	(428)	(633)
Balance at the end of the year	**1,990**	**1,430**	**1,715**	**1,471**

10b. Intangibles

	2014 $000	2013 $000
Computer Software - at cost	6,397	6,232
Less: provision for amortisation	(5,915)	(5,395)
TOTAL INTANGIBLES	**482**	**837**

Movement in the Intangibles balances during the year were:

Computer Software	**2014 $000**	**2013 $000**
Opening balance	837	553
Purchases	166	647
Less:		
Assets disposed	-	-
Amortisation charge	(521)	(363)
Balance at the end of the year	**482**	**837**

11. Prepayments & Debtors

Prepayments	931	783
Debtors	28	8
Capitalised Expenses	860	768
TOTAL PREPAYMENTS & DEBTORS	**1,819**	**1,559**
Maturity Analysis		
Less than 12 months	931	1,551
Greater than 12 months	888	8
	1,819	**1,559**

12. Deferred Tax

Net Deferred Tax Asset/(Liability)	**1,480**	**1,619**
Net Deferred Tax Assets represents the estimated future tax benefit/liability at the applicable rate of 30% on the following items:		
Deferred Tax Assets		
- Provisions for impairment on loans	445	477
- Provisions for employee benefits not currently deductible	615	652
- Lease liability	1	16
- Other accruals	194	182
- Fixed assets	341	295
- Financial Instruments	51	-
	1,647	**1,622**
Deferred Tax Liabilities		
- Prepayments	-	(3)
- Financial Instruments	(167)	-
	(167)	**(3)**
NET DEFERRED TAX ASSETS/(LIABILITIES)	**1,480**	**1,619**

13. Payables Due to Other Financial Institutions

	2014 $000	2013 $000
Repurchase agreement with the RBA	-	-
Electronic Certificates of Deposits issued	146,384	144,676
TOTAL PAYABLES TO OTHER FINANCIAL INSTITUTIONS	146,384	144,676
Maturity analysis		
Not longer than 3 months	142,945	139,850
Longer than 3 and not longer than 6 months	3,439	-
Longer than 6 and not longer than 12 months	-	4,826
	146,384	**144,676**

14. Deposits

	2014 $000	2013 $000
Deposits		
- Call deposits	1,724,788	1,436,264
- Superannuation Savings Accounts	286,384	253,334
- Term deposits	622,238	**740,466**
Total deposits	**2,633,410**	**2,430,064**
Member withdrawable shares	755	765
TOTAL DEPOSITS & SHARES	**2,634,165**	**2,430,829**
Maturity analysis		
At call	2,141,204	1,816,252
Not longer than 3 months	218,306	220,459
Longer than 3 and not longer than 6 months	183,376	232,249
Longer than 6 and not longer than 12 months	77,980	149,667
Longer than 12 months and not longer than 5 years	13,299	12,202
	2,634,165	**2,430,829**

Customer or Industry Groups

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

Charge on Members' accounts

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

15. Creditor Accruals and Settlement Accounts

	2014 $000	2013 $000
Creditors and accruals	3,010	3,101
PAYG Tax RSA	-	2
Interest payable on deposits	6,855	9,694
Sundry creditors	4,799	5,758
TOTAL CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS	**14,664**	**18,555**

16. Taxation Liabilities

	2014 $000	2013 $000
Current income tax liability	1,407	1,322
TOTAL TAXATION LIABILITIES	**1,407**	**1,322**
Current income tax liability comprises:		
Balance – previous year	1,322	38
Income tax paid	(7,134)	(5,998)
RSA tax liability	690	783
Liability for income tax in current year	6,529	6,517
Understatement in prior year	-	(18)
	1,407	**1,322**

17. Provisions

	2014 $000	2013 $000
Employee entitlements	2,046	2,172
Other	-	-
TOTAL PROVISIONS	**2,046**	**2,172**
Provisions movements		
Employee Entitlements		
Balance – previous year	2,172	2,094
Less amounts paid	(326)	(212)
Increases in provision	200	290
Closing balance	**2,046**	**2,172**
Other		
Balance – previous year	-	127
Less amounts paid	-	(127)
Closing balance	**-**	**-**

18. Reserves

	2014 $000	2013 $000
a. Capital Reserve Account	315	302
b. General Reserve for Credit Losses	6,440	5,920
c. Cash Flow Hedge Reserve	(117)	-
d. Available for Sale Reserve	389	-
TOTAL RESERVES	**7,027**	**6,222**
Capital Reserve Account		
Balance at the beginning of the year	302	267
Transfer from retained earnings on share redemptions	13	35
Balance at the end of year	**315**	**302**

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

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

General Reserve for Credit Losses	2014 $000	2013 $000
Balance at the beginning of the year	5,920	5,400
Add: increase/(decrease) transferred from retained earnings	520	520
Balance at end of year	**6,440**	**5,920**

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

Cash Flow Hedge Reserve

Balance at the beginning of the year	-	-
Movement of cash flow hedge	(168)	-
Effect of tax	51	-
Balance at end of year	**(117)**	**-**

Available for Sale Reserve

Balance at the beginning of the year	-	-
Fair value gain/(loss) on available for sale financial assets	556	-
Effect of Tax	(167)	-
Balance at end of year	**389**	**-**

19. Retained Earnings

Retained profits at the beginning of the financial year	187,571	172,860
Add: operating profit for the year	15,523	15,266
Less: Transfer to reserve for credit losses in year	(520)	(520)
Less: Transfer to capital account on redemption of shares	(13)	(35)
Retained profits at the end of the financial year	**202,561**	**187,571**

20. Interest Rate Change Profile of Financial Assets and Liabilities

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

2014 **ASSETS**	Up to 3 months $000	Up to 12 months $000	1-5 years $000	Non interest bearing $000	Total $000
Cash	84,597	-	-	894	**85,491**
Receivables	4,492	-	-	-	**4,492**
Available for sale assets:					
Shares in Indue Ltd	-	-	-	1,935	**1,935**
Certificates of deposit	345,354	-	-	-	**345,354**
Floating rate notes	150,567	-	-	-	**150,567**
Authorised deposit taking institutions	210,101	-	-	-	**210,101**
Loans & advances	2,119,797	9,774	73,710	-	**2,203,281**
Other assets	-	-	-	5,721	**5,721**
Total Assets	**2,914,908**	**9,774**	**73,710**	**8,550**	**3,006,942**
LIABILITIES					
Payables to other FIs	146,384	-	-	-	**146,384**
Deposits	2,358,756	261,355	13,299	-	**2,633,410**
Redeemable Preference Shares	-	-	-	755	**755**
Provisions	-	-	-	2,046	**2,046**
Payables	-	-	-	14,664	**14,664**
Derivative Liability	25	88	55	-	**168**
Total Liabilities	**2,505,165**	**261,443**	**13,354**	**17,465**	**2,797,427**

2013 **ASSETS**	Up to 3 months $000	Up to 12 months $000	1-5 years $000	Non interest bearing $000	Total $000
Cash	70,111	-	-	1,960	**72,071**
Receivables	3,875	-	-	-	**3,875**
Investment Securities:					
Bills of exchange	-	-	-	-	**-**
Certificates of deposit	270,155	-	-	-	**270,155**
Floating rate notes	60,087	-	-	-	**60,087**
Authorised deposit taking institutions	232,073	-	-	-	**232,073**
Loans & advances	2,116,979	6,777	20,194	-	**2,143,950**
Available for sale assets	-	-	-	1,935	**1,935**
Other assets	-	-	-	5,582	**5,582**
Total Assets	**2,753,280**	**6,777**	**20,194**	**9,477**	**2,789,728**
LIABILITIES					
Payables to other FIs	144,676	-	-	-	**144,676**
Deposits	2,035,945	381,917	12,202	-	**2,430,064**
Redeemable Preference Shares	-	-	-	765	**765**
Provisions	-	-	-	2,172	**2,172**
Payables	-	-	-	18,555	**18,555**
Total Liabilities	**2,180,621**	**381,917**	**12,202**	**21,492**	**2,596,232**

21. Fair Value of Financial Assets and Liabilities

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

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

	2014			2013	
	Fair Value $000	Book Value $000	Fair Value Level	Fair Value $000	Book Value $000
FINANCIAL ASSETS					
Investment Securities:					
Shares in Indue Ltd	1,935	1,935	Level 3	1,935	1,935
Certificates of deposit	345,354	345,354	Level 2	270,307	270,155
Floating rate notes	150,567	150,567	Level 2	60,560	60,087
Authorised deposit taking institutions	210,127	210,101	Level 2	232,099	232,073
Loans & advances	2,203,216	2,203,281	Level 2	2,144,029	2,143,950
FINANCIAL LIABILITIES					
Payables to Other FI's	146,942	146,384	Level 2	144,698	144,676
Deposits	2,633,512	2,633,410	Level 2	2,430,267	2,430,064
Derivative liability	168	168	Level 2	-	-

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

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

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

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

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

There have been no transfers between levels for the year ended 30 June 2014.

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

Cash Assets

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

Receivables

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

Investment Securities

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

Loans and Advances

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

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

Other Assets

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

Deposits

The book value of non interest bearing, call and variable rate deposits, and fixed rate deposits is the amount shown in the Statement of Financial Position as at 30 June 2014. Discounted cash flows (based upon the deposit type and its related maturity) were used to calculate the fair value of other term deposits.

Payables

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

Derivatives

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

22. Financial Commitments

	2014 $000	2013 $000
a. Outstanding Loan Commitments		
Loans approved but not funded	43,016	76,291
The loans will be made available at the discretion of Management and the Board subject to the availability of funds, anticipated to be drawn down within 6 months.		
b. Outstanding Overdraft Commitments		
Member overdraft facilities approved but not funded	43,111	42,004
There are no restrictions as to the utilisation of such overdraft facilities.		
c. Outstanding Line of Credit Commitments		
Member line of credit facilities approved but not funded	34,011	33,005
These facilities are subject to the availability of funds.		
d. Outstanding Credit Card Commitments		
Member credit card facilities approved but not funded	54,056	52,205
There are no restrictions as to the utilisation of such credit card facilities.		
e. Future Lease Rental Commitments		
Operating lease payments under existing lease arrangements for building accommodation, are payable over the following periods:		
Within 1 year	1,792	1,680
Later than 1 year but not later than 5 years	3,333	3,421
Over 5 years	12	62
	5,137	5,163

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

f. Material Contracts

The Group signed an addendum to a contract with Data Action Pty. Ltd. who provide computer facilities, management services and associated support services on 10 May 2013. The contract addendum extended the original term for a period of 2 years (from 10 May 2013) with an option to extend for an additional 3 years. The fees payable over the next 2 years are as follows:

	2014 $000	2013 $000
Within 1 year	2,299	2,375
Later than 1 year but not 5 years	2,493	2,577
	4,792	**4,952**

g. Charge over Assets

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

h. Contingent Liabilities and Contingent Assets

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

23. Standby Borrowing Facilities

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

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

	2013		
	Gross $000	Current Borrowing $000	Net Available $000
Unsecured Overdraft	11,100	-	11,100
TOTAL STANDBY BORROWING FACILITIES	**11,100**	**-**	**11,100**

24. Key Management Personnel

a. Remuneration of key management personnel (KMP)

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

Key management personnel (KMP) have been taken to comprise the Directors and the 3 Members (2013: 3 Members) of the executive management responsible for the day-to-day financial and operational management of the Group.

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

	2014 $	2013 $
(a) Short-term employee benefits	1,709,909	1,597,758
(b) Post-employment benefits - superannuation contributions	158,599	124,830
(c) Other long-term benefits – net increases in long service leave provision	23,871	22,316
(d) Termination benefits	-	-
Total	**1,892,379**	**1,744,904**

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

All remuneration to Directors was approved by the Members at the 2012 Annual General Meeting of the Credit Union.

b. Loans to Key Management Personnel

	2014 $	2013 $
(i) The aggregate value of loans to key management personnel as at balance date amounted to	**7,687,956**	**8,302,178**
(ii) The total value of revolving credit facilities to key management personnel, as at balance date amounted to	40,000	10,000
Less amounts drawn down and included in (i)	-	(2,433)
Net balance available	**40,000**	**7,567**
(iii) During the year the aggregate value of loans disbursed to key management personnel amounted to:		
Revolving credit facilities	882,959	333,771
Term Loans	1,640,058	705,040
	2,523,017	**1,038,811**
(iv) During the year the aggregate value of repayments received amounted to:	**3,533,688**	**1,438,551**
(v) Interest and other revenue earned on Loans and revolving credit facilities to KMP	**396,450**	**443,794**

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

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

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

c. Other transactions between related parties including deposits from Key Management Personnel are:	2014 $	2013 $
Total value term and savings deposits from KMP	**2,886,405**	**1,946,713**
Total Interest paid on deposits to KMP	**89,543**	**60,727**

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

d. Transactions with Other Related Parties

Other transactions between related parties include deposits from Director related entities or close family members of Directors, and other KMP.

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

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

25. Membership

a. Eligibility

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

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

	2014 Number	2013 Number
b. Total Membership	**92,262**	**89,781**
of which fully paid	75,323	76,438
of which uncalled	16,939	13,343

26. Superannuation Liabilities

The Group contributes to the Qantas Superannuation Plan ("the Plan") with other entities in the Qantas Airways Group. For all employees the Group contributes the minimum required under the Superannuation Guarantee Act (1992) plus, for permanent employees other employer contributions to the Plan. Employees may also contribute between 4% and 10% of their salary to the Plan, depending on their age or by election. All employees are entitled to benefits on resignation, retirement, disability or death. The Group has no interest in the Plan (other than as a contributor) and is not liable for the performance of the Plan, or the obligations of the Plan. The Group contributed $1,067,901 to the Plan during the 2014 financial year, ($992,049 in 2013). No contributions were outstanding as at 30 June 2014.

27. Notes to Statement of Cash Flows

a. Reconciliation of Cash

	2014 $000	2013 $000
For the purpose of the Statement of Cash Flow, cash includes:		
Cash on hand	894	1,960
Deposits at call	71,265	62,203
Other Authorised Deposit Taking Institutions	13,332	7,908
Total Cash	**85,491**	**72,071**

b. Reconciliation of Cash from Operations to Accounting Profit

	2014 $000	2013 $000
The net cash increase/(decrease) from operating activities is reconciled to the profit after tax		
Profit after income tax	15,523	15,266
Add/(Deduct):		
Bad debts written off	797	964
Depreciation & amortisation expense	1,813	1,424
(Decrease)/increase in provision for impairment	(104)	66
(Decrease)/increase in provisions for employee entitlements	(126)	78
(Decrease) in other provisions	-	(128)
Increase in provision for income tax	86	1,284
(Increase)/decrease in net deferred tax assets	139	(70)
(Decrease) in interest payable	(2,838)	(701)
(Decrease)/increase in creditors and other liabilities	(94)	1,177
(Increase) in prepayments	(259)	(955)
(Increase) in sundry debtors	(4)	(37)
(Increase)/decrease in interest receivable	(705)	548
(Increase) in member loans	(60,024)	(223,321)
Increase in deposits and shares	204,060	300,031
(Increase) in receivables from other financial institutions	(143,152)	(79,099)
Net Cash From Operating Activities	**15,112**	**16,527**

28. Financial Risk Management

a. Introduction and overview

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

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

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

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

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

The Risk Committee's major activities are to:

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

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

The Audit & Compliance Committee's major activities are to:

- Recommend to the Board the appointment of both the internal and external auditor;
- Monitor reports received from internal audit, external audit and the compliance department, and management's responses thereto;
- Liaise with the auditors (internal and external) on the scope of their work, and experience in conducting an effective audit;
- Ensure that external auditors remain independent in the areas of work conducted;
- Oversight compliance with statutory responsibilities relating to financial disclosure and management information reporting to the Board;
- Review and approve the compliance approach, ensuring that it covers all material risks and financial reporting requirements of the Group;
- Assist the Board in the engagement, performance assessment and remuneration of the auditors;

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

b. Credit risk

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

Management of credit risk – loans and advances

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

- Formulating credit policies covering credit assessment, collateral requirements, reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorisation limits are delegated by the Board of Directors and are detailed within policy;
- The CEO, or in his absence the CFO, must approve all loans outside of approved policy;
- Total loan facilities to any one member or family group must not exceed $1,250,000 without the prior approval of the Board lending panel. Loans approved by the Board lending panel must be confirmed at the next Board meeting;
- Limit concentrations of exposure to counterparties. Total borrowings for any Member must not exceed 5% of the Group's consolidated capital base;
- Reviewing and assessing credit risk. The Credit Control department assesses all credit exposures where they are in breach of contractual obligations;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures; and
- Review of compliance with the above policies.

Management of credit risk – liquid investments

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

28. Financial Risk Management (continued)

Management of credit risk – equity investments

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

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

Exposure to credit risk – loans and advances to Members

	2014 $000	2013 $000
Carrying amount	2,203,281	2,143,950
Collectively impaired - mortgage loans		
90 days & less than 182 days	-	342
182 days & less than 273 days	-	-
Carrying amount	-	342
Collectively impaired – personal loans		
30 days & less than 60 days	364	472
60 days & less than 90 days	179	345
90 days & less than 182 days	288	208
182 days & less than 273 days	128	138
273 days & less than 365 days	6	54
Greater than 365 days	7	-
Carrying Amount	**972**	**1,217**
Overdrawn/Overlimit		
14 days & less than 90 days	133	179
90 days & less than 182 days	133	43
182 days & over	76	116
Carrying Amount	**342**	**338**
Gross Amount – Collectively Impaired	**1,314**	**1,897**
Past due but not impaired		
30 days & less than 60 days	2,404	2,730
60 days & less than 90 days	1,644	1,805
90 days & less than 182 days	646	2,381
182 days & less than 365 days	1,029	-
Carrying amount	**5,723**	**6,916**
Neither past due nor impaired	**2,197,730**	**2,136,727**
Specific Provision	-	-
Collective Provision	(1,486)	(1,590)
Carrying amount	**2,203,281**	**2,143,950**

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

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

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

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

Write-off policy
Bad debts are written off as determined by management and the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off as expenses in the Consolidated Statement of Profit and Loss and Other Comprehensive Income or against the provision for impairment, if a provision for impairment had previously been recognised.

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

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

Loans and advances to Members

	2014 $000	2013 $000
Past due but not impaired	5,723	6,916
Collateral – Property	5,723	6,916
Collectively impaired - mortgage loans	-	342
Collateral – Property	-	342

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. The Group does not use or take repossessed properties for business use. During the year ended 30 June 2014, the Group took possession of nil collateral (30 June 2013: nil).

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

	2014 $000	2013 $000
Residential loans	2,086,686	2,024,949
Personal loans	118,081	120,591
Total gross loans	**2,204,767**	**2,145,540**

28. Financial Risk Management (continued)

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

	2014 $000	2013 $000
Short Term Rating		
A1	249,036	199,967
A2	501,904	398,260
Unrated (Indue Limited)	40,813	35,389
Total	**791,753**	**633,616**

c. Liquidity risk

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

Management of liquidity risk

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

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

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

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

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

APRA Prudential Standards require at least 9% of total adjusted liabilities to be held as liquid assets capable of being converted to cash within 48 hours. The Group's policy is to apply a minimal target of 11.5% (2013: 11.5%) of funds as liquid assets to maintain adequate funds for meeting daily cash flow needs. A trigger level of 13% (2013: 13%) has been set for a detailed review of liquidity levels by the Group to provide sufficient time for remedial action to be taken. The Group's actual ratio of liquid assets to adjusted liabilities was at least 22.43% during the twelve months ended 30 June 2014 (30th June 2013: 21.53%).

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

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

	2014 $000	2013 $000
High quality liquid assets	598,393	423,776
Liability base:		
- Total liabilities	2,798,732	2,598,997
- Add: Loans approved not advanced	43,016	76,291
Total Liabilities Base	**2,841,748**	**2,675,288**
Liquidity Ratio	**27.48%**	**22.99%**
MLH Ratio	**21.06%**	**15.84%**

Exposure to liquidity risk
Details of the reported Group liquidity ratio at the reporting date and during the reporting period were as follows:

	2014	2013
At 30 June	27.48%	22.99%
Average for the period	24.39%	22.76%
Maximum for the period	27.48%	23.62%
Minimum for the period	22.43%	21.53%

28. Financial Risk Management (continued)

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

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

30 June 2013 On Statement of Financial Position	Note	Carrying amount $000	Gross nominal (outflows) $000	Less than 1 month $000	1 – 3 months $000	3 months to 1 year $000	1 – 5 years $000
Financial Institutions	13	144,676	144,676	39,693	100,157	4,826	-
Deposits	14	2,430,829	2,433,138	1,816,796	221,171	382,864	12,307
Creditors and accruals	15*	8,859	8,859	8,859	-	-	-
Subtotal		**2,584,364**	**2,586,673**	**1,865,348**	**321,328**	**387,690**	**12,307**
Off Statement of Financial Position							
Commitments to extend credit	22	203,505	203,505	203,505	-	-	-
Total		**2,787,869**	**2,790,178**	**2,068,853**	**321,328**	**387,690**	**12,307**

* excluding interest payable and PAYG tax

d. Market risk

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

Management of market risks

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

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

Exposure to market risks

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

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

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

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

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

	2014 (% of Capital)	2013 (% of Capital)
At 30 June	0.13%	0.56%

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

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

	2014 (% of Capital)	2013 (% of Capital)
At 30 June	1.36%	2.92%

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

Derivative assets and liabilities

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

The Group uses interest rate swaps to protect against changes in cash flows of certain fixed rate loans. For the year ended 30 June 2014 the Group recognised a profit of $152 (2013: $nil), which represents the ineffective portion of the cash flow hedges.

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

During the year ended 30 June 2014 the Group did not sell any swaps designated in cash flow hedge relationships.

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

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

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

Offsetting financial assets and financial liabilities

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

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

30 June 2013	Effects of offsetting on the balance sheet			Related amounts not offset	
	Gross amounts of financial assets	Gross amounts set off in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts subject to master netting arrangements and cash collateral	Net amounts
	$000	$000	$000	$000	$000
Financial assets					
Derivative financial instruments	-	-	-	-	-
Financial liabilities					
Derivative financial instruments	-	-	-	-	-

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

e. Operational risk

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

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

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

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

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

f. Capital management

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

The Basel III standards include APS 110 Capital Adequacy which:

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

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

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

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

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

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

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

	2014 $000	2013 $000
Tier 1 Capital		
General reserves	186,454	171,560
Current year earnings	15,523	15,266
Less: Deferred tax assets	(1,480)	(1,619)
Less: Intangible assets	(482)	(837)
Less: Other Capitalised Expenses	(675)	(807)
Less: Equity investment in other ADI's	(1,935)	(1,935)
Less: Fair value adjustments	(271)	-
Total	**197,134**	**181,628**
Tier 2 Capital		
Collective impairment reserve	7,493	7,063
Total	**7,493**	**7,063**
Total regulatory capital	**204,627**	**188,691**
Risk weighted assets		
Credit risk	1,121,728	1,031,389
Operational risk	165,964	151,813
Total risk weighted assets	1,287,692	1,183,202
Capital ratios	**15.89%**	**15.95%**

29. Subsequent Events

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

30. Parent Entity Disclosures

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

	2014 $000	2013 $000
Result of parent entity		
Profit for the year	15,523	15,266
Other comprehensive income	272	-
Total comprehensive income for the year	15,795	15,266
Financial position of parent entity at year end		
Total assets	3,008,422	2,791,347
Total liabilities	2,798,834	2,597,554
Total equity of parent entity comprising of:		
Reserves	7,027	6,222
Retained earnings	202,561	187,571
Total equity	**209,588**	**193,793**

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

Parent entity contingencies

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

Parent entity capital commitments for acquisition of property plant and equipment

The Credit Union did not enter into contract to purchase plant and equipment as at 30 June 2014 (30 June 2013: nil).

Qantas Staff Credit Union Limited trading as Qantas Credit Union
A.B.N. 53 087 650 557 Incorporated in Australia
30 June 2014 – Annual Financial Statements
Registered Office: 420 Forest Road Hurstville NSW 2220

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