
Queensland
COUNTRY
CREDIT UNION
financial report 2016/17

I think we get more of a personal service with Queensland Country. I think we get better service.”

"It's the people. You've got to bank with Queensland Country for the people, the service and the after support you get for everything."

WENDY COLLINS, MEMBER

CONTENTS

Financial Report 2016/17

Directors' Report

Your Directors present their report on the affairs of the Group for the financial year ended 30 June 2017.

The Parent Entity is a company registered under the Corporations Act 2001.

Information on Directors

The names of the Directors of Queensland Country Credit Union Limited in office at any time during or since the end of the year are:

Brian (Bruno) Cullen	Gregory (Greg) Nucifora (appointed 1 April 2017)
Karen Read	Patricia O'Callaghan
Michael Beard	Michael Steindl (resigned 30 April 2017)
Deirdre Comerford (appointed 17 November 2016)	Bradley Webb (resigned 15 July 2016)
Geoffrey (John) Gilbert (appointed 1 April 2017)	Paul White (resigned 17 November 2016)
Richard Kennerley (appointed 1 May 2017)	Anthony (Tony) Williamson (appointed 1 April 2017)

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

Bruno Cullen
Chairman and Independent Non-Executive Director

F.A.I.C.D; F.A.M.I

Term of office: Director for sixteen years. Appointed Chairman 6 April 2006.

Skills & Experience:
Bruno joined the Board in April 2001. Bruno has extensive experience with QCCU, (1977-2003), having held management positions with the organisation from Loans and Finance Manager, Assistant General Manager through to Managing Director, a position he held for 14 years. He was Managing Director of the Brisbane Broncos for over 8 years (2003- 2011), and Chairman/Director of the Queensland Academy of Sport for 6 years (2011-2017).

Directorships of other entities (current):
Director of Queensland Country Health Fund Ltd; Chair of Krause Health and Safety Pty Ltd

Board Committee membership:
Chair of Governance Committee; Chair of Remuneration Committee Member of Projects and IT Steering Committee; Member of Nominations Committee

Karen Read
Deputy Chair and Independent Non-Executive Director

B. Bus.; F.C.P.A.; G.A.I.C.D.; M.A.M.I.

Term of office: Director for twelve years. Appointed Deputy Chair 6 April 2006.

Skills & Experience:
Karen initially joined the Board in 1997, serving for four years before resigning due to work commitments. Karen was subsequently reappointed to the Board in 2004. Karen has a wealth of knowledge in finance and started her career at a chartered accounting firm in Mackay. Karen has extensive experience within the mining and resources sector with a career spanning over 29 years. Karen has undertaken a variety of roles that have seen her work both in Australia and abroad.

In 2014 Karen was appointed as the Chief Financial Officer for 02UDP Group Pty Ltd, a consulting, engineering and project practice, with offices located in Townsville, Mackay Brisbane and PNG. Karen resigned from this position in early 2017. Karen has been a Queensland Country Credit Union Member for over 20 years. She is passionate about the organisation, in particular our presence in rural and regional areas of Queensland.

Directorships of other entities (current):
Deputy Chair of Queensland Country Health Fund Ltd; Independent Chairperson of Mount Isa Water Board Finance and Audit Committee; Independent member of Finance, Audit and Risk Committee, North West Hospital and Health Services

Board Committee membership:
Chair of Projects & IT Steering Committee; Member of Governance Committee; Member of Risk Management Committee

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Michael Beard
Independent Non-Executive Director

B. Com.; F.A.M.I.; Chartered Accountant

Term of office: Director for thirty-two years.

Skills & Experience:
Michael joined the Board in February 1985. Michael is Queensland Country Credit Union's longest serving Board Member. Michael's work as a chartered accountant assists the Board with the Credit Union's complex financial reporting requirements. Michael is the Principal of a public accounting firm and has offices in Noosa and Mount Isa. Michael is the Chairman of the Queensland Country Health Fund Ltd Board of Directors.

Directorships of other entities (current):
Chairman of Queensland Country Health Fund Ltd; Chairman of Queensland Country Care Navigation Pty Ltd

Board Committee membership:
Chair of Risk Management Committee; Member of Audit Committee

Deirdre Comerford
Independent Non-Executive Director

G.A.I.C.D

Term of office: Director since 17 November 2016.

Skills & Experience:
Deirdre was appointed to the Board in November 2016. Deirdre brings a wealth of experience, having spent 18 years as an Elected Member of Local Government, four of these (2012-2016) as Mayor of Mackay Regional Council. She has served on various Boards in the role of Chair, Company Secretary and Director.

Deirdre was awarded Life Membership by Mackay Tourism Ltd in recognition of her efforts in the development of tourism in the Mackay Region. In 2017 CQUniversity awarded her the 'Honorary Award of Companion of the University', in recognition of her unwavering support of Council's partnership with the University, and being at the forefront of bringing innovative ideas back to the Council and the community.

Directorships of other entities (current):
Trustee, Macrossan & Amiet Charitable Foundation

Board Committee membership:
Member of Governance Committee; Member of Remuneration Committee

John Gilbert
Independent Non-Executive Director

B. Com.; F.A.I.C.D; F.A.M.I

Term of office: Director since 1 April 2017.

Skills & Experience:
John joined the Board in April 2017. John served as the Deputy Chair of the ECU Australia Ltd Board until the merger of that organisation with Queensland Country in April 2017. John has a strong background in financial services spanning over 30 years including senior key management positions with MyState, CUSCAL and Members Australia Credit Union. John has extensive board experience and he is currently a director of QBE Australia.

Directors' Report

Directorships of other entities (current):
Director of QBE Australia

Board Committee membership:
Member of Risk Management Committee; Member of Remuneration Committee

Richard Kennerley
Independent Non-Executive Director

G.A.I.C.D; INED Diploma; A.C.T *(UK)*; A.C.I.B *(UK)*

Term of office: Director since 1 May 2017.

Skills & Experience:
Richard joined the Board in May 2017 and brings with him extensive executive leadership and strategy experience gained in domestic and international banking and across a broad range of diverse industries. Richard has significant experience in delivering business expansion, transformation and rationalisation across a range of business sectors including financial services, education and sports administration. He is CEO of a FinTech company and on a number of other high profile Boards including Holy Cross Laundry *(part of Mater Health Group)*, Brisbane Broncos Leagues Club and Australia China Business Council (voluntary).

Directorships of other entities (current):
Director of Holy Cross Laundry; Director of Brisbane Broncos Leagues Club; Director of Australia China Business Council

Board Committee membership:
Member of Risk Management Committee; Member of Audit Committee

Greg Nucifora
Independent Non-Executive Director

B. Com.; G.A.I.C.D.

Term of office: Director since 1 April 2017.

Skills & Experience:
Greg joined the Board in April 2017. Greg served as the Chairman of the ECU Australia Ltd Board until the merger of that organisation with Queensland Country in April 2017. Greg is a private client advisor with Bell Potter Securities in Cairns. Greg is born and raised in Far North Queensland.

Directorships of other entities (current):
Director of Queensland Country Health Fund Ltd; Independent Chair of the Finance and Performance Committee, Cairns and Hinterland Hospital and Health Board; Independent Chair of the Audit Committee, Cairns Regional Council; Director of St Michael's School, Gordonvale; Member of St Michael's Parish Finance Committee, Gordonvale

Board Committee membership:
Chair of Audit Committee; Member of Projects & IT Steering Committee

Patricia O'Callaghan
Independent Non-Executive Director

B. Com.; G.A.I.C.D

Term of office: Director for two years.

Skills & Experience:
Patricia joined the Board in November 2015. Patricia is the Chief Executive Officer of Townsville Enterprise, North Queensland's peak economic and tourism body. Her diverse career includes four years heading up the Mount Isa Chamber of Commerce and three years as the General Manager of Tourism and Events at Townsville Enterprise and two years as the CEO. Patricia is a born and bred North Queenslander who has a passion for the region and a deep understanding of the issues and opportunities facing the north. In 2013 Patricia was awarded the Young Manager of the Year through the Australian Institute of Management. The

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Young Manager of the Year category recognises the most successful young entrepreneurs and business leaders up to the age of 30.

Directorships of other entities (current):
Director of Queensland Country Health Fund Ltd

Board Committee membership:
Member of Audit Committee, Member of Remuneration Committee

Tony Williamson
Independent Non-Executive Director

B. Com.; G.A.I.C.D; M.A.M.I.

Term of office: Director since 1 April 2017.

Skills & Experience:
Tony joined the Board in April 2017. Tony served as a Director of the ECU Australia Ltd Board until the merger of that organisation with Queensland Country in April 2017. Tony is the broker/owner of Remax Real Estate Services in Cairns. Previously an accountant with Price Waterhouse, Tony has been recognised both nationally and internationally for his achievements within the real estate industry.

Directorships of other entities (current):
Chair of The Northern Pride - ISC QRL Club

Board Committee membership:
Member of Governance Committee

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

AILEEN CULL (until April 2017)
Dip Bus. (Accounting), Dip AICD Company Directors Course, Grad Dip Applied Finance & Investment, F.C.P.A., G.A.I.C.D., M.A.M.I.; Chief Executive Officer Queensland Country Credit Union Limited.

JOAN RAFFÉ (from April 2017)
LLB (Hons); B. Justice Studies (Merit); Grad Dip Legal Practice (Merit); Company Secretary & Public Officer Queensland Country Health Fund Ltd and Queensland Country Care Navigation Pty Ltd.

Directors' Meeting Attendance

A = Number of meetings eligible to attend. **B** = Number of meetings attended.

	Board Meetings		Audit Committee		Risk Management Committee		Governance Committee		Projects & IT Steering Committee		Remuneration Committee	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
B. Cullen (Chair)	16	16	5	5			2	2	19	18	4	4
M. Beard	16	15	4	4	4	4					2	2
D. Comerford	9	9			1	1	1	1				
J. Gilbert	4	4			1	1						
R. Kennerley	3	3	1	1	1	1						
G. Nucifora	4	4	1	1					3	3		
P. O'Callaghan	16	14	5	5							4	4
K. Read	16	16			4	3	1	1	19	19	2	2
M. Steindl	13	13	4	4	3	3						
B. Webb	1	1										
P. White	7	1					1	0			2	0
A. Williamson	4	4										

Directors' Report

Directors' Benefits
No Director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by the Group, a subsidiary, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest.

Insurance and Indemnification of Officers or Auditor
Insurance premiums have been paid to insure each of the Directors and officers of the Group, against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as an officer of the Group. In accordance with normal commercial practice, disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract. No insurance cover has been provided for the benefit of the auditor. No indemnities have been given to the officers or auditor.

Principal Activities
The principal activities of the Group during the year were the provision of financial services to Members in the form of lending and taking deposits, as prescribed by the Constitution; the provision of health insurance to health insurance policy holders including the acceptance of contributions and payment of benefits and the provision of dental facilities to its Health Fund policy holders. The Health Fund has established a subsidiary company, Queensland Country Care Navigation Pty Ltd to provide care coordination services to the Health Fund's policy holders.

Operating Results
The net profit of the Group for the year after providing for income tax was $1,895,000 (2016: $8,693,000). The main difference was due to a number of one off expenses relating to systems conversion, merger projects, and an increase in impairment cost on loans.

The capital adequacy ratio measured for prudential purposes as at reporting date increased to 14.31% (2016: 14.00%).

Options
No options over unissued shares or interests in the Parent Entity or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

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

Review of Operations
The results of the Credit Union's operations from its activities of providing financial services to its members, decreased from those of the previous year. Net interest margin remained steady during the year in a low interest rate environment, and increased following the merger with ECU. Net operating income increased from $58,119,000 to $65,152,000, with a dividend payment from the Health Fund being the largest variance. Operating expenses increased from $53,057,000 to $58,585,000 resulting from information technology costs, merger project costs and impairment loss on loans.

Total Assets of the Credit Union increased by 30%. Growth excluding assets transferred as a result of the ECU merger was 3%. Total loans, excluding the impact of the merger, increased 4.28%. The capital adequacy ratio increased to 14.31%.

The results of the Group's operations from its activities of providing financial services to its members and health insurance to its policy holders decreased from those of the previous year. Net operating income increased by $12,256,000, resulting from an increase in Health Fund contribution income. However this was more than offset by an increase in total operating expenses of $15,355,000, with the main contributors being an increase in Health Fund benefits paid and Credit Union costs. Total Assets of the Group increased by 2.97%, excluding the impact of the merger with ECU.

Significant Changes in State Of Affairs
In 2015, the Credit Union signed a contract with Data Action Pty Ltd to provide its core banking computer system and related hardware systems. Migration to the Data Action system occurred successfully in October 2016.

In March 2017, the Credit Union accepted a Transfer of Engagements of ECU Australia Ltd, a Cairns based Credit Union.

Apart from disclosures elsewhere in this report, there were no significant changes in the state of the affairs of the Group during the year.

Events Subsequent to the End of the Reporting Period
There are no matters or circumstances that have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, or state of affairs of the Credit Union or the Group in subsequent financial years.

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Likely Developments and Results
Looking ahead in a competitive, challenging environment the Board has determined that it will make the appropriate decisions to enable the Group to continue to deliver financial services and health insurance to its members and policy holders.

In March 2017, the Credit Union signed a Memorandum of Understanding with the intent to enter into a merger following due process with Brisbane based Credit Union, Queenslanders Credit Union Ltd. The proposal is subject to regulatory approval and the approval of Queenslanders Members. If approved, the Transfer of Business is expected to be effected in the first half of 2018.The Board of the Credit Union believe this move will strengthen the customer owned model in Queensland and provide a genuine banking alternative for those in its communities.

Queensland Country will continue to build on its financial strength and invest for the future by investing in technology that will allow the business to introduce new products and services, particularly digital and more efficient business processes.

No other matter, circumstance or likely development in the operations has arisen since the end of the reporting period 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.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

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

Rounding
The amounts contained in the financial statements have been rounded to the nearest one thousand dollars in accordance with ASIC Corporations Instrument 2016/191. The Parent Entity and Group are permitted to round to the nearest one thousand dollars ($'000) for all amounts except prescribed disclosures that are shown in whole dollars.

Regulatory Disclosures
The disclosures required by Prudential Standard APS 330 Public Disclosure (namely the Common disclosure in Attachment A and the Regulatory Capital reconciliation) may be seen on the website at https://www.qccu.com.au/help-info/about-us/governance-reporting/.

Auditor's Independence Declaration
The auditor's independence declaration for the year ended 30 June 2017 forms part of this report and a copy of this declaration is attached.

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Auditor's Independence Declaration

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

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in respect of Queensland Country Credit Union Limited and the entities it controlled during the period.

Ben Woodbridge
Partner
PricewaterhouseCoopers

Brisbane
21 September 2017

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Directors' Report

CORPORATE GOVERNANCE DISCLOSURES

Board

The Credit Union Board has responsibility for the overall management and strategic direction of the Credit Union. All Board members are independent of management and are elected by members on a 3 yearly rotation.

Each Director must be eligible to act under the Credit Union Constitution and in accordance with Corporations Act 2001 criteria. The Directors also need to satisfy APRA Fit and Proper requirements.

The Board has established policies to govern conduct of Board meetings, Director conflicts of interest and training so as to maintain Director awareness of emerging issues and to satisfy all governance requirements.

Board Remuneration

The Board receives remuneration from the Credit Union in the form of allowances agreed to each year at the AGM and out of pocket expenses. Directors receive no other benefits from the Credit Union.

Board Committees

An Audit Committee, Project and IT Steering Committee, Risk Management Committee, Remuneration Committee and a Governance Committee have been formed to assist the Board in relevant matters of financial prudence. Only Directors are members of these committees with participation of Executive staff as required.

Audit Committee

The responsibilities of the Audit Committee are:

- Ensuring effectiveness of systems for monitoring compliance with laws, statutory requirements and Board policies.
- Overseeing the Credit Union's audit function and providing a forum for communication between the Board, external auditor and internal auditor.
- Reviewing significant accounting and reporting issues, and annual audited financial statements to ensure integrity and completeness of information to external parties.
- Ensuring any Related Party Transactions are appropriate and
- Ensuring a Whistleblower Policy is established, maintained and communicated.

Project and IT Steering Committee

The purpose of the Projects and IT Steering Committee ('the Committee') is to assist the Board maintain oversight of::

- the adequacy of Queensland Country Credit Union Limited ('Credit Union') IT strategy and systems to support Credit Union short and long term business objectives; and
- prudent investment in and effective delivery of projects conducted by the Credit Union

Risk Management Committee

The responsibilities of the Risk Management Committee are:

- Ensuring the Board is aware of the risks to which the organisation is exposed to and that management operate within an appropriate 'risk management control framework'.
- Assisting the Board to set risk limits and parameters appropriate to the Board's appetite for risk and ensuring adequate management reporting against set limits.
- Ensuring Board policies reflect the Board's risk appetite.
- Ensuring adequacy of Business Continuity Management and
- Ensuring adequacy and effectiveness of the Credit Union's compliance program and actions to address identified compliance weaknesses.

Governance Committee

The responsibilities of the Governance Committee are:

- Reviewing and proposing revisions to the Credit Union's governance policies and practices, including the Board Charter.
- Reviewing and proposing revisions to the Credit Union's Constitution.
- Initiating and overseeing the evaluation of Board and Director Performance as required by the Board Charter and
- Co-ordinating the process of Director induction.

Remuneration Committee

- Initiating and overseeing the annual process of reviewing performance and remuneration of the Chief Executive Officer and Chief Executive Officer direct reports.
- Each year, reviewing and providing recommendations in relation to appropriate Executive and Director remuneration and
- Generally reviewing remuneration strategies, practices and disclosures.

Directors' Report

Legal and Compliance
The Credit Union has a Legal and Compliance department responsible for maintaining the awareness of staff for all changes in compliance obligations and responding to staff inquiries on compliance matters. The Legal and Compliance department also monitors compliance with the Australian Financial Services and Australian Credit Licence obligations, AML/CTF and other regulatory obligations.

External Audit
From the 2016/2017 Financial Year, External Audit is performed by PricewaterhouseCoopers, a leading international accounting body.

Internal Audit
There is an established Internal Audit function which deals with the areas of internal control.

Internal audit matters are also examined by the external auditors. The work performed by the external auditors is examined by the Audit Committee to ensure that it is consistent with the current external audit reporting role and does not impair their independence.

This role is also supplemented by other external compliance reviews performed, including security audits on the Data Processing centres for adequacy of the back up, disaster recovery and internet security systems.

The Internal Dispute Resolution officer responds to all internal and external dispute resolution matters.

Regulation
The Credit Union is regulated by:

- Australian Prudential Regulation Authority (APRA) for the Prudential risk management of the Credit Union and the Health Fund; and
- ASIC for adherence to the disclosure requirements in the Corporations Act, Accounting Standards disclosures in the financial report and Australian Financial Services Licence (AFSL) and Australian Credit Licence (ACL).

Under the AFSL all staff who deal with the public are required to be trained and certified to a level of skill commensurate with the services provided.

APRA conduct periodic inspections. The auditors report to both authorities on an annual basis regarding compliance with respective requirements.

The external auditors also report to ASIC on FSR compliance and APRA on Prudential policy compliance.

Workplace Health & Safety
The nature of the finance industry is such that the risks of injury to staff and the public are less apparent than in other high-risk industries. Nevertheless, our two most valuable assets are our staff and our Members, and steps need to be taken to maintain their security and safety when circumstances warrant.

WH&S policies have been established for the protection of both Members and staff, and are reviewed annually for relevance and effectiveness.

Staff are trained in armed holdup procedures and offices are designed to mitigate risk of such incidents by:

- Minimising the amount of cash held in accessible areas; and
- Installing cameras to assist detection and identification of unauthorised persons.

Office premises are examined regularly to ensure that the electrical safety and physical safety measures are appropriate to the needs of the public and staff. Independent security consultants report periodically on the areas of improvement that may be considered.

The Credit Union has established a WH&S policy and has contracted independent consultants to review our WH&S policy and procedures and to recommend any improvements that may be considered. All matters of concern are reported for actioning by management. Secure cash handling policies are in place, and injury from RSI and lifting heavy weights are managed by proper techniques to minimise the risk of damage.

All staff have access to trauma counsellors where required following an incident which may impair their feeling of safety in the workplace.

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

B. Cullen
Chairman

G. Nucifora
Director

Signed and dated this 21st day of September, 2017

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Statements of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	Credit Union **2017** **$'000**	Credit Union 2016 $'000	Group **2017** **$'000**	Group 2016 $'000
Interest income	2	59,272	57,068	60,919	58,866
Interest expense	2	(26,794)	(25,986)	(26,578)	(25,808)
Net interest income		32,478	31,082	34,341	33,058
Other revenue and income	3	32,674	27,037	115,342	104,369
Net operating income		65,152	58,119	149,683	137,427
Impairment loss on loans and advances	4,15	(1,883)	(1,178)	(1,883)	(1,178)
Employee benefits expense	4	(25,691)	(23,658)	(25,691)	(23,658)
Occupancy expense	4	(5,616)	(5,290)	(4,000)	(3,734)
Depreciation and amortisation expense	4	(2,340)	(2,083)	(3,335)	(2,988)
Other expenses	4	(23,055)	(20,848)	(109,556)	(97,552)
Total operating expenses	4	(58,585)	(53,057)	(144,465)	(129,110)
Profit before income tax		6,567	5,062	5,218	8,317
Income tax expense	5	(1,924)	(1,316)	(3,323)	376
Profit for the year		4,643	3,746	1,895	8,693
Other comprehensive income for the year, net of income tax		-	-	-	-
Total comprehensive income for the year		4,643	3,746	1,895	8,693

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

Statements of Financial Position

AS AT 30TH JUNE 2017

	NOTE	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
ASSETS					
Cash and cash equivalents	8	24,633	12,033	25,765	12,558
Receivables due from other financial institutions	9	783	4,852	783	4,852
Financial assets at fair value through profit or loss	10	-	-	19,839	5,756
Other receivables	11	2,729	2,347	5,901	4,884
Income Tax Receivable	12	-	1,035	-	934
Financial assets held to maturity	13	220,672	194,396	255,916	242,550
Loans and advances	14	1,379,490	1,037,818	1,379,490	1,037,818
Property, plant and equipment	16	8,733	5,616	34,584	31,851
Intangible assets	17	2,948	2,587	3,349	2,769
Investment property	18	920	850	4,480	4,710
Financial assets at cost	19	2,324	2,324	2,324	2,324
Deferred tax assets	20	5,346	4,439	6,875	6,233
Other assets	21	1,053	835	1,053	835
TOTAL ASSETS		1,649,631	1,269,132	1,740,359	1,358,074
LIABILITIES					
Other borrowings	22	20,831	18,158	20,831	18,158
Deposits from members	23	1,493,855	1,137,198	1,482,771	1,125,545
Other payables	24	10,274	13,418	26,259	27,593
Income tax payable	25	602	-	1,625	-
Provisions	26	2,599	2,047	9,300	7,616
TOTAL LIABILITIES		1,528,161	1,170,821	1,540,786	1,178,912
NET ASSETS		121,470	98,311	199,573	179,162
EQUITY					
Redeemed preference share capital account		804	767	804	767
Reserves	27	63,700	44,717	63,700	44,717
Retained earnings		56,966	52,827	135,069	133,678
TOTAL EQUITY		121,470	98,311	199,573	179,162

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

Statements of Changes in Equity

FOR THE YEAR ENDED 30TH JUNE 2017

Credit Union ($'000)	**Redeemed Preference Shares** $'000	**Credit Losses Reserve** $'000	**General Reserve** $'000	**Business combination reserve** $'000	**Retained Earnings** $'000	**Total** $'000
Balance at 1 July 2015	725	2,956	41,582	-	49,302	94,565
Total comprehensive income for year						
Profit for the year	-	-	-	-	3,746	3,746
Other comprehensive income, net of income tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	3,746	3,746
Transfers						
Credit losses reserve	-	179	-	-	(179)	-
Transactions with owners in their capacity as owners						
Transfers to redeemed preference share capital	42	-	-	-	(42)	-
Balance at 30 June 2016	767	3,135	41,582		52,827	98,311
Total comprehensive income for year						
Profit for the year	-	-	-	-	4,643	4,643
Other comprehensive income, net of income tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	4,643	4,643
Transfers						
Credit losses reserve	-	467	-	-	(467)	-
Transfer of reserves on merger of ECU	-	-	-	18,516	-	18,516
Transactions with owners in their capacity as owners						
Transfers to redeemed preference share capital	37	-	-	-	(37)	-
Balance at 30 June 2017	804	3,602	41,582	18,516	56,966	121,470

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

Statements of Changes in Equity

FOR THE YEAR ENDED 30TH JUNE 2017

Group ($'000)	Redeemed Preference Shares $'000	Credit Losses Reserve $'000	General Reserve $'000	Business Combination Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2015	725	2,956	41,582	-	125,206	170,469
Total comprehensive income for year						
Profit for the year	-	-	-	-	8,693	8,693
Other comprehensive income, net of income tax	-	-	-	-	-	
Total comprehensive income for the year	-	-	-	-	8,693	8,693
Transfers						
Credit losses reserve	-	179	-	-	(179)	-
Transactions with owners in their capacity as owners						
Transfers to redeemed preference share capital	42	-	-	-	(42)	-
Balance at 30 June 2016	767	3,135	41,582	-	133,678	179,162
Total comprehensive income for year						
Profit for the year	-	-	-	-	1,895	1,895
Other comprehensive income, net of income tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	1,895	1,895
Transfers						
Credit losses reserve	-	467	-	-	(467)	-
Transfer of reserves on merger of ECU	-	-	-	18,516	-	18,516
Transactions with owners in their capacity as owners						
Transfers to redeemed preference share capital	37	-	-	-	(37)	-
Balance at 30 June 2017	804	3,602	41,582	18,516	135,069	199,573

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

Statements of Cash Flows

FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	Credit Union **2017 $'000 Inflows/ (Outflows)**	Credit Union 2016 $'000 Inflows/ (Outflows)	Group **2017 $'000 Inflows/ (Outflows)**	Group 2016 $'000 Inflows/ (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		59,307	57,045	61,089	58,976
Dividends received		5,025	103	25	103
Other income		14,774	13,242	3,304	2,482
Fees and commissions received		13,924	14,641	10,634	11,327
Contributions received – Queensland Country Health Fund		-	-	103,068	91,977
Interest paid		(27,404)	(26,498)	(27,166)	(26,346)
Payments to suppliers and employees		(61,856)	(50,039)	(57,420)	(46,292)
Benefits paid – Queensland Country Health Fund		-	-	(87,490)	(77,775)
Income taxes (refunded)		(504)	(1,229)	(715)	(1,229)
Net movement in loans and advances		(45,444)	(63,587)	(45,447)	(63,587)
Net movement in deposits from members		42,252	62,311	42,801	59,895
Net cash provided by operating activities	28(c)	74	5,989	2,683	9,531
CASH FLOWS FROM INVESTING ACTIVITIES					
Net movement in financial assets		10,360	465	9,189	(2,157)
Payments for property, plant and equipment		(1,921)	(947)	(2,476)	(1,426)
Payments for intangible assets		(978)	(1,126)	(1,256)	(1,308)
Proceeds from sale of property, plant and equipment		24	332	26	345
Net cash (used in) investing activities		7,485	(1,276)	5,483	(4,546)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(2,315)	(2,858)	(2,315)	(2,858)
Net cash (used in) financing activities		(2,315)	(2,858)	(2,315)	(2,858)
Net increase/(decrease) in cash held		5,244	1,855	5,851	2,127
Cash at the beginning of the financial year		16,885	15,030	17,410	15,283
Cash received from merger		3,287	-	3,287	-
Cash at the end of the financial year	28(a)	25,416	16,885	26,548	17,410

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2017

NOTE 1 Summary of significant accounting policies

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, the Corporations Act 2001 and the Prudential Standards set down by the Australian Prudential Regulation Authority (APRA). The financial statements cover Queensland Country Credit Union Limited as an individual entity, and Queensland Country Credit Union Limited and Subsidiaries as a Group. Queensland Country Credit Union Limited is a public company limited by shares, incorporated and domiciled in Australia. For the purposes of preparing the financial statements, Queensland Country Credit Union Limited is a for-profit entity.

The financial statements of Queensland Country Credit Union Limited as an individual entity and the consolidated financial statements of the Group comply with all International Financial Reporting Standards (IFRS) in their entirety.

The financial statements have been prepared on an accruals basis and are based on historical costs, except for investment property and financial assets available for sale that have been measured at fair value. The presentation currency of the financial statements is Australian Dollars.

These financial statements were authorised for issue on September 21, 2017 by the Board of Directors. The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

(a) Consolidated financial statements

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all Subsidiaries of Queensland Country Credit Union Limited ('the Company', 'Parent Entity' or 'the Credit Union') as at 30 June 2017 and the results of all subsidiaries for the year then ended. The Credit Union and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries

Subsidiaries are all entities, including special purpose entities, over which the Group has control. The Group has control over an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect these returns. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The Group not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

The existence and effect of potential voting rights where the Group has the practical ability to exercise them are considered when assessing whether the Group controls another entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of Subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Group.

The names of the subsidiaries are contained in Note 31. All subsidiaries have a 30 June financial year-end and are accounted for at cost in the separate financial statements of Queensland Country Credit Union Limited less any impairment charge.

(b) Income tax

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

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

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

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

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

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

Queensland Country Health Fund Ltd, a Subsidiary, converted to "for profit" status on 1st January 2016, before this date it was exempt from income tax.

(c) Receivables due from other financial institutions

Receivables from other financial institutions are primarily settlement account balances due from banks, building societies and other credit unions, and exclude call and term deposits with other Approved Deposit-taking Institutions (ADIs). They are brought to account at the gross value of the outstanding balance. Interest is recognised in profit or loss when earned.

(d) Financial assets and financial liabilities

Introduction

(i) Initial recognition

The Group initially recognises loans and advances, deposits, debt securities and subordinated liabilities on the date that they are originated. All other financial assets and financial liabilities (including financial assets and financial liabilities designated at fair value through profit and loss) are initially recognised on trade date when the related contractual rights or obligations exist.

(ii) De-recognition

The Group de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual 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.

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled or when they expire.

For further details of the Group's policy on securitisation, refer to Note 1(g).

(iii) Off-setting

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

(iv) Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2017

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recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(v) Identification and measurement of impairment
Refer Note 1(f) for details of impairment measurement for loans and advances. Refer to succeeding paragraphs for details of impairment measurement for other financial assets.

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

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

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

(i) Financial assets at fair value through profit or loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB139: Recognition and Measurement of Financial Instruments. Subsequent to initial recognition, financial instruments in this category are measured at fair value with changes in carrying value being included in the profit or loss. Transaction costs attributable to these assets are recognised in profit or loss when incurred.

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

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

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

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

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

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

Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset below its cost (which constitutes objective evidence of impairment) the cumulative loss recognised in other comprehensive income is reclassified from the available for sale investments revaluation reserve to profit or loss as a reclassification adjustment. Reversals of

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impairment losses on equity instruments classified as available-for-sale cannot be reversed through profit or loss. Reversals of impairment losses on debt instruments classified as available-for-sale can be reversed through profit or loss where the reversal relates to an increase in the fair value of the debt instrument occurring after the impairment loss was recognised in profit or loss.

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

Deposits
Refer Note 1(n) for details.

Borrowings
Refer Note 1(p) for details.

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

Loan interest is generally not charged when the Group is informed that the Member has deceased, if a loan has been transferred to a debt collection agency, or a judgment has been obtained. No interest is charged on loans where repayments are in arrears and the prospect of a contribution from the Member is minimal. However, accrued interest may be recovered as part of the recovery of the debt.

Loan origination fee income and loan transaction costs that are direct and incremental to the establishment of loans are deferred and amortised as a component of the calculation of the effective interest rate in relation to the originated loans. Fees charged on loans after origination of the loan are recognised as income when the service is provided.

Investments
Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

Management Fee
Under the terms of a management agreement between the Credit Union and the Health Fund, a fee is paid to reimburse all costs incurred by the Credit Union relating to the operation of the Health Fund. In addition, the agreement specifies that the management fee may include a charge per Health Fund member, payable to the Credit Union.

Contributions
Contribution income for the Health Fund comprises contributions received from Policy holders, inclusive of any Government Rebate. Contribution income is recognised when earned over the period of the membership. Contributions in advance amounts are recognised as revenue as the income is earned.

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

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

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

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the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The amount provided for impairment of loans is determined by management and the Board. The Prudential Standards issued by APRA enable the minimum provision to be based on specific percentages of the loan balances, contingent upon the length of time the repayments are in arrears, and the security held. This approach is adopted by the Group. Management and the Board also make a provision for loans in arrears where the collectability of the debt is considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impractical. The critical assumptions used in the calculation are set out in Note 15. Note 33B details the credit risk management approach to loan impairment.

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

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

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

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

(g) Securitisation
The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains substantially all of the risks and rewards of ownership of the transferred assets. If substantially all of the risks and rewards are retained, then the transferred assets are not de-recognised. Transfers of assets with retention of substantially all risks and rewards include, for example, certain loan securitisation and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement.

In transactions in which the Group either transfers substantially all the risks and rewards of ownership of the transferred assets or neither transfers nor retains substantially all the risk and rewards and does not retain control of the transferred assets, the Group de-recognises the transferred assets. The Group also recognises separately as assets or liabilities any rights and obligations created or retained in the transfer. In addition to this, the Group may receive any residual income of the securitisation program once all associated costs have been met. The residual income is recognised as revenue when received. The timing and amount of cash flows and any residual income to be earned cannot be reliably measured because of the significant uncertainties inherent in estimating future repayment rates on the related mortgage loans and the associated loan interest margins. Consequently, any residual income receivable has not been recognised as an asset and no gain is recognised on sale of the housing mortgage loans. Any associated income or expenditure is recognised when receivable or payable.

The Trustee of the securitisation program has funded the purchase of housing mortgage loans through the issue of securities. The securities issued by the Trust do not represent deposits or liabilities of the Group. The Group does not guarantee the capital value or performance of the securities, or the assets of the Trust. The Group does not guarantee the payment of interest or the repayment of principal due on the securities. The Group is not obliged to support any losses incurred by investors in the Trust and does not intend to provide such support. The Group has no right to repurchase any of the securitised loans.

(h) Fair value measurement
Fair values may be used for financial and non-financial asset and liability measurement as well as sundry disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the

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transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the Group.

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

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

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

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

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

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

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

The following are the minimum rates of depreciation applied on a straight line basis:
- Buildings 5.0%
- Plant & Equipment 2.5% - 33.3%
- Leasehold Improvements 20.0%

Assets costing less than $100 are not capitalised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

(j) Impairment of assets (excluding financial assets)
The carrying amounts of the Group's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments that reflect the time value of money and the risks specific to the asset.

Impairment losses are recognised in the profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Investment property
Investment property held for rental is initially measured at cost including transaction costs. Subsequent to initial recognition, investment property is carried at fair value, which reflects market conditions at the reporting date. Gains and losses arising from changes in fair values of investment properties are included in profit or loss as part of other income in the year in which they arise. Fair value is determined based on an annual valuation performed by an accredited external, independent valuer, applying a valuation model appropriate for the investment property.

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Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(l) Intangible assets
Computer Software
Items of computer software which are not integral to the computer hardware owned by the Group are classified as an intangible asset. Computer software acquired by the Group is measured at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is calculated on a straight line basis over the expected useful life of the software. These lives are currently five years. Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits of the computer software. All other expenditure is expensed as incurred.

(m) Leases
Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. The Credit Union has no finance leases. Lease income from operating leases where the Group is a lessor is recognised in profit or loss on a straight-line basis over the lease term.

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

(o) Payables due to other financial institutions
Payables due to other financial institutions are primarily settlement account balances due to other financial institutions. They are measured at the gross value of the outstanding balance (being amortised cost).

(p) Borrowings
Borrowings are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group chooses to carry the liabilities at fair value through the profit or loss.

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

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

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

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

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

(r) Contributed equity
Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

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

(t) Assets backing private health insurance liabilities
The Health Fund manages its financial investments, which comprise term deposits and cash and financial assets at fair value through profit or loss, to ensure it has sufficient funds to meet all private health insurance liabilities, such as members' claims and operational expenses as they fall due.
To ensure that the risks inherent in the Health Fund's investments are appropriately managed, the Board has endorsed a strategy of placing no more than 25% of the total term deposits with any one financial institution, while ensuring that there is reasonable spread of maturity dates. Central to the management of the Health Fund's liquidity is the forecasting of daily cash flows. The Board is regularly advised about the extent of surplus funds available based on historical records and latest projections of cash flows, including expectations of contributions and risk equalisation funds and claims to be paid out. As at 30 June 2017 and 2016, the Board determined that private health insurance liabilities are reasonably backed by cash and term deposits and financial assets at fair value through profit or loss.

(u) Insurance contracts
Insurance contracts for the Health Fund are defined as those containing significant insurance risk at the inception of the contract, or those where, at the inception of the contract, there is a scenario with commercial substance in which the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

(v) Outstanding claims provision
The provision for outstanding claims for the Health Fund provides for claims received but not assessed, and claims incurred but not received. The provision is based on actuarial assessment taking into account historical patterns of claim incidence and processing. No discounting is applied to the provision due to the generally short time period between claim incidence and settlement. The provision also provides for the expected payment to or receipt from the Risk Equalisation Trust Fund in relation to an amount provided for unpresented and outstanding claims. Under AASB 1023, risk margin has been applied in the calculation as capital for prudential purposes.

(w) Actuarial assumptions and methods
Actuarial methods
The outstanding claims provision is derived based on three valuation classes, namely hospital, medical and general treatment services.

In calculating the estimated cost of unpaid claims a chain ladder method is used, this assumes that the development pattern of the current claims will be consistent with historical experience. Where deemed necessary, manual adjustments were made to the outstanding claims by service month to produce an appropriate estimate of incurred claims for the service month.

Actuarial assumptions
The following assumptions have been made in determining the outstanding claims liability based on inputs from management and advice from the Appointed Actuary.

	2017			2016		
Variables	**Hospital %**	**Medical %**	**General treatment %**	Hospital %	Medical %	General treatment %
Proportion paid to date	94%	94%	98%	97%	97%	99%
Expense rate	4.17%	4.17%	4.17%	4.54%	4.54%	4.54%
Discount rate	Nil	Nil	Nil	Nil	Nil	Nil
Risk equalisation rate	15.41%	15.41%	15.41%	12.92%	12.92%	12.92%
Risk margin	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

The risk margin of 6% (2016: 6%) of the underlying liability has been estimated to equate to a probability of adequacy greater than 75% (2016: 75%).

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2017

NOTE 1 cont

Process used to determine assumptions
A description of the processes used to determine these assumptions is provided below:

i. Proportion paid to date
The proportion paid to date summarises the application of the chain ladder method (over the 12 months to 30 June 2017) described above to determine the total expected incurred in each service month. The proportion paid to date has been determined with one month's paid claims hindsight.

ii. Discount rate
As claims for health funds are generally settled within one year, no discounting of claims is usually applied as the difference between the undiscounted value of claims payments and the present value of claims payments is not likely to be material. An increase in the proportion assumed paid to date, would lead to more claims being paid earlier and therefore a decrease in the liability

iii. Expense rate
Claims handling expenses were calculated by reference to past experience of total claims handling costs as a percentage of total past payments. An increase or decrease in this expense would have a corresponding effect on the claims expense.

iv. Risk equalisation rate
In simplified terms, each private health insurer is required to contribute to the risk equalisation pool or is paid from the pool to equalise their hospital claims exposure to members aged over 55 years of age and in respect of high cost claims. This is an allowance made in respect of the claims incurred but not yet paid. An increase or decrease in this expense would have a corresponding effect on the claims expense.

v. Risk margin
The risk margin has been based on an analysis of the past experience of the Health Fund. This analysis examined the volatility of past payments that has not been explained by the model adopted to determine the central estimate. This past volatility has been assumed to be indicative of the future volatility and has been set at a level estimated to equate to a probability of adequacy greater than 75% (2016: 75%). An increase or decrease in this expense would have a corresponding effect on the claims expense.

The probability of adequacy implied by the risk margin 6% (2016: 6%) has been determined with one month's paid claims hindsight. The 2017 provision was prepared using one month's paid claims hindsight.

Sensitivity analysis – Insurance contracts
Summary
The Appointed Actuary conducts sensitivity analyses to quantify the exposure risk of changes in the key underlying variables and assumptions. The movement in any key variable will impact the performance and equity of the Group.

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NOTE 1 cont

The tables below describe how a change in each assumption will affect the health insurance liabilities and hence the profit or loss and the equity of the Group.

	Profit 2017 $'000	**Equity 2017 $'000**
Recognised amounts in the financial statements	1,895	199,573

Variables	Movement in variable %	Adjustments on surplus $'000	Adjusted amount included in profit or loss $'000	Adjustments in Equity $'000	Adjusted amount included in Statement of Financial Position $'000
Central estimate	+1%	(40)	1,855	(40)	199,533
Central estimate	-1%	40	1,935	40	199,613
Expense rate	+1%	(46)	1,849	(46)	199,527
Expense rate	-1%	46	1,941	46	199,619
Risk equalisation rate	+1%	(40)	1,855	(40)	199,533
Risk equalisation rate	-1%	40	1,935	40	199,613
Risk margin	+1%	(47)	1,848	(47)	199,526
Risk margin	-1%	47	1,942	47	199,620

(x) Rounding of amounts
The Group and Parent Entity have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 and accordingly, amounts in the financial statements have been rounded off to the nearest thousand dollars ($'000) unless otherwise stated.

(y) Accounting estimates and judgments
Management have made judgments when applying the Group's accounting policies with respect to the:

i.De-recognition of securitised loans assigned to a special purpose vehicle used for securitisation purposes – refer to Note 38.

Management have made significant estimates and assumptions with respect to:

i. Impairment provisions for loans – refer to Note 15
ii. Fair value of investment property – refer to Note 18
iii. Fair value measurement of financial instruments – refer to Note 37

(z) Comparatives
Where required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation in the current year.

(aa) New and amended standards and interpretations
The Group applied, for the first time, certain new and amended accounting standards and interpretations which are effective for annual periods beginning on or after 1 July 2016. There are no new and amended accounting standards and interpretations that became effective as of 1 July 2016 that have material impact to the Group.

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Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2017

NOTE 1 cont

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

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

New/revised pronouncements	Nature of change	Impact
(i) AASB 9 *Financial Instruments* (application date 30 June 2019)	The AASB has issued the complete AASB 9. The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. This supersedes AASB 9 (issued in December 2009-as amended) and AASB 9 (issued in December 2010	AASB 9 may have a potential increase in the Group's loans and advances provisioning. However, the Group has not yet fully assessed the impact of AASB 9 as this standard does not yet apply mandatorily. The consolidated entity is well progressed in its implementation of AASB 9. At the time of preparation of these financial statements, it is not possible to disclose an estimated numerical impact of adopting the standard. However, each of the three major components of the standard are discussed below, with a qualitative summary of the likely impact on the financial statements. The adoption of the new classification and measurement requirements is not likely to have a material impact on the consolidated entity's financial report. Presently, all financial instruments are measured on an amortised cost basis, with the exception of derivatives. It is expected that this will continue under AASB 9, as the consolidated entity's financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. Additionally, the financial assets held by the consolidated entity have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The consolidated entity does not anticipate designating any financial instruments to be measured on a fair value basis through profit or loss. The adoption of the expected-loss impairment model will lead to the consolidated entity recognising a provision for impairment against financial assets that it previously has not recognised a provision against using an incurred-loss model. Movements in the provision for impairment are likely to lead to increased volatility in the profit or loss, depending on the change in creditworthiness from initial recognition of each financial asset. The consolidated entity expects that its existing hedge accounting relationships will be compliant with AASB 9 and fair value movements will continue to be recognised substantially through a reserve within equity.
(ii) AASB 15 *Revenue from Contracts with Customers* (application date 30 June 2019)	The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.	The Group has not yet assessed the full impact of this Standard. The consolidated entity does not expect a material impact from the implementation of AASB 15. The majority of its revenue is sourced from financial instruments, which is outside the scope of the standard. It is anticipated that any impact from applying AASB 15 to income that is not sourced from financial instruments will not be material.
(iv) AASB 16 *Leases* (application date 30 June 2020)	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.	To the extent that the group, as lessee, has significant operating leases outstanding at the date of initial application, 1 July 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 *Leases*. This trend will reverse in the later years.

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2017

		Credit Union		Group	
		2017	2016	**2017**	2016
		$'000	$'000	**$'000**	$'000
NOTE 2 Interest income and interest expense					
(a)	**Interest income**				
	Cash and cash equivalents	200	351	200	351
	Financial assets held to maturity	4,292	4,564	5,939	6,362
	Loans and advances	54,671	52,060	54,671	52,060
	Impaired loans	109	93	109	93
	Total interest income	59,272	57,068	60,919	58,866
(b)	**Interest expense**				
	Borrowings	102	-	102	-
	Borrowings – securitisation	762	832	762	832
	Deposits from financial institutions	377	169	377	169
	Deposits from members	25,553	24,985	25,337	24,807
	Total interest expense	26,794	25,986	26,578	25,808

	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
NOTE 3 Other revenue and income				
- Dividends received – other corporations	25	103	25	103
- Dividends received – wholly owned subsidiaries	5,000	-	-	-
- Fees and commissions	13,451	13,661	9,876	10,720
- Bad debts recovered	164	53	164	53
- Net gain on disposal of property, plant and equipment	40	-	40	-
- Rental income from investment property	-	-	641	356
- Rental income from operating leases	645	593	178	138
- Management fee	13,349	12,266	-	180
- Contribution income – Queensland Country Health Fund	-	-	103,058	91,962
- Net gain on financial assets at fair value	-	-	1,019	234
- Fair value movement on investment property	-	361	-	331
- Other	-	-	341	292
Total other revenue and income	32,674	27,037	115,342	104,369

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	Credit Union		Group	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
NOTE 4 Operating expenses				
- Fees and commissions	626	1,056	626	1,056
- Depreciation - buildings	285	302	988	985
- plant and equipment	708	734	942	956
- Amortisation - leasehold improvements	729	689	729	689
- Amortisation - software	618	358	676	358
- Impairment losses - loans and advances	1,883	1,178	1,883	1,178
- Rental expense on operating leases	3,524	3,428	2,091	2,049
- Employee benefits - superannuation	1,840	1,745	1,840	1,745
- Employee benefits - other	23,851	21,913	23,851	21,913
- General administration	7,619	6,139	4,292	3,358
- Direct property expenditure from investment property generating rental income	167	167	167	167
- Benefits paid - Queensland Country Health Fund	-	-	89,532	79,448
- Loss on disposal of property, plant and equipment	3	49	3	54
- Fair value movement on investment property	(70)	-	230	-
- Information technology costs	5,880	5,079	5,880	5,079
- Transaction processing costs	4,827	4,451	4,827	4,451
- Other operating expenses	6,095	5,769	5,908	5,624
Total Expenses	58,585	53,057	144,465	129,110

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2017

	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
NOTE 5 Income tax				
(a) Numerical reconciliation of income tax expense to prima facie tax payable:				
Profit before income tax	6,567	5,062	5,218	8,317
Tax at the Australian tax rate of 30% (2016: 30%)	1,970	1,519	1,565	2,495
Add Tax effect of:				
Assessable Intra-group Dividend	-	-	1,500	-
Investment Property expenses			298	
Non-deductible expenses	36	22	46	29
	2,006	1,541	3,409	2,524
Less Tax effect of:				
Tax offset for franked dividends	(8)	(31)	(8)	(36)
Tax building depreciation/building allowance	(22)	(22)	(22)	(22)
Non-assessable income – Queensland Country Health Fund	-	-	-	(620)
Other non-assessable items	(8)	(12)	(12)	(12)
	1,968	1,476	3,367	1,833
Initial Recognition of deferred tax balance	-	-	-	(2,050)
Adjustment recognised for prior periods	(44)	(160)	(44)	(160)
Income tax expense	1,924	1,316	3,323	(376)
(b) Major components of tax expense/(income):				
- Current tax	2,580	1,280	3,715	1,356
- Deferred tax relating to the origination and reversal of temporary differences	(612)	196	(348)	478
- Initial Recognition of deferred tax balance	-	-	-	(2,050)
- Adjustment recognised for prior periods	(44)	(160)	(44)	(160)
	1,924	1,316	3,323	(376)
(c) Balance of franking account at year end adjusted for franking credits or debits arising from payment of the provision for income tax or receipt of dividends receivable at the end of the reporting date based on a tax rate of 30% (2016: 30%)	42,300	41,017	42,512	41,125

Queensland Country Health Fund Ltd, a subsidiary, changed its tax status from tax exempt to "for profit" on 1st January 2016. A deferred tax balance was recognised of $2,050,000 as at that date.

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	Credit Union 2017 $	Credit Union 2016 $	Group 2017 $	Group 2016 $
NOTE 6 Auditor's remuneration				
Auditor Remuneration PricewaterhouseCoopers Australia:				
Auditing of financial statements	108,690	-	141,650	-
Other assurance services				
– audit and review of prudential returns	20,010	-	29,280	-
– other assurance services	6,695	-	8,240	-
Taxation services	12,785	-	26,285	-
	148,180	-	205,455	-
Auditor Remuneration BDO:				
Auditing of financial statements	-	98,000	-	124,350
Other assurance services				
– audit and review of prudential returns	-	29,200	-	29,200
– other assurance services	3,850	44,535	3,850	56,185
– due diligence services	16,000	-	16,000	-
Taxation services	29,691	12,638	32,191	25,638
Other services				
- remuneration services	8,460	-	8,460	-
	58,001	184,373	60,501	235,373
	206,181	184,373	265,956	235,373

NOTE 7 Key management personnel

(a) Remuneration of key management personnel (KMP)

Compensation of KMPs in total and for each of the following categories was as follows	Credit Union 2017 $	Credit Union 2016 $	Group 2017 $	Group 2016 $
- short term employee benefits	1,621,884	2,663,880	1,890,648	2,663,880
- post-employment benefits – superannuation contributions	138,740	227,360	164,272	227,360
- other long-term benefits – net increase/(decrease) in long service leave provision	58,212	56,383	58,212	56,383
- terminations	-	50,325	-	50,325
Total	1,818,836	2,997,948	2,113,132	2,997,948

(b) Loans to KMPs and their close family members

The Credit Union's policy for lending to KMPs 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 benefits or concessional terms and conditions applicable to the close family members of the KMPs. There are no loans that are impaired in relation to the loan balances with KMPs. There are also no loans that are impaired in relation to the loan balances with close family relatives of KMPs.

	Credit Union 2017 $	Credit Union 2016 $	Group 2017 $	Group 2016 $
The aggregate value of loans at year end	6,791,060	9,480,923	8,797,335	9,480,923
The aggregate value of other credit facilities at year end	95,500	533,000	95,500	533,000
Amounts drawn down included in the aggregate value	(23,330)	(279,073)	(23,330)	(279,073)
Net balance available	72,170	253,927	72,170	253,927

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2017

	Credit Union		Group	
	2017	2016	**2017**	2016
	$	$	**$**	$
NOTE 7 cont				
During the year the aggregate value of loans disbursed amounted to:				
- Revolving credit facilities	-	-	-	-
- Personal loans	-	-	-	-
- Term loans	-	741,778	22,529	741,778
	-	741,778	22,529	741,778
During the year the aggregate value of Revolving credit facility limits granted or increased amounted to:	-	-	-	-
Interest and other revenue earned on loans and revolving credit facilities	241,283	388,332	349,977	388,332

(c) Other transactions with KMPs and their close family members

	Credit Union 2017 $	Credit Union 2016 $	Group 2017 $	Group 2016 $
KMPs have received interest on deposits with the Credit Union during the financial year. Interest has been paid on terms and conditions no more favourable than those available on similar transactions to members of the Credit Union.				
Total value of deposits at year end	3,005,300	3,854,444	3,845,102	3,854,444
Total interest paid on these deposits during the year	34,405	50,397	39,076	50,397

The Credit Union's policy for receiving deposits from other related parties, and in respect of other related party transactions, is that all transactions are approved and deposits accepted on the same terms and conditions that apply to members for each type of deposit. There are no other benefits paid or payable to the close family members of the KMPs. There are no service contracts to which KMPs or their close family members are an interested party.

	Credit Union		Group	
NOTE 8 Cash and cash equivalents	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Cash on hand	4,910	4,004	4,910	4,004
Deposits with ADI's	19,723	8,029	20,855	8,554
	24,633	12,033	25,765	12,558

The effective interest rate on short-term bank deposits was 0.67% (2016: 0.01%); these deposits are available at-call.

NOTE 9 Receivables due from other financial institutions

	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
ADI receivables	783	4,852	783	4,852

All receivables due from other financial institutions are expected to be recovered within 12 months from the reporting date.

	Credit Union		Group	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
NOTE 10 Financial assets at fair value through profit and loss				
Financial assets, at fair value				
- Managed funds	-	-	2,609	2,344
- Intermediate assets	-	-	15,208	3,412
- Floating rate notes		-	2,022	-
Total	-	-	19,839	5,756
Movement in fair value – Managed funds				
- Opening balance	-	-	2,344	2,101
- Acquisition	-	-	-	-
- Redemption	-	-	-	-
- Net distribution	-	-	-	-
- Changes in market conditions	-	-	265	243
- Closing balance	-	-	2,609	2,344
Movement in fair value – Intermediate assets				
- Opening balance	-	-	3,412	-
- Acquisition	-	-	14,216	3,421
- Redemption	-	-	(3,070)	-
- Gain/(Loss) on redemption			35	
- Net distribution	-	-	-	-
- Changes in market conditions	-	-	615	(9)
- Closing balance	-	-	15,208	3,412
Movement in fair value – Floating rate notes				
- Opening balance	-	-	-	-
- Acquisition	-	-	2,000	-
- Redemption	-	-	-	-
- Net distribution	-	-	-	-
- Changes in market conditions	-	-	22	-
- Closing balance	-	-	2,022	-

Amounts of financial assets at fair value through profit and loss expected to mature more than 12 months after the reporting date for the Credit Union amounted to $nil (2016: $nil), for the Group amounted to $12,482,000 (2016: $5,756,000).

NOTE 11 Other receivables

	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
Accrued interest	618	525	917	959
Sundry debtors	2,111	1,822	4,984	3,925
	2,729	2,347	5,901	4,884

NOTE 12 Income tax receivable

	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
Current income tax receivable	-	1,035	-	934

NOTE 13 Financial assets held to maturity

	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
Bank bills of exchange and certificates of deposit	122,853	98,424	122,853	98,424
Floating rate notes	39,450	26,700	49,950	40,200
Deposits with ADI's	58,369	69,272	83,113	103,926
	220,672	194,396	255,916	242,550

Amounts of financial assets held to maturity expected to mature more than 12 months after the reporting date for the Credit Union amounted to $33,500,000 (2016: $25,500,000), for the Group amounted to $45,500,000 (2016: $44,000,000).

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2017

	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
NOTE 14 Loans and advances				
Loans and advances outstanding				
– Overdrafts	36,458	33,753	36,458	33,753
– Term loans	1,329,728	990,915	1,329,728	990,915
– Credit cards	16,353	13,717	16,353	13,717
– Other	-	1,320	-	1,320
Gross loans and advances	1,382,539	1,039,705	1,382,539	1,039,705
Provision for impairment	(3,049)	(1,887)	(3,049)	(1,887)
Net loans and advances	1,379,490	1,037,818	1,379,490	1,037,818

Amounts of loans and advances expected to be recovered more than 12 months after the reporting date for the Credit Union amounted to $1,206,543,000 (2016: $794,035,000), for the Group amounted to $1,206,543,000 (2016: $794,035,000).

NOTE 15 Impairment of loans and advances

	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
(a) Provisions for impairment				
– Opening balance	1,887	3,567	1,887	3,567
– Provision acquired through merger (Note 42)	176	-	176	-
– Impairment expense	1,883	1,178	1,883	1,178
– Bad debts written off	(897)	(2,858)	(897)	(2,858)
– Closing balance	3,049	1,887	3,049	1,887

Details of credit risk management are set out in Note 33.

	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
(b) Provision for impairment calculation				
– Provision prescribed by prudential standards	3,049	1,887	3,049	1,887
– Additional specific provision	-	-	-	-
– Closing balance	3,049	1,887	3,049	1,887

Key assumptions in determining the provision for impairment

In the course of the preparation of the financial statements, the Credit Union has determined the likely impairment loss on loans and overdrafts which have not maintained loan repayments in accordance with the loan contract, or where there is other evidence of impairment such as bankruptcy, industrial restructuring, job losses or economic circumstances. In identifying the impairment from these events, the Credit Union is required to estimate the impairment using the length of time the loan is in arrears and the historical losses arising in past years. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses. Provision for impairment calculations are based on the prescribed provisioning of APRA prudential standard APS 220 where provisioning is based on the period of arrears or irregularity as follows:

Period of Impairment	Overdrafts % of balance	Category 3 % of balance	Category 2 % of balance
14 to 89 days	40	–	–
90 to 181 days	75	40	5
182 to 272 days	100	60	10
273 to 364 days	100	80	15
Over 364 days	100	100	20

	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
NOTE 15 cont				
(c) Impairment expense on loans and advances to members				
- Movement in provision for impairment	1,883	1,178	1,883	1,178
- Bad debts written off directly to profit or loss	-	-	-	-
Total impairment expense for loans and advances	1,883	1,178	1,883	1,178

(d) There were no assets acquired from loan recovery (2016: $nil)

The policy of the Group is to sell the assets via auction at the earliest opportunity, after the measures to assist the members to repay the debts have been exhausted.

	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
(e) Loans and advances by impairment class				
- Net impaired loans – refer 15(f)	5,769	3,271	5,769	3,271
- Past due but not impaired – refer 15(g)	3,504	1,330	3,504	1,330
- Neither past due or impaired – refer 15(h)	1,370,217	1,033,217	1,370,217	1,033,217
Net loans and advances	1,379,490	1,037,818	1,379,490	1,037,818
(f) Impaired loans and advances at reporting date				
Individually impaired loans and advances	8,818	5,158	8,818	5,158
Provision for impairment	(3,049)	(1,887)	(3,049)	(1,887)
Net Individually impaired loans	5,769	3,271	5,769	3,271
Total net impaired loans and advances	5,769	3,271	5,769	3,271
Individually impaired loans and advances at reporting date				
Loans by purpose				
- Housing loans	6,259	3,957	6,259	3,957
- Revolving credit	1,110	471	1,110	471
- Personal loans	802	436	802	436
- Commercial loans	647	294	647	294
Provision for impairment	(3,049)	(1,887)	(3,049)	(1,887)
Carrying amount	5,769	3,271	5,769	3,271
Aging analysis				
Not past due	-	-	-	-
Past due 0 – 90 days in arrears	-	-	-	-
Past due 90 – 180 days in arrears	2,116	1,665	2,116	1,665
Past due 180 – 270 days in arrears	2,725	445	2,725	445
Past due 270 – 365 days in arrears	303	205	303	205
Past due more than 365 days in arrears	3,535	2,722	3,535	2,722
Overlimit facilities more than 14 days	139	121	139	121
Provision for impairment	(3,049)	(1,887)	(3,049)	(1,887)
Carrying amount	5,769	3,271	5,769	3,271

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	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
NOTE 15 cont				
(g) Past due but not impaired loans and advances at reporting date				
These loans are not considered impaired as the value of the related security over residential property is in excess of the loan due.				
Loans by purpose				
- Housing loans	3,504	1,330	3,504	1,330
- Revolving credit	-	-	-	-
- Personal loans	-	-	-	-
- Commercial loans	-	-	-	-
Carrying amount	3,504	1,330	3,504	1,330
Aging analysis				
Past due 0 – 90 days in arrears	-	-	-	-
Past due 90 – 180 days in arrears	2,730	587	2,730	587
Past due 180 – 270 days in arrears	774	143	774	143
Past due 270 – 365 days in arrears	-	150	-	150
Past due more than 365 days in arrears	-	450	-	450
Carrying amount	3,504	1,330	3,504	1,330
(h) Neither past due or impaired loans and advances at reporting date				
Loans by purpose				
- Housing loans	1,221,162	881,788	1,221,162	881,788
- Revolving credit	51,649	47,090	51,649	47,090
- Personal loans	58,721	68,404	58,721	68,404
- Commercial loans	38,685	35,935	38,685	35,935
Carrying amount	1,370,217	1,033,217	1,370,217	1,033,217

All loans and advances to members that are neither past due or impaired are with long standing clients who have good payment history. The above values include the balance of renegotiated loans and advances.

(i) Collateral held

The Group holds collateral against loans and advances to members as detailed below:

	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
Loans and advances with no collateral	34,763	31,238	34,763	31,238
Loans and advances with collateral	1,344,727	1,006,580	1,344,727	1,006,580
Total Loans and advances	1,379,490	1,037,818	1,379,490	1,037,818

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

	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
NOTE 16 Property, plant and equipment				
(a) Carrying amounts				
Land				
- At cost	1,210	310	7,096	6,197
Buildings				
- At cost	6,588	4,955	26,931	24,765
- Accumulated depreciation	(3,189)	(2,904)	(4,909)	(3,921)
	3,399	2,051	22,022	20,844
Leasehold improvements				
- At cost	10,372	8,462	10,372	8,462
- Accumulated amortisation	(8,620)	(7,432)	(8,620)	(7,432)
	1,752	1,030	1,752	1,030
Plant and equipment				
- At cost	10,739	10,225	12,631	12,097
- Accumulated depreciation	(8,367)	(8,000)	(8,917)	(8,317)
	2,372	2,225	3,714	3,780
Total property, plant and equipment	8,733	5,616	34,584	31,851

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FOR THE YEAR ENDED 30TH JUNE 2017

NOTE 16 cont

(b) Movements in carrying amounts

Reconciliations of the carrying amounts of each class of property, plant and equipment between the beginning and end of the financial year are set out below.

	Land $'000	Buildings $'000	Leasehold Improvements $'000	Plant & Equipment $'000	Total $'000
Credit Union					
Balance at 1 July 2016	310	2,051	1,030	2,225	5,616
- Additions	-	183	1,087	674	1,944
- Additions through merger	900	1450	364	189	2,903
- Disposals	-	-	-	(8)	(8)
- Depreciation expense	-	(285)	(729)	(708)	(1,722)
Balance at 30 June 2017	1,210	3,399	1,752	2,372	8,733
Balance at 1 July 2015	424	2,687	1,310	2,795	7,216
- Additions	-	41	444	462	947
- Transfers	(114)	(375)	-	-	(489)
- Disposals	-	-	(35)	(298)	(333)
- Depreciation expense	-	(302)	(689)	(734)	(1,725)
Balance at 30 June 2016	310	2,051	1,030	2,225	5,616
Group					
Balance at 1 July 2016	6,197	20,844	1,030	3,780	31,851
- Additions	-	716	1,087	695	2,498
- Additions through merger	899	1,450	364	189	2,903
- Disposals	-	-	-	(8)	(8)
- Depreciation expense	-	(988)	(729)	(942)	(2,659)
Balance at 30 June 2017	7,096	22,022	1,752	3,714	34,584
Balance at 1 July 2015	6,311	22,122	1,310	4,295	34,038
- Additions	-	82	444	750	1,276
- Transfers	(114)	(375)	-	-	(489)
- Disposals	-	-	(35)	(309)	(344)
- Depreciation expense	-	(985)	(689)	(956)	(2,630)
Balance at 30 June 2016	6,197	20,844	1,030	3,780	31,851

(c) Valuations

Independent valuations were performed by Certified Practicing Valuers: M. Galvin (AAPI); D. Johnston (AAPI); R. Taylor (AAPI); C. Lane (AAPI)); and A. Dickinson (AAPI) as at 30th June 2016. The valuations were obtained in accordance with a policy to value land and buildings every three years. The increase in value over cost has not been brought to account. The valuations have been based on the current market value of freehold land and buildings, taking into consideration the sales of similar land and buildings in the area. The directors are satisfied that the outcome of these valuations adequately support the carrying values above.

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	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
NOTE 17 Intangible asset				
(a) Carrying amounts				
Computer Software				
- At cost	4,655	2,971	5,114	3,153
- Accumulated amortisation	(1,707)	(384)	(1,765)	(384)
Total computer software	2,948	2,587	3,349	2,769

(b) Movements in carrying amounts

Reconciliations of the carrying amounts of each class of intangible assets between the beginning and end of the financial year are set out below.

	Computer software $'000	Total $'000
Credit Union		
Balance at 1 July 2016	2,587	2,587
- Additions	979	979
- Disposals	-	-
- Amortisation expense	(618)	(618)
Balance at 30 June 2017	2,948	2,948
Balance at 1 July 2015	1,819	1,819
- Additions	1,126	1,126
- Disposals	-	-
- Amortisation expense	(358)	(358)
Balance at 30 June 2016	2,587	2,587
Group		
Balance at 1 July 2016	2,769	2,769
- Additions	1,256	1,256
- Disposals	-	-
- Amortisation expense	(676)	(676)
Balance at 30 June 2017	3,349	3,349
Balance at 1 July 2015	1,819	1,819
- Additions	1,308	1,308
- Disposals	-	-
- Amortisation expense	(358)	(358)
Balance at 30 June 2016	2,769	2,769

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2017

	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
NOTE 18 Investment property				
Movements				
Opening balance	850	-	4,710	3,740
Transfers	-	489	-	489
Capital expenditure	-	-	-	150
Net gain/(loss) from fair value adjustments	70	361	(230)	331
Closing balance	920	850	4,480	4,710

The fair value model is applied to all investment property. Investment properties are independently valued annually. Values are based on an active liquid market value and are performed by a registered independent valuer. The independent valuations were carried out by Jim Webster, registered valuer no. 2120 of JJL on 18th May 2017; Tony O'Connor, registered valuer no. 3312 of Taylor Byrne Valuers on 28th June 2017 and James Hayward, registered valuer no. 3759 of Herron, Todd and White on 7th June 2017. The directors do not believe there are any significant differences from the valuations obtained during the year to reporting date.

The revaluations have been based on the current market value of freehold land and buildings, taking into consideration the sales of similar land and buildings in the area.

Refer to Note 37 for further disclosure on fair value measurement.

NOTE 19 Financial assets at cost

	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
Shares in unlisted entities	2,324	2,324	2,324	2,324

The shareholdings in Indue Limited and Cuscal Limited are measured at cost as the fair value can not be measured reliably. These companies were created to supply services to the member credit unions and do not have an independent business focus. These shares are held to enable the Group to receive essential banking services – refer Note 33B. These shares are not publicly traded and are not redeemable.

The financial statements of Indue and Cuscal record net tangible asset backing of these shares exceeding their cost value. Based on net assets of Indue and Cuscal, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily. The Group is not intending to dispose of these shares.

	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
NOTE 20 Deferred tax assets				
(a) Deferred tax assets comprise temporary differences attributable to:				
- provision for doubtful debts	915	566	915	566
- provision for outstanding claims	-	-	1,508	1,520
- employee benefits	1,369	1,127	1,369	1,127
- depreciation	1,505	1,501	2,158	2,220
- land and buildings	362	760	(366)	161
- provision for onerous contracts	631	-	631	-
- other	564	485	660	639
Net deferred tax assets	5,346	4,439	6,875	6,233
(b) The movement in deferred tax assets for each temporary difference during the year is as follows:				
Provision for doubtful debts				
Opening balance	566	1,070	566	1,070
Change recognised in profit or loss	349	(504)	349	(504)
Closing balance	915	566	915	566
Provision for outstanding claims				
Opening balance	-	-	1,520	-
Change recognised in profit or loss	-	-	(12)	1,520
Closing balance	-	-	1,508	1,520
Employee benefits				
Opening balance	1,127	1,022	1,127	1,022
Balance recognised on merger	158	-	158	-
Change recognised in profit or loss	84	105	84	105
Closing balance	1,369	1,127	1,369	1,127
Depreciation				
Opening balance	1,501	1,808	2,220	1,808
Balance recognised on merger	4	-	4	-
Change recognised in profit or loss	168	173	102	892
Adjustment recognised for prior periods	(168)	(480)	(168)	(480)
Closing balance	1,505	1,501	2,158	2,220
Land and buildings				
Opening balance	760	797	161	797
Balance recognised on merger	(445)		(445)	
Change recognised in profit or loss	47	(37)	(82)	(636)
Closing balance	362	760	(366)	161
Tax losses				
Opening balance	-	-	24	-
Change recognised in profit or loss	-	-	(21)	24
Closing balance	-	-	3	24

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2017

	Credit Union		Group	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
NOTE 20 cont				
Provision for onerous contracts				
Opening balance	-	-	-	-
Balance recognised on merger	631	-	631	-
Change recognised in profit or loss	-	-	-	-
Closing balance	631	-	631	-
Other				
Opening balance	485	419	615	419
Balance recognised on merger	115		115	
Change recognised in profit or loss	(36)	66	(73)	196
Closing balance	564	485	657	615
NOTE 21 Other assets				
Prepayments	1,053	835	1,053	835
NOTE 22 Other borrowings				
Trinity Mortgage Origination Trust	15,838	18,158	15,838	18,158
Subordinated Debt	4,993	-	4,993	-
	20,831	18,158	20,831	18,158
NOTE 23 Deposits from members				
Member call deposits (including withdrawable shares)	795,006	606,952	786,926	599,074
Member term deposits (including accrued interest)	643,572	471,373	640,568	467,598
Member retirement savings account deposits (including accrued interest)	55,277	58,873	55,277	58,873
	1,493,855	1,137,198	1,482,771	1,125,545

Amounts of deposits from members expected to be settled more than 12 months after reporting date for the Credit Union amounted to $nil (2016: $nil), for the Group amounted to $nil (2016: $nil).

There are no deposits from an individual member, or association groups of members which exceed 10% of total liabilities of the Credit Union.

	Credit Union		Group	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
NOTE 24 Other payables				
Accrued expenses	4,118	1,746	4,118	1,746
Contributions in advance – Queensland Country Health Fund	-	-	14,501	12,459
Employee entitlements	2,536	2,135	2,536	2,135
Other liabilities	3,620	9,537	5,104	11,253
	10,274	13,418	26,259	27,593
NOTE 25 Income tax payable				
Current income tax payable	602	-	1,625	-

	Credit Union		Group	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
NOTE 26 Provisions				
Long service leave	2,026	1,620	2,026	1,620
Make good provision	573	427	573	427
Outstanding claims provision	-	-	5,027	5,067
Unexpired risk liability reserve	-	-	1,674	502
	2,599	2,047	9,300	7,616

(a) Make good provision

The movements in the make good provision were as follows:				
– Carrying amount – opening balance	427	451	427	451
– Additional provisions raised during the year	146	-	146	-
– Amounts used	-	(24)	-	(24)
– Carrying amount – closing balance	573	427	573	427

The Group is required under the terms of their leases to restore the leased premises at the end of the lease to its original condition. A provision has been recognised for the present value of the estimated expenditure required to demolish any leasehold improvements at the end of the lease. These costs have been capitalised as part of the cost of the leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

(b) Outstanding claims provision

– Carrying amount – opening balance	-	-	5,067	4,682
– Additional provisions required	-	-	-	385
– Reduction in provisions required	-	-	(40)	-
– Carrying amount – closing balance	-	-	5,027	5,067

The provision for outstanding claims relates to Queensland Country Health Fund Ltd, it provides for claims received but not assessed and claims incurred but not received. The provision is based on actuarial assessment taking into account historical patterns of claim incidence and processing. The provision also provides for the expected payment to the Risk Equalisation Trust Fund and claims handling costs.

(c) Unexpired risk liability reserve

– Carrying amount – opening balance	-	-	502	188
– Additional provisions required	-	-	1,172	314
– Reduction in provisions required	-	-	-	-
– Carrying amount – closing balance	-	-	1,674	502

The unexpired risk liability reserve relates to Queensland Country Health Fund Ltd, it provides for a deficiency between future premium income and future claims and expenses. The provision is based on actuarial liability adequacy testing performed on hospital and general treatment contracts up to 1 April 2018.

Notes to the Financial Statements

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NOTE 27 Reserves

(a) General reserve
The general reserve records funds set aside for future expansion of the Credit Union.

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

(c) Redeemed preference shares reserve
The redeemed preference shares reserve records the transfer of profits appropriated for the redeemable preference shares that have been redeemed.

(d) Asset revaluation reserve
The asset revaluation reserve records revaluations of non-current assets.

(e) Business combination reserve
The business combination reserve recognises the net assets acquired on merger.

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NOTE 28 Statements of cash flows

(a) Reconciliation of cash

For the purposes of the statements of cash flows, cash includes cash on hand and "at call" deposits, net of overdrafts with other financial institutions. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
Cash and cash equivalents	24,633	12,033	25,765	12,558
Receivables due from other financial institutions – at call	783	4,852	783	4,852
	25,416	16,885	26,548	17,410

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:
- Member deposits in and withdrawals;
- Sales and purchases of maturing certificates of deposit;
- Receivables due from other financial institutions;
- Other borrowings; and
- Provision of member loans and the repayment of such loans.

(c) Reconciliation of cash flow from operations with profit after income tax

	Credit Union 2017 $'000	Credit Union 2016 $'000	Group 2017 $'000	Group 2016 $'000
Profit/(loss) after income tax	4,643	3,746	1,895	8,693
– (Gain)/loss on sale of property, plant and equipment	(40)	-	(40)	-
– Depreciation and amortisation	2,340	2,083	3,335	2,988
– Decrease/(increase) in investment property	(70)	(361)	230	(331)
– Provision for loan impairment	1,883	1,178	1,883	1,178
Changes in operating assets and liabilities:				
– (Increase)/decrease in loans and advances	(45,444)	(63,587)	(45,447)	(63,587)
– Increase/(decrease) in member deposits	42,252	62,311	42,801	59,895
– Increase/(decrease) in interest payable	(610)	(512)	(588)	(538)
– (Increase)/decrease in interest receivable	35	(23)	170	109
– (Increase)/decrease in prepayments	(201)	(45)	(201)	(45)
– (Increase)/decrease in sundry debtors	(173)	(245)	(943)	(946)
– (Increase)/decrease in deferred tax assets	(443)	677	(178)	(1,117)
– Increase/(decrease) in income tax payable	1,862	(589)	2,786	(489)
– Increase/(decrease) in provisions	274	158	1,406	857
– Increase/(decrease) in payables and other liabilities	(6,234)	1,198	(4,426)	2,864
Net cash provided by/(used in) operating activities	74	5,989	2,683	9,531

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		Credit Union		Group	
		2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
NOTE 29 Commitments					
(a)	Future capital commitments	-	-	-	-
(b)	Operating lease commitments Non cancellable operating leases contracted for, payable as follows:				
	– Not longer than 1 year	2,921	1,361	1,823	1,361
	– Longer than 1 and not longer than 5 years	5,954	2,688	4,230	2,688
	– Longer than 5 years	987	806	987	806
		9,862	4,855	7,040	4,855

Operating lease commitments relate to property leases for premises used for branch operations. Leases are non-cancellable and are of varying terms up to 10 years with option periods of up to 5 years.

(c)	Outstanding loan commitments Loans and credit facilities approved but not funded or drawn at the end of the financial year:				
	– Loans approved but not funded	23,724	25,168	23,724	25,168
	– Undrawn overdraft, line of credit and VISA facilities	53,271	43,296	53,271	43,296
(d)	Operating leases receivable Non cancellable operating leases contracted for, receivable as follows:				
	– Not longer than 1 year	160	44	550	405
	– Longer than 1 and not longer than 5 years	310	89	1,614	1,768
	– Longer than 5 years	-	-	-	-
		470	133	2,164	2,173

Operating lease receivables relate to property leases of excess space within Branch and Head Office premises, and lease of investment property to a third party. Leases are non-cancellable and are of varying terms up to 5 years with option periods of up to 5 years.

NOTE 30 Overdraft facilities

Overdraft facility approved	320	320	320	320
Overdraft facility used	-	-	-	-
Overdraft facility available	320	320	320	320

An overdraft facility is available through the Indue Group.

NOTE 31 Subsidiaries and other entities

The parent entity is Queensland Country Credit Union Limited. Particulars in relation to Subsidiaries and Other Entities:

Name	Country of incorporation	Ownership interest held by group 2017	2016
Queensland Country Health Fund Ltd	Australia	100%	100%
MTG QCCU Trust Repo Series No.1	Australia	100%	100%
Queensland Country Care Navigation Pty Ltd	Australia	100%	100%

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NOTE 31 cont

Queensland Country Health Fund Ltd is a registered "for profit" health insurer and is operated by the Credit Union under a contract of management. The Health Fund changed its status to "for profit" on 1st January 2016 and now has the capacity to pay dividends to Queensland Country Credit Union. In February 2011, Queensland County Health Fund Ltd changed its constitution to make Queensland Country Credit Union Limited its only member.

The MTG QCCU Trust Repo Series No. 1 is a structured entity that has been established to support the ongoing liquidity management framework of Queensland Country Credit Union Limited. The Credit Union has purchased the Floating Rate Notes issued by the Trust which will be available for sale and repurchase to the Reserve Bank of Australia. Queensland Country Credit Union Limited is the residual income unit holder of the Trust. Refer to Note 38 for further details on securitisation.

Queensland Country Care Navigation Pty Ltd was established on the 4th January 2016 and is a subsidiary company of Queensland Country Health Fund Ltd. This company has an agreement with the Health Fund to provide care coordination services to Members of the Health Fund and there is a management agreement in place with the Credit Union.

		Credit Union		Group	
		2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
NOTE 32 Classes of financial assets and financial liabilities					
The following is a summary of financial instruments by class:					
(a)	Financial assets measured at amortised cost				
	Cash and cash equivalents	24,633	12,033	25,765	12,558
	Receivables due from other financial institutions	783	4,852	783	4,852
	Other receivables	2.729	2,347	5,901	4,884
	Financial assets held to maturity	220,672	194,396	255,916	242,550
	Loans and advances to members	1,379,490	1,037,818	1,379,490	1,037,818
	Total	1.631,656	1,251,446	1,667,855	1,302,662
(b)	Financial assets at fair value through profit and loss	-	-	19,839	5,756
(c)	Financial assets at cost	2,324	2,324	2,324	2,324
(d)	Financial liabilities measured at amortised cost				
	Other borrowings	20,831	18,158	20,831	18,158
	Deposits from members	1,493,855	1,137,198	1,482,771	1,125,545
	Other payables	10,274	13,418	26,259	27,593
	Total	1,524,960	1,168,774	1,529,861	1,171,296

NOTE 33 Risk management policy and objectives

Introduction

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

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

- Risk Management Strategy
- Interest Rate (Market) Risk Management
- Liquidity and Funding Risk Management
- Credit Risk Management
- Capital Management
- Data Risk Management

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NOTE 33 cont

- Compliance
- Business Continuity, Fraud and Corruption.

The main elements comprising Credit Union risk governance are:

(i) Board
The primary governing body is responsible for establishing the Risk Appetite Statement ('RAS') which dictates the nature and extent of significant risks the Credit Union is willing to accept to achieve business objectives, and the framework for reporting and mitigating those risks. The Board has delegated to the Risk Management, Audit and Remuneration Committees specific responsibilities for ensuring risks are adequately identified, controlled and managed. Only Directors comprise these Committees.

(ii) Audit committee
Its key risk management role is the assessment of the controls in place to mitigate risks, including effective operation of the 'three lines of defence'. The Audit Committee approves an annual internal audit plan to review areas of significant risk and assess whether risk controls are adequate and/or operating effectively. The Audit Committee receives and reviews internal audit reports and provides relevant feedback to the Risk Management Committee for their consideration.

(iii) Internal audit
Internal Audit has responsibility for testing the efficacy of risk controls and compliance with policies and operational processes as required by the Audit Committee.

(iv) Risk management committee
A key body in the control of risk, the Risk Management Committee resides within the 'second line of defence' and ensures appropriate management systems are in place to effectively identify, assess, control and report on the strategic, prudential and operational risks to which the Credit Union is exposed. To assist monitoring the effectiveness of risk management processes, the Committee meets regularly to review and consider prudential and operational risk (including compliance) reports, minutes from the Operations Risk Management and Compliance Committee, and Assets and Liability Committee, and reports generated by the Protecht.ERM system. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations.

(v) Remuneration committee
Reviews CEO performance annually and as required, and recommends to the Board remuneration of the CEO and direct reports to the CEO. The Committee carefully considers whether any performance-based package components could adversely affect prudent risk-taking within the Credit Union including compromise of independence of personnel who perform financial and risk/assurance functions, or its financial viability.

(vi) Chief risk officer
This position forms part of the 'second line of defence' and has responsibility for coordination of the Risk Management Strategy and overall risk framework including monitoring compliance with RAS and Board Policy updates, assisting with regular reviews/assessments of strategic/operational risks utilising the Protecht.ERM system, and reviewing and challenging effectiveness of controls. The position also liaises with operational functions to ensure timely production of information for the Board Risk Committees, and ensures that instructions passed from the Board via the Risk Committees are implemented.

(vii) General counsel
Also part of the 'second line of defence', this position has responsibility for managing and monitoring legal and regulatory risk and compliance including implementation and management of a compliance plan. The position also has responsibilities as In-house Counsel and AML/CTF Officer for the Credit Union.

(viii) Asset & liability committee (ALCO) – Market and interest rate risk
This Management Committee meets at least monthly and has responsibility for managing interest rate risk exposures, and ensuring that the treasury and finance functions adhere to exposure limits as outlined in the

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NOTE 33 cont

policies for interest rate gap. Regular scrutiny of market risk reports is intended to prevent any exposure breaches prior to the monthly review by the Board.

(ix) Credit committee – Credit risk
This Committee of senior management meets as required and has responsibility for managing and reporting credit risk exposure. It scrutinises operational reports and monitors exposures against limits determined by the Board. The Credit Committee also determines the credit risk of loans in the banking book, ensures provisioning is accurate and determines controls that need to be put in place regarding the authorisation of new loans.

The Credit Committee has responsibility for implementing policies to ensure that all large credit exposures are properly pre-approved, measured and controlled. Details concerning a prospective borrower are subject to a criteria-based decision-making process. Criteria used for this assessment include: credit references, loan-to-value ratio on security and borrower's capacity to repay which vary according to the value of the loan or facility.

All large credit exposure facilities above policy limits are approved by the Credit Committee or the Board. All exposures are checked daily against approved limits, independently of each business unit, and are reported to the Board on a monthly basis.

All loans are managed weekly through the monitoring of the scheduled repayments. Accounts where the arrears are over 90 days or over-limit facilities over 14 days, have collective provisions charged against them. Other provisions are taken up on accounts considered doubtful and the status of these loans is reported to the Credit Committee weekly and the Board monthly.

Arrears are strictly controlled. The size of the loan book is such that it is possible to monitor each individual exposure to evaluate whether specific provisions are necessary and adequate. The Credit Committee implements the Credit Union's credit risk policy. Additionally, a collective provision is held to cover any losses where there is objective evidence that losses are present in components of the loans and advances portfolio at the end of the reporting date.

(x) Operational risk management and compliance committee
This Management Committee meets as required, but at least quarterly and is responsible for monitoring conduct of risk assessments, the ongoing adequacy of risk controls, and attestation of key risk indicators and compliance questions. The Committee also ensures the Board Risk Management Committee receives regular reporting and updates relating to operational risk management matters.

The Credit Union has undertaken the following strategies to minimise the risks arising from financial instruments:

A. Market risk
The objective of the Group's market risk management is to manage and control market risk exposures in order to optimise risk and return.

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

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

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FOR THE YEAR ENDED 30TH JUNE 2017

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The policy of the Credit Union is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The gap is measured monthly to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposit liabilities to rectify the imbalance to within acceptable levels.

The Credit Union's exposure to interest rate risk is set out in Note 35, which details the contractual interest change profile.

An independent review of the risk management profile is conducted by Protecht Advisory Pty Ltd, independent risk management consultants. The Board monitors these risks through the reports from these consultants and other management reports. Based on calculations as at 30 June 2017, the net profit and equity impact for a 1% (2016:1%) movement in interest rates would be $647,383 (2016: $517,113).

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

- the interest rate change would be applied equally over the loan products and term deposits;
- the rate change would be as at the beginning of the 12 month period and no other rate changes would be effective during the period;
- the term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposits with similar terms and rates applicable;
- stuck call savings deposits would not reprice in the event of a rate change;
- fixed rate mortgage loans would all reprice to the new interest rate at the contracted date;
- other mortgage loans would all reprice to the new interest rate within 28 days;
- personal loans would reprice to the new interest rate at expiry date;
- all loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms);
- the value and mix of call savings to term deposits will be unchanged; and
- the value and mix of personal loans to mortgage loans will be unchanged.

B. Credit risk
Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to the Credit Union which may result in financial losses. Credit risk arises principally from the Credit Union's loan book and investment assets.

Credit risk – Loans and advances
The maximum credit risk exposure in relation to loans is discussed in Note 36(a).

Concentrations are discussed below and in Note 36(b).

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

The Credit Union has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment, security requirements;
- Limits of acceptable exposure over the value to individual borrowers, non-mortgage secured loans, commercial lending and concentrations of geographic and industry groups considered a high risk of default;

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NOTE 33 cont

- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures; and
- Review of compliance with the above policies.

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

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

Weekly reports monitor loan repayments to detect delays in repayments and recovery action is undertaken as appropriate. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loans are over 90 days in arrears. The exposures to losses arise predominantly in the personal loans and facilities not secured by registered mortgage over real estate.

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

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

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

A provision for impairment is established on all past due loans after a specified period of repayment default where it is probable that some of the asset will not be repaid or recovered. Specific loans and portfolios of assets are provided against depending on a number of factors including changes in counterparty's industry and technological developments, as well as identified structural weaknesses or deterioration in cash flows. Details of past due and impaired balances and provisions for impairment of loans and advances to members are discussed in Note 15.

(ii) Collateral securing loans
A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, the Credit Union is exposed to risks in the reduction of the Loan to Value (LVR) cover should the property market be subject to a decline.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. Note 15(i) outlines extent of the collateral held against the loans held as at the end of the reporting date. It is the policy of the Credit Union to allow members with a secured loan or advance reasonable assistance and opportunity to rectify a breach prior to recovery procedures being initiated. Details of assets acquired (if any) from loan recovery and their disposal are shown in Note 15(d).

(iii) Concentration risk – individuals
Concentration risk is a measurement of the Credit Union's exposure to an individual counterparty (or group of related parties).

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

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FOR THE YEAR ENDED 30TH JUNE 2017

NOTE 33 cont

The aggregate value of large exposure loans are set out in Note 36(b). Concentration exposures of counterparties are closely monitored.

Credit risk - Liquid investments
Credit risk in relation to liquid investments is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when counterparties fail to settle their obligations owing to the Credit Union.

(i) Concentration of credit risk
There is a concentration of credit risk with respect to investment receivables with the placement of investments in Indue Limited. The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and the limits to concentration on one entity. Also, the relative size of the Credit Union compared to the industry is relatively low such that the risk of loss is reduced. The Board policy is to limit investments with Indue Limited to a maximum of 100% of the capital base of the Credit Union. All other investments are limited to various percentages of the capital base depending on their external ratings as per below:

	Maximum (% of capital base)
Indue Limited	100%
Cuscal	50%
Any single/group related ADI – rated AA	50%
Any single/group related ADI – rated A	50%
Other External Parties	25%
Unrated Parties	15%

(ii) External credit assessment for institutional investments
The Credit Union uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA Prudential Standard 112. The credit quality assessment scale within this standard has been complied with.

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

	2017			2016		
	Carrying Value $'000	**Past Due Value $'000**	**Provision $'000**	Carrying Value $'000	Past Due Value $'000	Provision $'000
Indue/Cuscal	40,795	-	-	30,921	-	-
ADI's rated AA and above	69,957	-	-	45,421	-	-
ADI's rated below AA	166,019	-	-	170,341	-	-
Unrated institutions	-	-	-	4,000	-	-
Total	276,771	-	-	250,683	-	-

NOTE 33 cont

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

The Credit Union manages liquidity risk by:

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

Under the APRA Prudential Standards, the minimum requirement is to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours. The Credit Union's policy is to maintain at least 11% of funds as liquid assets to maintain adequate funds for meeting Member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level, the Management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits and the borrowing facilities available. The maturity profile of financial liabilities based on the contractual repayment terms is set out in Note 34.

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

	2017	2016
Liquid funds to total adjusted liabilities:		
- As at 30 June	14.74%	16.27%
- Average for the year	16.13%	16.70%
- Minimum during the year	14.18%	13.70%
Liquid funds to total member deposits		
- As at 30 June	15.71%	17.49%

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

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

Systems of internal control are enhanced through:

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

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NOTE 33 cont

(i) Fraud
Card and online fraud can arise from member card PINs, and internet passwords being compromised where not protected adequately by the member. It can also arise from other system failures. The Group has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail banks, fraud is potentially a real cost to the Credit Union.

(ii) IT Systems
The worst case scenario would be the failure of the Credit Union's core banking and IT network suppliers, to meet customer obligations and service requirements. The Credit Union has outsourced the IT systems management to an Independent Data Processing Centre (IDPC). This organisation has the experience in-house to manage any short-term problems and has a contingency plan to manage any related power or systems failures. Other network suppliers are engaged on behalf of the Credit Union by the industry body Indue Limited to service the settlements with other financial institutions for direct entry, ATM and Visa cards, and BPay, etc.

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

E. Capital management
The Australian Prudential Regulatory Authority (APRA) sets and monitors capital requirements for the Credit Union under Australian Prudential Standard (APS) 110 Capital Adequacy. Under the Standard the Credit Union must maintain minimum levels of Tier 1 capital and may also hold Tier 2 capital up to certain prescribed limits.

Tier 1 capital comprises the highest quality components of capital that fully satisfy the following essential characteristics:

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

The Credit Union's Tier 1 Capital includes preference share capital, retained profits and realised reserves.

Tier 2 capital comprises capital instruments that, to varying degrees, fall short of the quality of Tier 1 capital but exhibit some of the features of equity and contribute to the overall strength of the Credit Union as a going concern.

The Credit Union's Tier 2 capital includes collective impairment allowances where the standardised approach is used (general reserve for credit losses).

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NOTE 33 cont

Capital in the Credit Union is made up as follows:

	2017 $'000	2016 $'000
Tier 1 Capital		
Redeemed preference share capital account	804	767
General reserve	41,582	41,582
Asset revaluation reserve	895	
Retained earnings	74,180	52,827
Less:		
Prescribed deductions	(10,699)	(9,466)
Net Tier 1 capital	106,762	85,710
Tier 2 Capital		
Reserve for credit losses	4,009	3,135
Subordinated Debt	3,158	-
Less:		
Prescribed deductions	-	-
Net Tier 2 capital	7,167	3,135
Total capital	113,929	88,845

The Credit Union is required to maintain a minimum capital level of 8% as compared to the risk weighted assets at any given time in accordance with APRA Prudential Standards. The Credit Union has complied with all externally imposed capital requirements throughout the period.

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

2017	2016	2015	2014	2013
14.31%	14.00%	14.25%	13.82%	13.06%

The Credit Union's objective is to maintain sufficient capital resources to support business activities and operating requirements and to ensure continuous compliance with externally imposed capital ratios. To manage the Credit Union's capital, the Credit Union reviews the ratio monthly and monitors major movements in asset levels. Policies have been implemented which require reporting to the Board and the regulator if the capital ratio falls below 12.75%.

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NOTE 34 Maturity profile of financial liabilities

The table below shows the periods in which the financial liabilities mature. Contractual cash flows shown in the table are at undiscounted values (including future interest expected to be paid). Accordingly, these values may not agree to carrying amount. To manage liquidity risk arising from financial liabilities, the Credit Union holds liquid assets comprising cash and cash equivalents and investments grade investment securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. Hence, the Credit Union believes that it is not necessary to disclose a maturity analysis in respect of these assets to enable the users to evaluate the nature and extent of liquidity risk.

		Carrying amount $'000	Total Cash flows $'000	Within 1 month $'000	1 – 3 months $'000	3 – 12 months $'000	1 – 5 years $'000	Over 5 years $'000
Credit Union								
2017	**Financial liabilities**							
	- Other borrowings	20,831	22,393	426	822	8,405	9,002	3,738
	- Deposits from members	1,493,855	1,496,688	963,762	244,401	288,213	312	-
	- Other payables	10,274	10,274	7,915	355	1,598	406	-
	- Unrecognised loan commitments	23,724	23,724	13,252	7,767	1,634	1,071	-
		1,548,684	1,553,079	985,355	253,345	299,850	10,791	3,738
2016	**Financial liabilities**							
	- Other borrowings	18,158	20,203	492	950	3,750	10,526	4,485
	- Deposits from members	1,137,198	1,142,226	729,750	234,468	178,008	-	-
	- Other payables	13,418	13,418	11,433	299	1,345	341	-
	- Unrecognised loan commitments	25,168	25,168	15,550	7,586	1,355	677	-
		1,193,942	1,201,015	757,225	243,303	184,458	11,544	4,485
Group								
2017	**Financial liabilities**							
	- Other borrowings	20,831	22,393	426	822	8,405	9,002	3,738
	- Deposits from members	1,482,771	1,485,590	954,674	242,391	288,213	312	-
	- Other payables	11,758	11,709	7,818	1,887	1,598	406	-
	- Unrecognised loan commitments	23,724	23,724	13,252	7,767	1,634	1,071	-
		1,539,084	1,543,416	976,170	252,867	299,850	10,791	3,738
2016	**Financial liabilities**							
	- Other borrowings	18,158	20,203	492	950	3,750	10,526	4,485
	- Deposits from members	1,125,545	1,130,545	720,849	231,688	178,008	-	-
	- Other payables	15,134	15,134	11,539	1,908	1,345	342	-
	- Unrecognised loan commitments	25,168	25,168	15,550	7,586	1,355	677	-
		1,184,005	1,191,050	748,430	242,132	184,458	11,545	4,485

NOTE 35 Interest rate risk

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

Credit Union Repricing Period: 30 June 2017	Floating Interest Rate $'000	Fixed interest rate maturing: 1 year or less $'000	1 to 5 years $'000	Non Interest Sensitive $'000	Total $'000	Effective Interest Rate %
Financial Assets						
- Cash and cash equivalents	19,723	-	-	4,910	24,633	0.67
- Receivables due from other financial institutions	-	-	-	783	783	
- Other receivables	-	-	-	2,729	2,729	
- Financial assets at cost	-	-	-	2,324	2,324	
- Financial assets held to maturity	16,664	170,508	33,500	-	220,672	2.20
- Loans and advances	985,079	89,710	304,701	-	1,379,490	4.49
	1,021,466	260,218	338,201	10,746	1,630,631	
Financial Liabilities						
- Other borrowings	20,831	-	-	-	20,831	5.55
- Other payables	-	-	-	10,274	10,274	
- Deposits from members	854,096	639,459	300	-	1,493,855	1.98
	874,927	639,459	300	10,274	1,524,960	
Repricing Period: 30 June 2016						
Financial Assets						
- Cash and cash equivalents	8,029	-	-	4,004	12,033	0.01
- Receivables due from other financial institutions	-	-	-	4,852	4,852	
- Other receivables	-	-	-	2,347	2,347	
- Financial assets at cost	-	-	-	2,324	2,324	
- Financial assets held to maturity	29,018	139,878	25,500	-	194,396	2.51
- Loans and advances	788,142	72,168	177,508	-	1,037,818	4.70
	825,189	212,046	203,008	13,527	1,253,770	
Financial Liabilities						
- Other borrowings	18,158	-	-	-	18,158	3.55
- Other payables	-	-	-	13,418	13,418	
- Deposits from members	669,115	468,083	-	-	1,137,198	2.24
	687,273	468,083	-	13,418	1,168,774	

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NOTE 35 cont

Group Repricing Period: 30 June 2017	Floating Interest Rate $'000	Fixed interest rate maturing: 1 year or less $'000	1 to 5 years $'000	Non Interest Sensitive $'000	Total $'000	Effective Interest Rate %
Financial Assets						
- Cash and cash equivalents	20,855	-	-	4,910	25,765	0.67
- Receivables due from other financial institutions	-	-	-	783	783	
- Other receivables	-	-	-	5,901	5,901	
- Financial assets at cost	-	-	-	2,324	2,324	
- Financial assets at fair value through profit and loss	2,719	-	12,482	4,638	19,839	
- Financial assets held to maturity	16,664	193,752	45,500	-	255,916	2.40
- Loans and advances	985,079	89,710	304,701	-	1,379,490	4.49
	1,025,317	283,462	362,683	18,556	1,690,018	
Financial Liabilities						
- Other borrowings	20,831	-	-	-	20,831	5.55
- Other payables	-	-	-	11,758	11,758	
- Deposits from members	846,012	636,459	300	-	1,482,771	1.97
	866,843	636,459	300	11,758	1,515,360	
Repricing Period: 30 June 2016						
Financial Assets						
- Cash and cash equivalents	8,554	-	-	4,004	12,558	0.01
- Receivables due from other financial institutions	-	-	-	4,852	4,852	
- Other receivables	-	-	-	4,884	4,884	
- Financial assets at cost	-	-	-	2,324	2,324	
- Financial assets at fair value through profit and loss				5,756	5,756	
- Financial assets held to maturity	42,517	168,533	31,500	-	242,550	2.70
- Loans and advances	788,142	72,168	177,508	-	1,037,818	4.70
	839,213	240,701	209,008	21,820	1,310,742	
Financial Liabilities						
- Other borrowings	18,158	-	-	-	18,158	3.55
- Other payables	-	-	-	15,134	15,134	
- Deposits from members	661,211	464,334	-	-	1,125,545	2.23
	679,369	464,334	-	15,134	1,158,837	

NOTE 36 Credit risk

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

In relation to loans, the maximum credit exposure is the value in the statement of financial position plus the undrawn loan commitments. Details of undrawn loan commitments are shown in Note 29(c). Details of collateral held as security are disclosed in Note 15(i).

In relation to financial assets at fair value through profit and loss, the maximum exposure to credit risk at the end of the reporting date is the value on the Statements of Financial Position.

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NOTE 36 cont

(b) Concentrations of risk
There are no loans to individual members (including associated members) greater than 10% of capital.

NOTE 37 Fair value measurement

(a) Fair value hierarchy
The Group measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using:
  - Quoted market prices in active markets for similar instruments;
  - Quoted prices for identical or similar instruments in markets that are considered less than active; or
  - Other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

(b) Fair value estimates
The fair value estimates were determined as follows:

Cash and cash equivalents, receivables from other financial institutions and other receivables
The carrying values approximate their fair values as they are short term in nature or are receivable on demand.

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

(ii) Assets measured at fair value: Fair values of financial assets available at fair value through profit or loss based on available prices.

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

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

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

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NOTE 37 cont

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

Investment property
Refer to Note 18 for fair value estimates.

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

		Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group					
2017	Financial assets at fair value through profit or loss	-	19,839	-	19,839
Group					
2016	Financial assets at fair value through profit or loss	-	5,756	-	5,756

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

	2017		2016	
	Carrying Amount $'000	**Fair Value $'000**	Carrying Amount $'000	Fair Value $'000
Credit Union				
Financial assets				
Loans and advances	1,379,490	1,399,195	1,037,818	1,056,548
Financial liabilities				
Deposits from members	1,493,855	1,494,608	1,137,198	1,137,591
Group				
Financial assets				
Loans and advances	1,379,490	1,399,195	1,037,818	1,056,548
Financial liabilities				
Deposits from members	1,482,771	1,483,524	1,125,545	1,125,937

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NOTE 37 cont

The fair value measurement of loans and advanced and deposits from members are categorised as level 2 in the fair value hierarchy.

(e) Investment property
The fair value measurement for the investment property has been categorised as level 3 fair value based on the inputs to the valuation techniques used. Details of the significant unobservable inputs used and relationship between unobservable inputs and fair value follow:

Valuation approach	Inputs Used
Direct comparison approach whereby the property is directly compared to relevant sales of similar properties within the area. Appropriate adjustments are then made for differences in property itself and such factors as movement in the market and the circumstances of each sale.	1-6, 12 McIlwraith Street, Auchenflower. Selling price based on market value of similar properties in the area: Range $395,000 - $415,000 per unit. 1-4, 30 Cheyne Street, Pimlico. Selling price based on market value of similar properties in the area; range $200,000 - $295,000 per unit, weighted average $280,000. 8 William Street, Beaudesert. Selling price based on market value per m2 of building area; $3,000 per m2 of lettable area over the ground floor and $1,800 per m2 over the first floor.

(f) Level 3 reconciliation
The following table shows reconciliations from the beginning balance to the ending balance for the fair value measurements in level 3 of the fair value hierarchy:

	Credit Union		**Group**	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Movements in level 3 of the fair value hierarchy				
Balance at the beginning of the financial year	850	-	4,710	3,740
Gains/(losses) recognised in profit or loss	70	361	(230)	331
Additions	-	-	-	150
Transfers into Level 3	-	489	-	489
Balance at the end of the financial year	920	850	4,480	4,710
Total gains/(losses) for the period included in other income in profit or loss that relate to assets held at the end of the reporting period	70	361	(230)	331

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2017

NOTE 37 cont

The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

There have been no significant transfers into or out of each level during the year ended 30 June 2017 or the prior year.

NOTE 38 Transfer of financial assets – securitisation

Queensland Country Credit Union Limited has transferred loans and advances to a securitisation entity known as Trinity Mortgage Origination Trust. Notwithstanding the transfer, the Credit Union has retained substantially all the risks and rewards of ownership of the relevant loans and advances as it has retained credit risk and interest rate risk. Due to the retention of substantially all the risks and rewards of ownership, Queensland Country Credit Union Limited continues to recognise the transferred assets within loans and advances and the transfer is accounted for as a secured financing transaction. Queensland Country Credit Union Limited assigned mortgage secured loans to the securitisation entity during 2017 amounting to $nil (2016: $nil). The total assigned mortgage secured loans to the securitisation entity amounted to $15,838,000 as at 30 June 2017 (2016: $18,158,000).

Queensland Country Credit Union Limited collects the cash receipts relating to the loans and advances and passes these receipts on to the Trinity Mortgage Origination Trust. The Credit Union cannot use the transferred assets as they have been transferred to the Trinity Mortgage Origination Trust and pledged as security for securities issued by the Trinity Mortgage Origination Trust.

The MTG QCCU Trust Repo Series No. 1 (The Trust) has been established to support the on-going liquidity management framework of Queensland Country Credit Union Limited. The Credit Union has purchased the Floating Rate Notes issued by the Trust. The senior notes held by the Credit Union are eligible to be utilised as collateral in repurchase arrangements with the Reserve Bank of Australia (RBA). The total floating rate notes as at 30 June 2017 amounted to $110,000,000 (2016: $110,000,000l). These arrangements enable the Credit Union to raise funds from the RBA utilising its loans and advances as the underlying security. The Credit Union has retained substantially all the risks and rewards of ownership of the relevant loans and advances as it has retained credit risk and interest rate risk. Due to the retention of substantially all the risks and rewards of ownership, Queensland Country Credit Union Limited continues to recognise the transferred assets within loans and advances and the transfer is accounted for as a secured financing transaction. Queensland Country Credit Union Limited assigned mortgage secured loans to the securitisation entity during 2017 amounting to $25,983,000 (2016: $30,263,000). The total assigned mortgage secured loans to the securitisation entity amounted to $99,343,000 as at 30 June 2017 (2016: $98,483,000).

Queensland Country Credit Union Limited collects the cash receipts relating to the loans and advances and passes these receipts on to the MTG QCCU Trust Repo Series No. 1. The Credit Union cannot use the transferred assets as they have been transferred to the Trust and pledged as security for securities issued by the Trust.

The following table sets out the carrying amounts of transferred financial assets and the related liabilities at the reporting date:

	Credit Union		Group	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Carrying amount of transferred assets	15,838	18,158	15,838	18,158
Carrying amount of associated liabilities	15,838	18,158	15,838	18,158

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NOTE 39 Events occurring after the reporting date

There are no matters or circumstances that have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, or state of affairs of the Credit Union or the Group in subsequent financial years.

NOTE 40 Economic dependency

The Credit Union has an economic dependency on the following suppliers of services:

(a) **Indue Limited**
This entity supplies the Credit Union rights to VISA Card in Australia and provides services in the form of settlement with Bankers for ATM and VISA Card transactions, personal and corporate cheques, and the production of VISA and Cuecards for use by members. This entity also supplies institutional banking services to the Credit Union. The Credit Union has significant liquidity investments with this entity. The Credit Union also has its borrowing facilities with this entity (refer to Note 33B and Note 30).

(b) **First Data International**
This company operates the switching computer used to link Cuecards and VISA cards operated through ATM and EFTPOS devices to the Credit Union's systems. First Data also manage the Credit Union's 31 ATM's in its network.

(c) **Data Action Pty Ltd**
This company is the current facility manager of the Credit Union's computer system. It also supplies the computer hardware system used by the Credit Union for its core banking software.

(d) **NTT Australia Pty Ltd**
This company provides Windows environment hosting, applications and support for the Credit Union and Health Fund.

NOTE 41 Related party transactions

(i) Key management personnel
Refer Note 7 for details of transactions with key management personnel.

(ii) A number of key management personnel (KMP) hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with Queensland Country Credit Union Limited in the reporting period. The terms and conditions of the transactions with key management personnel related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with entities not related to key management personnel on an arm's length basis.

The aggregate amounts of revolving credit provided during the year relating to related parties of the KMP were as follows:

Revolving credit facilities provided to KMP related entities	Value of Credit Facility $000	Amounts drawn down $000	Net balance available $000	Number of facilities
2017	60	1	59	2
2016	230	44	186	5

There were no loans provided during the year relating to related parties of the KMP.

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2017

NOTE 41 cont

The aggregate amounts of deposits with Queensland Country Credit Union Limited during the year relating to related parties of the KMP were as follows:

Deposits from KMP related entities	Closing Balance $000	Opening Balance $000	Total deposit interest $000	Number of deposits
2017	2,224	3,863	29	7
2016	3,863	1,764	103	10

(iii) Subsidiaries

Transactions with Subsidiary

Transactions with the Subsidiaries, Queensland Country Health Fund Ltd and Queensland Country Care Navigation Pty Ltd are on normal commercial terms and conditions unless otherwise stated. Transactions during the year comprised:

	2017 $'000	2016 $'000
- Balance of Queensland Country Health Fund Ltd deposit accounts held with Queensland Country Credit Union Limited	11,079	11,628
- Interest paid on deposit accounts held by Queensland Country Health Fund Ltd	216	178
- Management fees received by Queensland Country Credit Union Limited from Queensland Country Health Fund Ltd	13,349	12,085
- Rental income received by Queensland Country Credit Union Limited from Queensland Country Health Fund Ltd	497	485
- Rental expense paid by Queensland Country Credit Union Limited to Queensland Country Health Fund Ltd	1,161	1,109

Under the terms of a management agreement, a fee is paid to reimburse all costs incurred by the Credit Union relating to the operation of the Health Fund (including personnel costs, computer costs, communication costs and premises costs). In addition, the agreement specifies that the management fee may include a charge per Health Fund member, payable to the Credit Union.

NOTE 42 Business Combination

During the year Queensland Country Credit Union Limited merged with ECU Australia Ltd, a Cairns based Credit Union, pursuant to the Financial Sector (Business Transfer and Group Reconstruction) Act of 1999. Regulatory approval was obtained from APRA for the merger effective from 1st April 2017. The primary reason for the merger was to strengthen the customer owned financial services model in Queensland and provide a genuine alternative to the major banks for those in its communities.

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NOTE 42 cont

Identifiable assets and liabilities of ECU Australia Ltd as at the date of merger were:

	Carrying Value $'000	**Fair Value on Merger $'000**
ASSETS		
Cash and cash equivalents	3,045	3,045
Receivables due from other financial institutions	242	242
Other receivables	244	244
Financial assets held to maturity	36,637	36,637
Loans and advances	298,109	298,109
Property, plant and equipment	2,902	2,902
Income tax receivable	226	226
Deferred tax assets	464	464
Other assets	18	18
TOTAL ASSETS	**341,886**	**341,886**
LIABILITIES		
Other borrowings	4,988	4,988
Deposits from members	315,015	315,015
Other payables	3,089	3,089
Provisions	278	278
TOTAL LIABILITIES	**323,370**	**323,370**
Fair value of identifiable net assets attributable to ECU Australia Ltd	**18,516**	**18,516**

At the date of merger, the fair value of the assets and liabilities of ECU Australia Ltd were determined to be equivalent to the carrying value.

NOTE 43 Company details

The registered office of the company is:
Queensland Country Credit Union Limited, 70 Camooweal Street, Mount Isa, Queensland, 4825

The principal place of business of the company is:
Queensland Country Credit Union Limited, 333 Ross River Road, Aitkenvale, Queensland, 4814

The Credit Union operates in the Financial Services industry in Queensland.

Directors' Declaration

FOR THE YEAR ENDED 30TH JUNE 2017

DIRECTORS' DECLARATION

The directors of Queensland Country Credit Union Limited declare that:

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

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

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

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

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

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

B. Cullen, Chairman
Dated this 21st day of September 2017

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Independent auditor's report

To the shareholders of Queensland Country Credit Union Limited

Our opinion

In our opinion:

The accompanying financial report of Queensland Country Credit Union Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's and Group's financial positions as at 30 June 2017 and of their financial performance for the year then ended

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

What we have audited

The Company and Group financial report comprises:

- the Consolidated and Company statements of financial position as at 30 June 2017
- the Consolidated and Company statements of changes in equity for the year then ended
- the Consolidated and Company statements of cash flows for the year then ended
- the Consolidated and Company statements of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

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

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ben Woodbridge
Partner

Brisbane
21 September 2017