TABLE OF CONTENTS

MISSION STATEMENT

Police Bank is a community of Members, Directors and Staff who together form an important and integral part of the life of Police, family and associated community groups.

Directors and Staff operate in the interest of all Members according to the following key values:

- A flexible and caring response to Members' needs;
- Honouring excellence in relationships between and among Members, Directors and Staff;
- Personal honesty and integrity.

We provide personal attention to the financial well-being of each Member through flexible products and services in a competitive environment combined with prudential financial management in pursuing appropriate levels of growth.

We work together in building the Police Bank to become the best in Member service, range of relevant products and services, management practices and financial strength.

KEY STATISTICS

	Membership	Capital Adequacy
2015	76,193	18.53%
2014	76,470	18.72%

	Total Assets $000's	Loans $000's
2015	1,525,268	1,109,569
2014	1,394,626	1,065,998

	Deposits $000's	Reserves $000's
2015	1,203,336	166,117
2014	1,099,555	154,678

DIRECTORS' REPORT

Your Directors submit the Financial Accounts of the Bank for the financial year ended 30 June 2015.

Directors' Disclosures

The names of Directors in office at the date of this report, or who held office during the course of the financial year, are:

David Charles Walton (Chairman)
Colin James Dyson (Deputy Chairman)
Raff Del Vecchio
Geoffrey Richard Green
Anthony Raymond Lauer
Gregory John McKenna
Robert John Redfern
Lloyd William Taylor
Scott David Weber

	Board		Audit & Risk Committee		Audit Committee		Risk Committee		Other Committees	
	Meetings Attended	Eligible Attended	Meetings Attended	Eligible Attended	Meetings Attended	Eligible Attended	Meetings Attended	Eligible Attended	Meetings Attended	Eligible Attended
Walton	11	11	-	-	-	-	-	-	4	4
Dyson	11	11	3	3	2	2	2	2	4	4
Del Vecchio	11	11	-	-	2	2	-	-	6	6
Green	10	11	-	-	2	2	-	-	8	9
Lauer	10	11	-	-	-	-	-	-	7	9
McKenna	11	11	3	3	2	2	2	2	-	-
Redfern	10	11	3	3	2	2	2	2	-	-
Taylor	11	11	-	-	-	-	2	2	9	9
Weber (commenced 01/02/15)	5	5	-	-	-	-	-	-	1	1

Directors also attended a 1 day Strategic Planning Workshop on Sunday, 1 February 2015 and a weekend Planning Session on Saturday 23 & Sunday 24 May 2015 to formulate the Strategic Plan for 2015 – 2020 and Business Plan for 2015 – 2016.

Note: Directors Green, Lauer and Redfern were granted a leave of absence for one Board meeting each.
Credit Committee members attend Credit Committee meetings each month with all other Committees generally meeting on a quarterly basis.
The Credit Committee became a Management Committee as at 26 February 2015.
The Audit & Risk Committee was separated to form two separate committees effective 18 December 2015.
The Remuneration Committee became part of the Corporate Governance Committee as at 26 February 2015.

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 Bank, controlled entity, 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, other than that disclosed in note 34 of the financial report.

Indemnification and Insurance

During the year, a premium was paid in respect of a contract insuring Directors and Officers of the Bank against any costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as an Officer of the Bank. The Officers of the Bank covered by the insurance contract include the Directors, Executive Officers, Secretary and Employees. In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

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

Share Options

The Bank has not issued any options over shares. All shares issued by the Bank are withdrawable shares.

Principal Activities

The principal activities of the Bank during the year were the provision of financial and associated services to Members. There were no significant changes in the principal activities during the year.

Operating Results

The Bank's profit after providing for income tax amounted to $11,711,341 with a return on average assets of 0.80%. Assets increased during the year by $130.7M from $1,394.6M to $1,525.3M. The year's growth had no impact on the capital adequacy ratio which is 18.53%. At 18.53% the capital adequacy ratio remains well above the statutory minimum of 8%. The Bank loan portfolio grew by 4.09% during the year.

The Bank continues to be a strong performing institution and these results were achieved in an environment where the ongoing effects of the global financial crisis continue, and competition in the domestic banking industry continues to be intense with depositors benefiting from higher margins. The results reflect the continuing support of the Membership for the products and services offered by the Bank and the ongoing attention given by both the Board and Management to Member service, relevant products and the control of costs. It is envisaged that the results for the year ending 30 June 2016 will be similar to those achieved in 2015.

Dividends

Dividends paid or declared by the Consolidated Group since the end of the previous financial year was $990,000 paid to the shareholders of Chelsea Wealth Management Pty Ltd. Police Bank Ltd is the majority shareholder of Chelsea Wealth Management Pty Ltd. The dividend was 100% franked.

Review of Operations

The results of the Bank's operations from its activities of providing financial services to Members did not change significantly from those of the previous year.

During the year a number of significant activities and events took place:

- **Annual Employee Awards.** Police Bank has in place a formal employee recognition program where exceptional staff performance is acknowledged and rewarded. The major award, 'Star Achiever', is presented to staff who consistently display an outstanding level of commitment and service. Congratulations to our 2015 winners:

  Corinna Dickson – Gosford Service Centre
  Tracey Lynch – Bridges Newcastle Practice
  Tim Muir – Marketing Department
  Janet Murrell – Penrith Service Centre
  Irene Pitt – Assistance Centre
  Trevor Savin – Information Technology
  Leesa Saye – Transaction Services

  In addition to the above, the Police Bank 'Young Achiever' prize is awarded to acknowledge, encourage and promote the positive achievements of young employees of the Bank. Congratulations to Emma Watts our 2015 winner. The 'Service Centre of the Year' Award was presented to our Canberra operation with the 'Sales Person of the Year' awarded to Evana Tan with Tanya Love taking the runner-up prize.
- **Continued Sponsorship Association with NSW Police Legacy.** The Bank during the year continued our sponsorship association with Police Legacy. The Bank is recognised as a 'Major Sponsor' providing financial and operational support. Police Bank is proud to assist Legacy to help continue their excellent work assisting Police families.
- **Supporter of Credit Union Foundation Australia (CUFA).** Police Bank is a 'Silver Sponsor' of the Foundation. CUFA develops community access to affordable financial services in the Asia-Pacific region, working cooperatively at grass-roots through to government levels. Through programs and activities, CUFA aims to create sustainability, improve lives and relieve poverty.
- **Director Appointment.** Scott Weber, President of the Police Association of NSW, joined the Board in February 2015 as a 'Board Appointed Director'. Both the Association and Bank share a long and proud history of working together for the mutual benefit of Members. Scott's appointment further strengthens this important strategic alliance and will provide valuable input and direction for Police Bank.
- **New Police Bank Service Centres.** As part of Police Bank's commitment to continually improve facilities for our Members, two new Service Centres in Canberra and Surry Hills were opened during the year. Members in these locations now have access to larger, more modern premises. The new Canberra Centre services our Members from the Australian Federal Police and surrounding areas of the ACT whilst the Surry Hills Centre is conveniently located next to the Sydney Police Centre.
- **Relocation of Head Office.** In March 2015, the Bank's Head Office was relocated from the Sydney CBD to 25 Pelican Street Surry Hills. The new location accommodates over 70 staff in a practical, purpose built facility. The building provides a modern environment for staff with a highly functional workplace design, complimented with the efficient deployment of technologies and an ergonomic fit-out.
- **Industry Recognition Awards.** Police Bank received awards from independent rating agencies during the year. The Bank was recognised in Mozo's *People's Choice Awards*, the only banking awards judged by customers with over 25,000 people rating their provider. Police Bank took out 2 prestigious awards, 'Best Mutual Bank' and 'Most Trusted Bank'. Our term deposit product was also awarded a Gold Medal in Mozo's *Expert Choice Awards* and our Visa Credit Card was rated by Choice Magazine in their 'Top 20 deals' category.
- **50th Year Anniversary.** 2014 marked 50 years of operation for Police Bank/Police Credit Union. In celebration of this significant milestone a number of marketing events were organised to show our appreciation to Members. A special promotion conducted in September 2014, '50 Prizes over 50 Days', was well received by Members. A formal event was also held with past and present Directors in attendance as well as the Police Minister and Officers from the Police Executive.
- **Member Security Initiatives.** The Bank during the year introduced some additional measures to protect our Members' security. Corporate envelopes were rebranded making it more difficult to ascertain that mail is from Police Bank. Unbranded Credit and Debit Cards were also introduced. Changes were also made to our staff corporate uniforms with more subtle branding.
- **Recognition of Police Academic Achievement.** In partnership with Charles Sturt University, Police Bank sponsors an academic achievement award at the Goulburn Police Academy recognising Student Officers who have excelled with their studies.
- **Police Bank Green Initiatives.** Police Bank is committed to improving the environment by undertaking a number of environmental initiatives. Producing electronic statements, engaging environmentally efficient suppliers, recycling of paper and a level of self sufficient water and power facilities at the Goulburn Processing Centre are some of the actions currently in place.
- **Community Employee Engagement.** During the year Police Bank staff were active with various initiatives to assist individuals and communities. A number of charities such as Westmead Children's Hospital, Beyond Blue, Cancer Council and the Children's Medical Research Institute all benefited from the fund raising efforts of Police Bank employees.
- **Continuous Operational Improvement.** Management has maintained its focus on continuous internal improvements through re-engineering of underlying processes aimed at improving Member service and internal productivity. The desired outcomes are to grow whilst limiting the need for additional capital, keeping cost increases to a minimum and to meet price competition without significantly impacting upon profitability.
- **Staff Development.** During the year Service Centre staff participated in a special coaching and mentoring program to enhance the Member experience, especially with regards to the service aspect of our business.
- **Family Fun Days.** This year two Family Fun Days were held at Wet n Wild Amusement Park. The events are designed to provide an opportunity to show appreciation to Members for their support of Police Bank. In all over 600 Members took the opportunity to enjoy a family oriented day at this fun venue.
- **Additional Products/Enhancements:**
  Video Banking. Police Bank invested during the year in Video Banking, an exciting new online channel. Video Banking will allow Members the convenience of interacting from their home computer or remote tablet device face to face via a secure video link with one of our Member Service Officers. It is anticipated the service will be deployed late 2015.

  Property Insights App. A new free mobile App, 'Property Insights', was released. Whether looking to buy or sell in the real estate market, the App provides Members the opportunity to access detailed property information to help make informed choices.

  Continual website improvement. Upgrades occurred during the year to our website aimed at providing more relevant up to date content, particularly about the housing market. Updates were also made to the foreign currency and insurance sections providing an improved online member experience. Ongoing crafting of our website provides an optimal viewing experience with the same consistent content whatever the device a Member is on when visiting our site.

New home loan product. A new 2 year fixed rate home loan product was launched during the year providing Members with the assurance of knowing exactly what their repayments will be for a fixed period.

Visa Credit Card. Police Bank's award winning Visa Credit Card with a low interest rate offers Member real value. During the year a special 12 month interest free balance transfer offer was made available.

Fraud Monitoring. Police Bank's staff continue to closely monitor transactions such as ATM and Visa Card transactions for any possible fraudulent activity on Members' accounts. Monitoring tools facilitate quick contact with our Members to manage illegitimate or fraudulent behaviour on accounts to eliminate/minimise any loss.

'Pinwise' initiative. Pinwise was introduced during the year to increase the security of Police Bank's credit and debit card transactions. Pinwise resulted in the phasing out of signatures to verify transactions at point-of-sale to now be replaced by a PIN.

- Police Bank Sponsorship Program. Police Bank is strongly committed to the Police Community and through our sponsorship program we generously supported during the year a varied number of Police charities, events and fund raisers. Many of these sponsorships have contributed towards significantly improving the lives of individuals as well as assisting with community projects. Some of the events Police Bank sponsored were:

Women in Policing. During 2015 the NSW Police Force is celebrating 100 years of Women in Policing. To honour this important historic achievement, Police Bank is proud to be a sponsor of a number of special celebratory events.

Police Games. Police Bank was once again the major sponsor of the NSW Police Games. Held in March, the Games stage around 30 sports with the theme of encouraging integrity, fair play, team work and co-operation. The Games are a wonderful opportunity for Police Bank to support many of our Members and promote our services.

Annual Police Legacy Blue Ribbon Ball. Police Bank continues to be a key sponsor of this prestigious event which is the major fundraising activity for Police Legacy.

Police Officer of the Year Awards. In conjunction with Rotary, Police Bank sponsors a number of special awards that recognises the dedication and service of Police Officers to our community.

Wall to Wall Motor Cycle Ride for Remembrance. To honour the sacrifice and commitment of fallen officers, Police Bank is proud to support the Sydney to Canberra Ride which raises valuable funds for police charities.

NSW Police Legacy Remembrance Bicycle Ride. Police Bank supports this growing annual event where riders brave challenging conditions to pedal over 300 kilometres from Sydney to Canberra to raise funds for Police Legacy.

Significant Changes In State Of Affairs

There were no significant changes in the state of the affairs of the Bank during the year.

Events Occurring After Balance Date

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

- Price Competition. Police Bank provides an excellent level of service, which allows it to compete on more than price alone. However, the Board and Management are mindful that competition cannot be ignored and that price is certainly a factor in Members' consideration of their ongoing relationship with the Bank. However, being a mutual organisation and not having to provide dividends for shareholders does allow room to pass on pricing reflective in the marketplace.
- Global Financial Markets. Global turmoil could have a flow-on effect locally and impact on asset prices. Police Bank has no direct exposure to any overseas activity and is well placed to weather any effects of the volatility. Police Bank continues to adopt safe and conservative lending and investment practices.

Likely Developments and Results

The likely developments in the operations of the Bank and the expected results of those operations in the financial year subsequent to the year ended 30 June 2015 are as follows:

The Board of Directors anticipate that the profit will be in the vicinity of 0.65% - 0.80% return on average assets.

Planned capital expenditure on infrastructure amounts to $3.4M for the year ending 30 June 2016. This covers general equipment, core banking upgrades and computer hardware upgrades.

No other matter, circumstances or likely developments in the operation has arisen since the end of the financial year that has significantly affected or may significantly affect:

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

in the financial years subsequent to this financial year.

Auditor's Independence Declaration To the Directors of Police Bank Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Police Bank Ltd for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

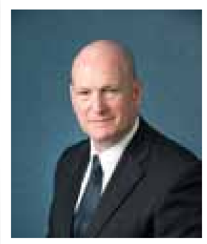
a. no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
b. no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

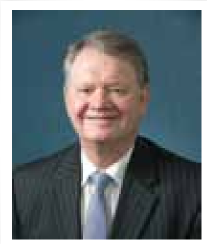
GS Layland
Director - Audit & Assurance

Sydney, 6th October 2015

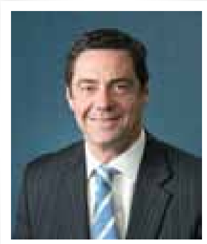
Information on Directors and Secretary



Mr D C Walton	**Chairman**
	Corporate Governance Committee (Chairman)
Age	50
Qualifications	Corporate Governance Program, Harvard Business School
	Company Directors Course Diploma, Australian Institute of Company Directors
	Master of Management & Leadership
	Bachelor of Business
	Fellow, Australian Institute of Company Directors
Experience	Auditor, Retired Police Association
	Auditor, NSW Police RSL Sub-Branch
	Regulator, NSW Tow Truck Industry
	Committee of Management, Federation of Police Mutuals
	Vice President, Special Olympics Sydney North
	Vice President, Queenscliff Surf Life Saving Club
	Former Manager of International Academic Programs, Australian Institute of Police Management
	Former Executive Audit Manager, Ausgrid
	Former Detective Inspector of Police, NSW Police Force
	Former casual Academic, Charles Sturt University and University of Western Sydney
	Board Member since 2001
Directorships	Chelsea Wealth Management Pty Limited
Interest in Shares	$10.00 in ordinary shares in the Police Bank



Mr C J Dyson	**Deputy Chairman**
	Risk Committee (Chairman)
	Audit Committee
	Corporate Governance Committee
Age	61
Qualifications	Advanced Certificate, Personnel Management (TAFE 1991)
	NSWPF Command Development Program (1997)
	Graduate Certificate, Management (Wollongong University 1999)
	NSWPF Strategic Leadership Program (2011)
	Company Directors Course (Aust Institute of Company Directors 2013)
	Life Member, International Assoc of Financial Crime Investigators
	Member, Association of Certified Anti-Money Laundering Specialists
	Member, Australian Institute of Company Directors
	Member, Retired Police Association
	Board Member since 2012
Experience	Former Detective Superintendent of Police
	Former Commander of the NSWPF Fraud and Cybercrime Squad
Directorships	Chelsea Wealth Management Pty Limited
Awards	Australian Police Medal
	National Medal-2nd clasp
	NSW Police Medal-6th clasp
	National Police Service Medal
Interest in Shares	$10.00 in ordinary shares in the Police Bank



Mr R Del Vecchio	**Director**
	Corporate Governance Committee
	Audit Committee
Age	46
Qualifications	Company Directors Course Diploma, Australian Institute of Company Directors
	Corporate Governance Program, Harvard Business School
	Graduate, Australian Institute of Company Directors
	Post Graduate Diploma in Criminology
	Fellow, Australian Institute of Company Directors
	Bachelor of Policing
	Member, Australasian Mutuals Institute
	Executive Officer - Trustees of Mary Aikenhead Ministries
Experience	Former Head of Administrative Services, Police Association of NSW
	Former Chairman, Police Shop of NSW
	Former Director, Police Legacy NSW
	Former Member, Police Superannuation Advisory Board
	Member, Retired Police Association
	Senior management positions within financial institutions – specialising in fraud identification, risk management & card operations
	Co-author of ACTU publication on Financial Best Practices in Trade Unions (nationally published)
	Board Member since April 2008
Interest in Shares	$10.00 in ordinary shares in the Police Bank

Mr G R Green

Director

Audit Committee
Corporate Governance Committee

Age	69
Qualifications	LL.B. (Hons) Barrister of the Supreme Court of NSW Fellow, Australasian Mutuals Institute
Experience	Former Secretary Legal & Senior Vice President of the Police Association of NSW Life Member, Police Association of NSW Member, Retired Police Association Member, Australian Institute of Company Directors Board Member since 1989
Interest in Shares	$10.00 in ordinary shares in the Police Bank

Mr A R Lauer

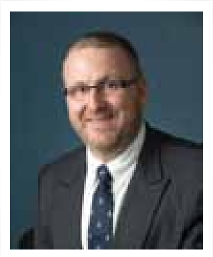
Director

Age	79
Qualifications	Diploma in Criminology (University of Sydney) (1973) Graduate, NSW Police Senior Executive Course (Merit) (Australian Police College) (1986) Graduate, Senior Executive Police Officer Course (Australian Police Staff College) (1987) Graduate, Seventeenth National Executive Institute – Federal Bureau of Investigation Academy (Quantico, Virginia, USA) (1994) Honorary Fellow, NSW Police Academy (1996) Associate Fellow, Australian Mutuals Institute (1996)
Experience	Career Police Officer (1955 – 1996) President, Police Association of NSW (1979 – 1982) Commissioner of Police 1991 – 1996 Board Member since 1997
Interest in Shares	$10.00 in ordinary shares in the Police Bank

Mr G J McKenna

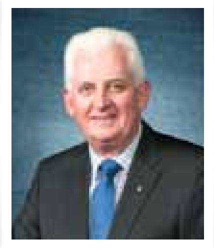
Appointed Director

Audit Committee
Risk Committee

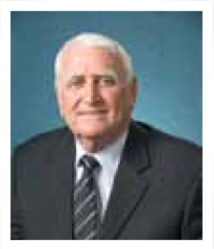


Age	46
Qualifications	Bachelor of Business (Banking & Finance) 1996 Monash University Master of Applied Finance 2002 Company Directors Course Diploma, Australian Institute of Company Directors Member Australian Institute of Company Directors
Experience	Director Greg McKenna Pty Ltd (2005 – present) Appointed Director July 2012 29 years experience in banking and finance
Interest in Shares	$10.00 in ordinary shares in the Police Bank

Mr R J Redfern	**Director**
	Audit Committee (Chairman)
	Risk Committee
Age	53
Qualifications	Executive Masters in Public Administration
	Bachelor of Laws
	Bachelor of Economics
	Diploma in Applied Criminology and Police Management
	Master of Studies (Cantab)
Other Qualifications	Awarded the Australian Police Medal
	Awarded National Medal
	Awarded the Commissioners Commendation for Service
Experience	Current Commander Workforce Safety NSWPF
	Member, Board of the Parramatta Mission
	Member, Steering Committee of the Parramatta Criminal Justice Clinic
	Solicitor, Supreme Court NSW
	Solicitor, High Court of Australia
	Member, Law Society of NSW
	Member, Australian Corporate Lawyers Association
	Head of Civil Law
	Commander, State Audit Branch
	Director of Legal Services
	Former Commander of Parramatta and Miranda LACs
	Board Member Since July 2013
Interest in Shares	$10.00 in ordinary shares in the Police Bank



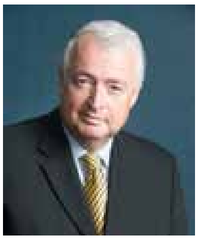
Mr L W Taylor	**Director**
	Risk Committee
	Corporate Governance Committee
Age	75
Qualifications	Mediator, Australian Commercial Disputes Centre
	Fellow, Australasian Mutuals Institute
	Member Australian Institute of Company Directors
Experience	Former President, Federation of Police Credit Unions (Australia) (1999 – 2006)
	Convenor, Juvenile Justice (1997 – 2009)
	Deputy Chairman, 1992 – 1996, Chairman (1996 – 2001)
	Former Audit Chairman
	Former Secretary Administration, Police Association of NSW
	Former President, Police Association of NSW
	Life Member, Police Association of NSW
	Life Member, Police Federation of Australia & New Zealand
	Member, Retired Police Association
	Member, Police Education Advisory Committee (1988 – 1996)
	Member, Police Superannuation Advisory Committee (1986 – 1997)
	Foundation Member, Police Legacy
	Board Member since 1988
Interest in Shares	$10.00 in ordinary shares in the Police Bank



Mr S D Weber | **Director (Appointed to the Board February 2015)**

	Corporate Governance Committee
Age	41
Qualifications	Company Directors Course Australian Institute of Company Directors Bachelor of Policing
Experience	President - Police Association of NSW (current) Vice President - Police Association of NSW Vice President - Police Federation of Australia (current) Treasurer - Police Federation of Australia Executive Member - Police Association of NSW Executive Member - Police Federation of Australia NSW Police Force (Sergeant of Police) Board Member since 2015
Interest in Shares	$10.00 in ordinary shares in the Police Bank

Mr B A Williams | **Secretary**



Age	60
Qualifications	Master of Business in Finance FCIS
Experience	41 years experience in banking and finance
Directorships	CUFSS Limited Chelsea Wealth Management Pty Limited Chelsea Home Loans Pty Limited

DIRECTORS' DECLARATION

Acknowledgments

In concluding this Report, the Board wishes to acknowledge its appreciation of Bruce Williams, Chief Executive Officer, the Management and staff of the Bank without whose expertise and commitment the achievements of the past year would not have been achieved.

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

David C Walton
Chairman
6th October 2015

Colin Dyson
Deputy Chairman

Police Bank Ltd

Directors' Declaration

The Directors of Police Bank Ltd declare that:

In the opinion of the directors of Police Bank Ltd:

a) the financial statements and notes of Police Bank Ltd and its controlled entities are in accordance with the Corporations Act 2001, including

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

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

b) there are reasonable grounds to believe that Police Bank Ltd and its controlled entities will be able to pay its debts as and when they become due and payable.

c) the financial statements comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.

David C Walton
Chairman
6th October 2015

Colin Dyson
Deputy Chairman

INDEPENDENT AUDITOR'S REPORT

To the Members of Police Bank Ltd:

We have audited the accompanying financial report of Police Bank Ltd (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

a. the financial report of Police Bank Ltd is in accordance with the Corporations Act 2001, including:

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

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

b. the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

GS Layland
Director - Audit & Assurance
Sydney, 6th October 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2015

		Consolidated		Police Bank	
		2015	2014	2015	2014
	Note	$	$	$	$
Interest Revenue	2a	75,817,640	75,721,985	75,817,229	75,721,821
Borrowing Costs	2b	37,462,610	38,671,134	37,462,610	38,671,134
Net Interest Revenue		38,355,030	37,050,851	38,354,619	37,050,687
Other revenue from ordinary activities	3	10,455,466	9,743,705	8,128,480	7,894,090
Impairment losses on Loan Receivables from Members	4a	(624,058)	666,756	(624,058)	666,756
Fees and Commission		5,956,358	5,512,280	5,956,358	5,512,280
General Administration					
- Personnel expenses		16,290,033	14,845,899	15,212,589	14,258,724
- Depreciation and amortisation		1,083,576	1,132,601	907,423	1,081,037
- Lease expenses		1,829,226	2,238,707	1,829,226	2,238,707
- Other administration expenses		3,887,039	4,067,887	3,519,144	3,413,991
Other operating expenses		3,783,644	3,759,903	3,783,644	3,759,903
Operating Profit before Income Tax		16,604,678	14,570,523	15,898,773	14,013,379
Income Tax Expense	5	4,893,337	4,312,564	4,446,623	4,035,033
Operating Profit after Income Tax		11,711,341	10,257,959	11,452,150	9,978,346
Other comprehensive income that will be eventually recognised in income					
- Changes in the fair value of cash flow hedges		(120,071)	551,071	(120,071)	551,071
- Gain on Available for Sale Investment		-	-	-	-
Total comprehensive income		11,591,270	10,809,030	11,332,079	10,529,417
Attributable to:					
Non Controlling Interests		200,993	6,478	-	-
Members of the parent entity		11,390,277	10,802,552	11,332,079	10,529,417
		11,591,270	10,809,030	11,332,079	10,529,417

The accompanying notes form part of these accounts and are to be read in conjunction therewith.

STATEMENT OF CHANGES IN MEMBERS' EQUITY

Police Bank

Police Bank	Capital Account	Retained Profits	Transfer of Engagements Reserve	Reserve for Credit Losses	Asset Revaluation Reserve	Capital Profits Reserve	Other Reserves	Total
Balance 1 July 2013	353,440	98,187,016	2,543,732	3,400,306	268,875	1,430,212	36,851,020	143,034,601
Operating Profit for the year	-	9,978,346	-	-	-	-	-	9,978,346
Transfers to and from Reserves								
- General Reserves	-	(1,200,000)	-	-	-	-	1,200,000	-
- Capital Account	11,080	(11,080)	-	-	-	-	-	-
- Reserves for Credit Losses	-	(157,000)	-	157,000	-	-	-	-
- Dividends Paid	-	-	-	-	-	-	-	-
Gain on Available for Sale Investment	-	-	-	-	-	-	-	-
Cash Flow Hedge Reserve	-	-	-	-	-	-	551,071	551,071
Balance 30 June 2014	364,520	106,797,282	2,543,732	3,557,306	268,875	1,430,212	38,602,091	153,564,018
Balance 1 July 2014	364,520	106,797,282	2,543,732	3,557,306	268,875	1,430,212	38,602,091	153,564,018
Operating Profit for the year	-	11,452,150	-	-	-	-	-	11,452,150
Transfers to and from Reserves								-
- General Reserves	-	(1,200,000)	-	-	-	-	1,200,000	-
- Capital Account	10,630	(10,630)	-	-	-	-	-	-
- Reserves for Credit Losses	-	1,398,058	-	(1,398,058)	-	-	-	-
- Dividends Paid	-	-	-	-	-	-	-	-
- Transfer of Engagements	-	2,543,732	(2,543,732)	-	-	-	-	-
- Capital Profits Reserve	-	1,430,212	-	-	-	(1,430,212)	-	-
Gain on Available for Sale Investment	-	-	-	-	-	-	-	-
Cash Flow Hedge Reserve	-	-	-	-	-	-	(120,071)	(120,071)
Balance 30 June 2015	375,150	122,410,804	-	2,159,248	268,875	-	39,682,020	164,896,097

Consolidated

Consolidated	Capital Account	Retained Profits	Transfer of Engagements Reserve	Reserve for Credit Losses	Asset Revaluation Reserve	Capital Profits Reserve	Other Reserves	Total
Balance 1 July 2013	353,440	98,267,432	2,543,732	3,400,306	268,875	1,430,212	36,979,564	143,243,561
Operating Profit for the year	-	10,257,959	-	-	-	-	-	10,257,959
Capital Contribution by non-controlling interest	-	-	-	-	-	-	937,337	937,337
Profit attributable to non-controlling Interest	-	6,478	-	-	-	-	(6,478)	-
Transfers to and from Reserves								
- General Reserves	-	(1,200,000)	-	-	-	-	1,200,000	-
- Capital Account	11,080	(11,080)	-	-	-	-	-	-
- Reserves for Credit Losses	-	(157,000)	-	157,000	-		-	-
- Dividends Paid	-	(82,000)	-	-	-	-	-	(82,000)
- Dividends Accrued		(230,000)	-	-	-	-	-	(230,000)
Gain on Available for Sale Investments	-	-	-	-	-	-	-	
Cash Flow Hedge Reserve	-	-	-	-	-	-	551,071	551,071
Balance 30 June 2014	364,520	106,851,789	2,543,732	3,557,306	268,875	1,430,212	39,661,494	154,677,928
Balance 1 July 2014	364,520	106,851,789	2,543,732	3,557,306	268,875	1,430,212	39,661,494	154,677,928
Operating Profit for the year	-	11,711,341	-	-	-	-	-	11,711,341
Capital Contribution by non-controlling interest	-	-	-	-	-	-	-	-
Attributable to non-controlling Interest	-	(200,993)	-	-	-	-	200,993	-
Transfers to and from Reserves	-	-	-	-	-	-	-	-
- General Reserves	-	(1,200,000)	-	-	-	-	1,200,000	-
- Capital Account	10,630	(10,630)	-	-	-	-	-	-
- Reserves for Credit Losses	-	1,398,058	-	(1,398,058)	-	-	-	-
- Dividends Paid	-	-	-	-	-	-	(152,000)	(152,000)
- Dividends Accrued	-	-	-	-	-	-	-	-
- Transfer of Engagements	-	2,543,732	(2,543,732)	-	-	-	-	-
- Capital Profits Reserve	-	1,430,212	-	-	-	(1,430,212)	-	-
Gain on Available for Sale Investments	-	-	-	-	-	-	-	-
Cash Flow Hedge Reserve	-	-	-	-	-	-	(120,071)	(120,071)
Balance 30 June 2015	375,150	122,523,509	-	2,159,248	268,875	-	40,790,416	166,117,198

STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		Consolidated		Police Bank	
		2015	2014	2015	2014
		$	$	$	$
Assets	Note				
Cash and Liquid Assets	6	69,747,921	37,009,510	69,086,807	36,656,241
Receivables due from other Financial Institutions	7	76,000,000	106,000,000	76,000,000	106,000,000
Accrued Receivables	8	4,573,626	4,284,567	4,311,106	4,041,524
Investment Securities	9	228,335,019	164,802,765	228,335,019	164,802,765
Loans and Advances	10&11	1,107,599,386	1,063,104,602	1,107,599,386	1,063,104,602
Available for Sale Investments	12	8,116,806	6,718,492	12,203,370	10,805,056
Property Plant and Equipment	13	23,881,597	5,359,307	23,698,325	5,163,456
Intangible Assets	14	5,630,490	5,844,974	727,967	798,076
Taxation Assets	15	1,383,506	1,501,611	1,383,506	1,501,611
Derivative Fair Value		-	-	-	-
Total Assets		1,525,268,351	1,394,625,828	1,523,345,486	1,392,873,331
Liabilities					
Payables to other Financial Institutions	16	133,062,019	120,758,912	133,062,019	120,758,912
Deposits and Borrowings	17	1,203,336,196	1,099,555,244	1,203,336,196	1,099,555,244
Creditors and other Liabilities	18	16,290,313	13,824,999	16,098,437	13,655,253
Provisions	19	2,973,156	3,198,480	2,973,156	2,968,480
Taxation Liabilities	20	2,774,489	2,015,356	2,264,601	1,776,515
Derivative Fair Value		714,980	594,909	714,980	594,909
Total Liabilities		1,359,151,153	1,239,947,900	1,358,449,389	1,239,309,313
Net Assets		166,117,198	154,677,928	164,896,097	153,564,018
Member Funds					
Capital Account	21	375,150	364,520	375,150	364,520
Reserves		42,825,123	46,997,125	42,825,123	46,997,125
Retained Profits		122,523,509	106,851,789	122,410,804	106,797,282
Cash Flow Hedge Reserve		(714,980)	(594,909)	(714,980)	(594,909)
Non-Controlling Interest		1,108,396	1,059,403	-	-
Total Member Funds		166,117,198	154,677,928	164,896,097	153,564,018

The accompanying notes form part of these accounts and are to be read in conjunction therewith.

STATEMENT OF CASH FLOWS

For Year Ended 30 June 2015

		Consolidated		Police Bank	
		2015	2014	2015	2014
		$	$	$	$
Cash Flow From Operating Activities	Note				
Interest Received - Loans		61,935,128	63,131,463	61,935,128	63,131,463
Other Income		23,510,514	22,017,928	20,575,117	20,168,149
Dividends Received		620,497	541,053	1,228,497	541,053
Interest Paid		(37,933,608)	(39,122,361)	(37,933,608)	(39,122,361)
Suppliers and Employees		(28,991,430)	(28,604,819)	(27,143,078)	(28,140,234)
Taxes Paid		(3,880,507)	(3,685,243)	(3,880,507)	(3,685,243)
Net Cash from Revenue Activities	38c	15,260,594	14,278,021	14,781,549	12,892,827
Inflows from Other Operating Activities					
Net Movement in Member Loans		(44,098,574)	(36,094,472)	(44,098,574)	(36,094,472)
Net Movement in Member Shares		(10,570)	(11,070)	(10,570)	(11,070)
Net Movement in Deposits		103,791,522	(30,916,447)	103,791,522	(30,916,447)
Net Cash from Operating Activities		74,942,972	(52,743,968)	74,463,927	(54,129,162)
Cash Flows from Investing Activities					
Investment Redemption		936,156,728	874,942,558	936,156,728	874,942,558
Proceeds from Sale of Fixed Assets		93,000	222,642	93,000	222,642
Purchase of Investments		(971,087,294)	(881,473,308)	(971,087,294)	(885,037,478)
Purchase of Fixed Assets		(19,518,102)	(2,078,601)	(19,498,902)	(2,052,390)
Purchase of Planning Business		-	(4,300,147)	-	-
Net Cash Used in Investing Activities		(54,355,668)	(12,686,856)	(54,336,468)	(11,924,668)
Cash Flow from Financing Activities					
Net Movement in Borrowings		12,303,107	85,824,227	12,303,107	86,079,501
Dividend Paid		(152,000)	(82,000)	-	-
Net Cash Provided by Financing Activities		12,151,107	85,742,227	12,303,107	86,079,501
Net Increase (Decrease) in Cash		32,738,411	20,311,403	32,430,566	20,025,671
Cash at Beginning of Year		37,009,510	16,698,107	36,656,241	16,630,570
Cash at End of Reporting		69,747,921	37,009,510	69,086,807	36,656,241
Reconciliation of Cash at End of Reporting Period	38a				
Cash		22,699,809	8,120,249	22,038,695	7,766,980
Overdraft		-	-	-	-
Deposits at Call		47,048,112	28,889,261	47,048,112	28,889,261
Total		69,747,921	37,009,510	69,086,807	36,656,241

1. Statement of Accounting Policies

This financial report is prepared for Police Bank Ltd and subsidiaries' for the year ended the 30 June 2015. The report was authorised for issue on 24th September 2015 in accordance with a resolution of the Board of Directors. The financial report is presented in Australian dollars.

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards ensures compliance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). Police Bank Ltd is a for-profit entity for the purpose of preparing the financial statements.

a. Basis of Measurement

The financial statements have been prepared on an accruals basis, and are based on historical costs, which do not take into account changing money values or current values of non current assets. The accounting policies are consistent with the prior year unless otherwise stated.

b. REPO securitisation trust consolidation

The Bank has initiated the creation of a trust which holds rights to a portfolio of mortgage secured loans to enable the Bank to secure funds from the Reserve Bank of Australia if required to meet emergency liquidity requirements. The Bank continues to manage these loans and receives all residual benefits from the trust and bears all losses should they arise. Accordingly,

(i) The trust meets the definition of a controlled entity and,

(ii) As prescribed under the accounting standards, since the Bank has not transferred all risks and rewards to the trust, the assigned loans are retained on the books of the Bank and not derecognised.

c. Classification and subsequent measurement of financial assets

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss, are presented within finance costs, finance income or other financial items, except for impairment of loans and receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. The Bank's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in Banks, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified Bank.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Held to maturity (HTM) investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Bank has the intention and ability to hold them until maturity. The Bank currently holds Term deposits, Negotiable Certificates of Deposit (NCD), Floating Rate Notes, and Bank accepted Bills of Exchange in this category. If more than an insignificant portion of these assets are sold or redeemed early then the asset class will be reclassified as Available for Sale financial assets.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

Available For Sale (AFS) financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

The equity investment in Cuscal Limited is measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

All other AFS financial assets are measured at fair value. Gains and losses on these assets are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss, and presented as reclassification adjustments within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

d. Classification and subsequent measurement of financial liabilities

The Bank's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss (FVTPL), that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which requires a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item is reflected in profit or loss, any gain or loss from the hedging instrument previously recognised in other comprehensive income is reclassified from equity to profit or loss in the same line of the statement of comprehensive income as the recognised hedged item. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur or if the hedging instrument becomes ineffective, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss.

e. Loans to Members

Basis of recognition

All loans are initially recognised at fair value, net of loan origination fees and inclusive of transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the income statement over the period of the loans using the effective interest method.

Loans to Members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Bank at balance date, less any allowance or provision against impairment for debts considered doubtful. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the Board of Directors.

(i) Interest on Loans - Method of Calculation

Interest charged by the Bank on Members' loans funded before the introduction of the Consumer Credit Code on 1st November 1996, other than Overdrafts, are calculated on the basis of charging interest in the initial month from the date the loan is advanced, and thereafter on the first day of the month on the opening balance. On completion of a loan, a full month's interest is charged on the opening balance for the month in which the loan is finalised. For loans funded after 1st November 1996, the interest is calculated on the basis of the daily balance outstanding and is charged in arrears on the last day of each month.

(ii) Non Accrual Loan Interest

While still legally recoverable, interest is not brought to account as income when the Bank is informed that the Member has deceased, or on impaired loans where recovery of the debt is considered unlikely.

Transaction costs

Transaction costs are expenses which are direct and incremental to the establishment of the loan. These costs are initially deferred as part of the loan balance, and are brought to account as a reduction to income over the expected life of the loan, and included as part of interest revenue.

Fees on loans

The fees charged on loans after origination of the loan are recognised as income when the service is provided or costs are incurred.

Net gains and losses

Net gains and losses on loans to Members to the extent that they arise from the partial transfer of business or on securitisation, do not include impairment write downs or reversals of impairment write downs.

f. Loan Impairment

Specific and collective provision for impairment

A provision for losses on impaired loans is recognised when there is objective evidence that the impairment of a loan has occurred. Estimated impairment losses are calculated on either a portfolio basis for loans of similar characteristics, or on an individual basis. The amount provided is determined by management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement. The critical assumptions used in the calculation are as set out in Note 11. Note 23 details the credit risk management approach for loans.

The APRA Prudential Standards require a minimum provision to be maintained, based on specific percentages on the loan balance which are contingent upon the length of time the repayments are in arrears. This approach is used to assess the collective provisions for impairment.

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset or a group of financial assets 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.

Reserve for credit losses

In addition to the above specific provision, the Board has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for Members against the prospect that some Members will experience loan repayment difficulties in the future. The reserve is based on estimation of potential risk in the loan portfolio based upon:

- the level of security taken as collateral; and

- the concentration of loans taken by employment type.

Renegotiated loans

Loans which are subject to renegotiated terms which would have otherwise been impaired do not have the repayment arrears diminished and interest continues to accrue to income. Each renegotiated loan is retained at the full arrears position until the normal repayments are reinstated and brought up to date and maintained for a period of 6 months.

g. Bad Debts Written Off

Bad debts are written off from time to time as determined by Management and the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognised. If no provision had been recognised, the write offs are recognised as expenses in the income statement.

h. Property, Plant and Equipment

Land and buildings are measured at cost less accumulated depreciation. Any revaluation increments are credited to the asset revaluation reserve, unless it reverses a previous decrease in value in the same asset previously debited to the income statement. Revaluation decreases are debited to the income statement unless it directly offsets a previous revaluation increase in the same asset in the asset revaluation reserve.

Property, plant and equipment, with the exception of freehold land, are depreciated on a straight line basis so as to write off the net cost of each asset over its expected useful life to the Bank. The useful lives are adjusted if appropriate at each reporting date. The following rates are used:

Building 2.50%
Office Equipment 20.00%
EDP Equipment 37.50%
Motor Vehicles 25.00%
EDP Software 37.50%
Office Furniture and Fittings 20.00%
Leasehold Improvements 25.00%

Assets less than $1,000 are not capitalised.

The property acquired during the year has been provisionally accounted for as "work in progress" with payments made in respect of the building been recognised at cost. Once the fit out is fully complete and the external valuation is finalised to determine the split between land and building the useful life will be determined.

i. Receivables from other Financial Institutions

Term deposits and Negotiable Certificates of deposit with other Financial Institutions are unsecured and have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity.

All deposits are in Australian currency.

The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the statement of financial position.

j. Equity Investments and other Securities

Investments in marketable financial instruments

Available for sale financial instruments held for trading are measured at fair value.

Realised net gains and losses on available for sale financial assets taken to the profit and loss account comprises only gains and losses on disposal.

Investments in shares

Investments in shares are classified as available for sale financial assets where they do not qualify for classification as loans and receivables, or investments held for trading.

Investments in shares listed on the stock exchanges are revalued to fair value based on the market bid price at the close of business on statement of financial position date.

Investments in shares which do not have a ready market and are not capable of being reliably valued are recorded at the lower of cost or recoverable amount.

Movements in Available for Sale asset balances are reflected in equity through the Available for Sale Reserve.

All investments are in Australian currency.

k. Member Deposits

Basis for measurement

Member savings and term investments are quoted at the aggregate amount payable to depositors as at the balance date.

Interest payable

Interest on savings is calculated on the daily balance and posted to most account types every six months at the end of June and December, or on maturity of the term deposit. Interest on savings is brought to account on amount of money owing to depositors on an accrual basis in accordance with the interest rate terms and conditions of each savings and term deposit account as varied from time to time. The amount of the accrual is shown as part of amounts payable.

l. Borrowings

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

m. Provision for Employee Benefits

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement. Annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability as the Bank does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period. Annual leave liability is still presented as current liability for presentation purposes under AASB 101 *Presentation of Financial Statements.*

Provision is made for the Bank's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, have been measured at their nominal amount.

Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits discounted using national government bond rates.

Provision for long service leave is on a pro-rata basis from commencement of employment with the Bank based on the present value of its estimated future cash flows.

Annual leave is accrued in respect of all employees on pro-rata entitlement for part years of service and leave entitlement due but not taken at balance date. Annual leave is reflected as part of the sundry creditors and accruals.

Contributions are made by the Bank to an employee's superannuation fund and are charged to the income statement as incurred.

n. Leasehold on Premises

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

A provision is recognised for the estimated make good costs on the operating leases, based on the net present value of the future expenditure at the conclusion of the lease term discounted at 5%. Increases in the provision in future years due to the unwinding of the interest charge, is recognised as part of the interest expense.

o. Income Tax

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

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

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

p. Intangible Assets

Items of computer software which are not integral to the computer hardware owned by the Bank are classified as intangible assets. Computer software is amortised over the expected useful life of the software. These lives range from 2 to 5 years.

The acquired financial business have been recognised as other identifiable intangible assets in the form of acquired customer relationships. These are being amortised over 20 years.

q. Goods and Services Tax

As a Financial Institution the Bank is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST). To the extent that the full amount of the GST incurred is not recoverable from the Australian Tax Office (ATO), 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 are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the statement of financial position. Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

r. Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

s. Principles of Consolidation

The consolidated entity's financial statements comprise consolidated accounts of the Bank and its controlled entities. The effects of intercompany balances, transactions and unrealised profits arising between the controlled entities and the Bank are eliminated on consolidation.

t. Impairment of Assets

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

u. Accounting Estimates and Judgements

Management have made judgements when applying the Bank's accounting policies with respect to:

i. Derecognition of loans assigned to a special purpose vehicle used for securitisation purposes – refer Note 37.

Management have made critical accounting estimates when applying the Bank's accounting policies with respect to impairment provisions for loans - refer Note 11.

v. New or emerging standards not yet mandatory

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting period. The Mutual Bank's assessment of the impact of these new standards and interpretations is set out below. Changes that are not likely to impact the financial report of the Mutual Bank have not been reported.

AASB reference	Nature of Change	Application Date	Impact on Initial Application
AASB 9 Financial Instruments (December 2014)	Amends the requirements for classification and measurement of financial assets. The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9:- Classification and measurement of financial liabilities; and Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income. Financial assets that are debt instruments will be classified according to the objectives of the business model for managing those assets and the characteristics of their cash flows. Recognition of credit losses are to no longer be dependent on the Bank first identifying a credit loss event. The bank will consider a broader range of information when assessing credit risk and measuring expected credit losses including past experience of historical losses for similar financial instruments. The rules for hedge accounting have been overhauled to better reflect the bank's underlying risk management activities in the financial statements.	Periods beginning on or after 1 January 2018.	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2019 year end and the revised Standard is not permitted to be early adopted until at least the year ended 30 June 2016, the entity has not yet made a detailed assessment of the impact of these amendments. However, based upon a preliminary assessment, the Standard is not expected to have a material impact upon the transactions and balances recognised when it is first adopted.
(AASB 15 Revenue from Contracts with Customers)	Revenue from financial instruments is not covered by this new Standard, but AASB 15 establishes a new revenue recognition model for other types of revenue.	Periods beginning on or after 1 January 2017.	The Bank is yet to make a detailed assessment of the impact of AASB 15. However, based upon a preliminary assessment, the Standard is not expected to have a material impact upon the transactions and balances recognised when it is first adopted.

2. Statement of Profit or Loss and Other Comprehensive Income

a. Analysis of Interest Revenue

	Consolidated		Police Bank	
	2015 $	2014 $	2015 $	2014 $
Category of Interest Bearing Assets				
Cash - Deposit	797,212	840,382	797,212	840,382
Receivables from Financial Institutions	13,085,300	11,750,140	13,084,889	11,749,976
Loans and Advances	61,935,128	63,131,463	61,935,128	63,131,463
Total	75,817,640	75,721,985	75,817,229	75,721,821

b. Analysis of Interest Expense

	Consolidated		Police Bank	
	2015 $	2014 $	2015 $	2014 $
Category of Interest Bearing Liabilities				
Member Deposits	30,349,333	32,805,903	30,349,333	32,805,903
Overdraft	56,146	55,600	56,146	55,600
Other Financial Liabilities	7,057,131	5,809,631	7,057,131	5,809,631
Total	37,462,610	38,671,134	37,462,610	38,671,134

3. Profit from Ordinary Activities - Revenue

	Consolidated		Police Bank	
	2015	2014	2015	2014
	$	$	$	$
Dividend Revenue	620,497	541,053	1,228,497	869,053
Fee and Commission Revenue				
- Loan Fee Income	1,318,180	1,362,008	1,318,180	1,362,008
- Other Fee Income	2,228,806	2,379,579	2,228,806	2,379,579
- Insurance Commissions	2,440,838	2,300,051	2,440,838	2,300,051
- Other Commissions	3,611,820	2,884,234	676,834	706,619
Bad Debts Recovered	155,897	124,195	155,897	124,195
Total Revenue from Ordinary Activities	10,376,038	9,591,120	8,049,052	7,741,505
Other Revenue				
- Other	79,428	152,585	79,428	152,585
Total Revenue from Other Activities	79,428	152,585	79,428	152,585
Total Revenue from Ordinary and Other Activities	10,455,466	9,743,705	8,128,480	7,894,090

4. Profit from Ordinary Activities - Expenses

	Consolidated		Police Bank	
	2015	2014	2015	2014
	$	$	$	$
a. Loan Impairment Losses				
Increase/(decrease) in provision for impairment	(1,151,091)	142,082	(1,151,091)	142,082
Bad Debts written off directly against profit	527,033	524,674	527,033	524,674
Total Impairment Losses	(624,058)	666,756	(624,058)	666,756
b. Other Prescribed Expense Disclosures				
Auditor's Remuneration				
- Audit Fees - Grant Thornton	173,617	143,189	173,617	143,189
- Other Services	22,527	19,577	22,527	19,577
	196,144	162,766	196,144	162,766
Profit /(loss) on disposal of assets				
- Property, Plant and Equipment	(16,288)	70,741	(16,288)	70,741
Net movement in provision for depreciation				
- Buildings	32,139	32,139	32,139	32,139
- Plant and Equipment	625,391	724,590	587,013	673,026
- Leasehold Improvements	176,135	80,693	176,135	80,693
- Intangible Assets	249,911	295,179	112,136	295,179
Other Expense				
- Supervision Levy	63,898	74,371	63,898	74,371
- Superannuation	1,634,662	1,456,638	1,525,935	1,393,237

5. Income Tax

	Consolidated		Police Bank	
a. The prima facie tax payable on operating profit is reconciled to the income tax expense in the account as follows	2015 $	2014 $	2015 $	2014 $
Prima facie tax payable on operating profit before income tax at 30%	4,981,404	4,371,157	4,769,632	4,204,014
Loan fee income and costs deferred	-	-	-	-
Non-deductable expenditure	71,360	121,542	47,372	120,916
First Home Savers account	43,048	39,393	43,048	39,393
Building depreciation	39,642	9,642	39,642	9,642
Amortisation	41,333	-	-	-
Imputation credit	157,950	111,736	157,950	111,736
Rebate on fully franked dividends	(344,099)	(274,054)	(526,499)	(372,454)
Deduction not allowed in accounting expenses	102,957	7,833	92,995	-
Over provision of Income Tax Previous Year	(200,258)	(74,685)	(177,517)	(78,214)
Total	4,893,337	4,312,564	4,446,623	4,035,033
b. Income tax expense comprises amounts				
Provision for income tax attributable to current year taxable income	5,293,999	4,082,752	4,824,544	3,808,750
Movement in future income tax benefit	(118,105)	274,977	(118,105)	274,977
Movement in deferred tax liability	(82,299)	29,520	(82,299)	29,520
Over provision of Income Tax Previous Year	(200,258)	(74,685)	(177,517)	(78,214)
	4,893,337	4,312,564	4,446,623	4,035,033
c. Franking Credits				
Franking credits held by the Bank after adjusting for franking credits that will arise from payment of income tax payable as at 30 June.	58,312,551	53,670,099	58,290,516	53,592, 009

6. Cash and Liquid Assets

Cash on hand	3,231,770	2,537,201	2,570,656	2,183,932
Deposits at call	47,048,112	28,889,261	47,048,112	28,889,261
Cash at Bank	19,376,808	5,506,697	19,376,808	5,506,697
Security Deposits	91,231	76,351	91,231	76,351
	69,747,921	37,009,510	69,086,807	36,656,241

7. Receivables Due from other Financial Institutions

Deposits - Term	76,000,000	106,000,000	76,000,000	106,000,000

8. Accrued Receivables

Interest Receivable on deposits with other Financial Institutions	1,871,154	1,681,980	1,871,154	1,681,980
Prepayments	639,795	865,245	639,795	865,245
Sundry Debtors	2,062,677	1,737,342	1,800,157	1,494,299
	4,573,626	4,284,567	4,311,106	4,041,524

9. Investment Securities

Bank Bills and Certificate of Deposits	136,530,202	103,967,777	136,530,202	103,967,777
Floating Rate Notes	78,644,817	48,674,988	78,644,817	48,674,988
Subordinated Debt	13,160,000	12,160,000	13,160,000	12,160,000
	228,335,019	164,802,765	228,335,019	164,802,765

Subordinated Debt - On 18th June 2012 the Bank invested in subordinated notes issued by National Australia Bank. The rights of the noteholders are subordinated to the claims of all creditors (including depositors) of National Australia Bank. The notes have quarterly interest payable in arrears with a fixed maturity date of 18th June 2022. National Australia Bank may redeem the notes on 18th June 2017 subject to prior approval from APRA.

On 9th November 2012 the Bank invested in a lower tier 2 capital instrument issued by the Australian Mutual Investment Trust (AMIT). AMIT has been created by the Australian Mutual Group (AMG) which consists of 17 Australian mutual authorised deposit-taking institutions. The notes have quarterly interest payable in arrears with a fixed maturity date of 9th November 2017.

Subordinated Debt - On 29th August 2014 the Bank invested in subordinated notes issued by ME Bank. The rights of the noteholders are subordinated to the claims of all creditors (including depositors) of ME Bank. The notes have quarterly interest payable in arrears with a fixed maturity date of 19th August 2024. ME Bank may redeem the notes on 29th August 2019 subject to prior approval from APRA.

10. Loans and Advances

	Consolidated		Police Bank	
a. Amount Due comprises	2015 $	2014 $	2015 $	2014 $
Overdrafts and Revolving Credit Loans	44,242,384	46,666,561	44,242,384	46,666,561
Term Loans	1,065,326,964	1,019,331,245	1,065,326,964	1,019,331,245
	1,109,569,348	1,065,997,806	1,109,569,348	1,065,997,806
Less: Provision for Impaired Loans	557,890	1,708,980	557,890	1,708,980
Less: Unamortised Loan Origination Fees	1,437,849	1,245,395	1,437,849	1,245,395
Plus: Amortised Loan Transaction Costs	25,777	61,171	25,777	61,171
Net Loans and Advances	1,107,599,386	1,063,104,602	1,107,599,386	1,063,104,602
b. Credit Quality - Security held against Loans				
Secured by Mortgage	981,590,587	926,441,894	981,590,587	926,441,894
Secured Other	63,976,054	69,841,973	63,976,054	69,841,973
Unsecured	64,002,707	69,713,939	64,002,707	69,713,939
	1,109,569,348	1,065,997,806	1,109,569,348	1,065,997,806

It is not practicable to value all collateral as at the balance date is due to a variety of assets and conditions. A breakdown of the quantity of the residential mortgage security on a portfolio basis is as follows.
Security held as mortgage against real estate is on the basis of:

	Consolidated		Police Bank	
	2015 $	2014 $	2015 $	2014 $
- loan to valuation ratio of less than 80%;	651,507,597	602,282,160	651,507,597	602,282,160
- loan to valuation ratio of more than 80% but mortgage insured; and	296,717,182	292,680,272	296,717,182	292,680,272
- loan to valuation ratio of more than 80% and not mortgage insured.	33,365,808	31,479,462	33,365,808	31,479,462
Total	981,590,587	926,441,894	981,590,587	926,441,894
c. Concentration of Loans				
(i) Individual loans which exceed 10% of Member Funds in aggregate amount to $0.00 (2014 $0.00)	-	-	-	-
(ii) Loans to Members are solely in Australia				
(iii) Loan purpose dissection:				
- Residential	830,091,267	793,600,411	830,091,267	793,600,411
- Personal	115,684,116	125,364,288	115,684,116	125,364,288
- Commercial*	151,499,320	132,841,482	151,499,320	132,841,482
- Lease	12,294,645	14,191,625	12,294,645	14,191,625
	1,109,569,348	1,065,997,806	1,109,569,348	1,065,997,806

*These are primarily loans to individuals secured by residential mortgage.

Geographical Areas

	Housing	Personal	Credit Card	Overdraft	Business	Total
Sydney City	189,024,689	18,013,079	4,668,055	2,016,201	725,506	214,447,530
Western Suburbs	187,940,408	15,202,262	3,609,102	1,092,953	-	207,844,725
Australian Capital Territory	149,662,200	12,384,268	3,006,409	1,255,377	-	166,308,254
Illawarra	121,610,262	10,227,704	2,184,348	726,731	-	134,749,045
Hunter Valley	100,489,053	6,926,768	1,504,247	772,130	-	109,692,198
Central Coast	52,686,730	7,531,616	1,246,994	527,542	-	61,992,882
NSW North Coast	62,243,499	5,742,317	1,157,878	1,036,462	-	70,180,156
Other States	36,598,060	3,418,400	1,304,607	953,200	-	42,274,267
NSW Country	32,542,800	4.060,461	755,535	376,228	-	37,735,024
Blue Mountains	30,914,716	1,773,852	537,409	219,833	-	33,445,810
South Coast	17,152,664	985,077	270,975	196,096	-	18,604,812

11. Provision on Impaired Loans

	Consolidated		Police Bank	
	2015 $	2014 $	2015 $	2014 $
a. Total Provision Comprises				
Specific Provision	-	-	-	-
Collective Provision	557,890	1,708,981	557,890	1,708,981
	557,890	1,708,981	557,890	1,708,981
b. Movement in Specific Provision				
Balance at the beginning of the year	1,708,981	1,566,899	1,708,981	1,566,899
Add: Transfers from Income Statement	-	142,082	-	142,082
Deduct: Bad debts written off against provision	-	-	-	-
Deduct: Transfers to Income Statement	(1,151,091)	-	(1,151,091)	-
Balance at end of year	557,890	1,708,981	557,890	1,708,981
c. Impaired Loans Written Off				
Amount written off against the provision for impaired loans	-	-	-	-
Amounts written off directly to expense	527,033	524,674	527,033	524,674
Total bad debts	527,033	524,674	527,033	524,674
Bad debts recovered in the period	155,897	124,195	155,897	124,195
d. Impaired Loan Disclosures Impaired Loans as at Balance Date				
Balance of the impaired loans	747,676	2,826,485	747,676	2,826,485
Estimated value of loans which is secured	237,672	1,397,864	237,672	1,397,864
Loans with repayments Past Due but not impaired (due to security held)				
- Real estate	237,672	2,262,878	237,672	2,262,878
- Other	-	-	-	-

Analysis of loans that are impaired or potentially impaired based on age of repayments outstanding.

	Carrying Value	Provision	Carrying Value	Provision
	2015 $	2015 $	2014 $	2014 $
Mortgage Insured	1,922,608	-	1,557,054	-
30 up to 89 days in arrears	396,055	-	715,216	-
90 to 181 days in arrears	182,572	73,029	975,977	390,391
182 to 272 days in arrears	134,287	80,572	1,064,964	638,978
273 to 364 days in arrears	629,269	214,838	371,323	297,058
365 days and over in arrears	25,801	25,801	273,779	273,779
Over limit facilities over 14 days	241,404	163,650	189,948	108,775
Total	3,531,996	557,890	5,148,261	1,708,981

The impaired loans are generally not secured against residential property. Some impaired loans are secured by bill of sale over motor vehicles or other types of assets. It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and conditions of those assets.

The Key assumptions in determining the provision for impairment

In the course of the preparation of the annual report, the Bank has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events, the Bank is required to estimate the potential impairment using the length of time the loan is in arrears and the historical losses arising in the past years. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses. An estimate is based on the period of impairment.

	2015			2014		
	Carrying Value	Value of impaired loans	Provision for impairment	Carrying Value	Value of impaired loans	Provision for impairment
Mortgages	3,341,327	237,672	190,137	4,128,341	2,262,878	1,337,294
Personal	479,380	299,275	162,495	539,897	349,449	225,379
Credit Cards	305,208	72,414	85,527	275,693	75,864	74,323
Overdrafts	354,031	138,315	119,731	476,231	138,294	71,985
Lease	15,028	-	-	17,362	-	-
Total to Natural Persons	4,494,974	747,676	557,890	5,437,524	2,826,485	1,708,981
Corporate Borrowers	-	-	-	-	-	-
Total	4,494,974	747,676	557,890	5,437,524	2,826,485	1,708,981

12. Available for Sale Investments

	Consolidated		Police Bank	
	2015 $	2014 $	2015 $	2014 $
Cuscal Member Shares (i)	3,441,904	2,951,205	3,441,904	2,951,205
Chelsea Wealth Management Pty Ltd	-	-	4,086,564	4,086,564
PCU 2009-1 Trust (ii)	4,674,902	3,767,287	4,674,902	3,767,287
	8,116,806	6,718,492	12,203,370	10,805,056

(i) The shareholding in Cuscal is measured at its cost value in the Statement of Financial Position. This company supplies services to the member organisations which are all Mutual Banks and Credit Unions. The Bank holds shares in Cuscal to enable the Bank to receive essential banking services. The shares are able to be traded but within a market limited to other mutual ADI's. The volume of shares traded in the shares is low with few transactions in the past 3 years.

Management have used the unobservable inputs to assess the fair value of the shares. The financial reports of Cuscal record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of 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, a market value is not able to be determined readily. The bank purchased 525,983 Cuscal shares with a purchase price of $1.07 per share. Management has determined that the cost value of $0.60 per share is a reasonable approximation of fair value based on the likely value available on a sale and the low volume of trading in shares.

The Bank is not intending to dispose of these shares.

(ii) The PCU 2009-1 Trust is a special purpose vehicle that issues securities under an internal securitisation program for the purpose of contingency liquidity management. The Bank's risk management has been strengthened with the implementation of the 're-purchase' facility with the Reserve Bank of Australia providing greater access to funds and a higher level of security for the organisation.

13. Property, Plant and Equipment

	Consolidated		Police Bank	
	2015 $	2014 $	2015 $	2014 $
a. Fixed assets				
Land at cost	548,301	548,301	548,301	548,301
Buildings at cost	1,285,560	1,285,560	1,285,560	1,285,560
Less: Provisions for depreciation	239,869	207,730	239,869	207,730
Total Buildings	1,045,691	1,077,830	1,045,691	1,077,830
Total Land and Buildings	1,593,992	1,626,131	1,593,992	1,626,131
Plant and Equipment at cost	28,498,379	10,884,813	28,340,207	10,732,816
Less: Provision for depreciation	6,786,606	7,402,354	6,718,063	7,341,984
Total Plant and Equipment	21,711,773	3,482,459	21,622,144	3,390,832
Capitalised leasehold improvements at cost	2,505,947	2,731,621	2,361,521	2,606,819
Less: Provision for depreciation	1,930,115	2,480,904	1,879,332	2,460,326
Total Capitalised Leasehold Improvements	575,832	250,717	482,189	146,493
Closing Balance 30 June	23,881,597	5,359,307	23,698,325	5,163,456

b. Land and Buildings - Valuation

The Bank has a property at Goulburn with the land valued by an independent valuation as at 31 December 2009 at $1,550,000. The increase to valuation over cost has not been brought to account in the balance sheet.

During the year the Bank acquired property at Pelican Street. Additions in respect of the building and fit out amount to $13,607,151 and have been accounted for provisionally within Plant & Equipment as the full fit out has not been completed. Once the fit out is finalised and full external valuation performed the classification between land and building and the related useful lives shall be determined.

	2015			2014		
	Property	Plant & Equipment	Leasehold Improvements	Property	Plant & Equipment	Leasehold Improvements
Opening Balance 1 July	1,626,131	3,482,459	250,717	1,374,409	2,588,235	211,807
Add: Purchases in the year	-	18,957,393	511,405	283,861	1,578,793	119,603
Revaluation increase adjustments	-	6,600	-	-	-	-
Less: Disposal of assets	-	(93,000)	-	-	(30,720)	-
Gain/(Loss) on Sale	-	(16,288)	(10,155)	-	70,741	-
Depreciation charge	(32,139)	(625,391)	(176,135)	(32,139)	(724,590)	(80,693)
Closing Balance 30 June	1,593,992	21,711,773	575,832	1,626,131	3,482,459	250,717

	Consolidated		Police Bank	
	2015 $	2014 $	2015 $	2014 $
14. Intangible Assets				
Computer Software	701,015	1,095,812	701,015	1,095,812
Less: Provision for Amortisation	(610,201)	(934,889)	(610,201)	(934,889)
Acquired Customer Relationships	5,677,451	5,684,051	637,153	637,153
Less: Provision for Amortisation	(137,775)	-	-	-
	5,630,490	5,844,974	727,967	798,076
Movement in the intangible asset balances during the year were:				
Opening Balance 1 July	5,844,974	1,298,431	798,076	359,758
Add: Purchases in the year	49,304	4,396,491	49,304	96,344
Less: Revaluation increase adjustments	(6,600)	637,153	-	637,153
Less: Disposal of Assets	-	(191,922)	-	-
Less: Loss on sale	(7,277)	-	(7,277)	-
Amortisation charge	(249,911)	(295,179)	(112,136)	(295,179)
Closing Balance 30 June	5,630,490	5,844,974	727,967	798,076
15. Taxation Assets				
Deferred Tax Asset	1,383,506	1,501,611	1,383,506	1,501,611
Deferred Tax Asset Comprises:				
- Provision for Impairment	167,367	512,694	167,367	512,694
- Deferred Loan Origination Costs/Fees	-	-	-	-
- Provision for Staff Entitlements	1,139,616	959,389	1,139,616	959,389
- Audit Accrual	34,217	23,508	34,217	23,508
- Other	42,306	6,020	42,306	6,020
	1,383,506	1,501,611	1,383,506	1,501,611
16. Amounts Payable to Other Financial Institutions				
Overdraft Secured (Note 32)	-	-	-	-
Negotiable Certificate of Deposit	113,062,019	120,758,912	113,062,019	120,758,912
Medium Term Note	20,000,000	-	20,000,000	-
	133,062,019	120,758,912	133,062,019	120,758,912
17. Deposits				
Member Deposits:				
- at call	562,619,806	481,425,003	562,619,806	481,425,003
- term	640,361,580	617,764,861	640,361,580	617,764,861
Withdrawable Shares	354,810	365,380	354,810	365,380
	1,203,336,196	1,099,555,244	1,203,336,196	1,099,555,244

Concentration of Risk

(i) There are no Members who individually have deposits which represent 10% or more of the total liabilities of the Bank.
(ii) Details of classes of deposits which represent 10% or more of shareholders' equity of the Bank are set out below:

Industry Group				
State Government	437,789,965	378,352,356	437,789,965	378,352,356
Federal Government	123,337,161	113,699,709	123,337,161	113,699,709

	Consolidated		Police Bank	
	2015 $	2014 $	2015 $	2014 $
Geographic Areas				
Australian Capital Territory	63,796,547	59,109,706	63,796,547	59,109,706
Central Coast Region	60,352,778	54,191,525	60,352,778	54,191,525
Hunter Region	88,369,174	77,409,415	88,369,174	77,409,415
Illawarra Region	39,600,369	35,194,379	39,600,369	35,194,379
North Coast Region	78,407,969	72,381,403	78,407,969	72,381,403
Sydney Coast Region	34,157,046	31,123,270	34,157,046	31,123,270
Sydney Metropolitan	720,000,623	648,207,581	720,000,623	648,207,581

18. Creditors and Borrowings

Creditors and Accruals	9,624,405	6,688,093	9,432,529	6,518,347
Interest Payable on Deposits	6,665,908	7,136,906	6,665,908	7,136,906
	16,290,313	13,824,999	16,098,437	13,655,253

19. Provisions

Employee Benefits	2,623,057	2,381,774	2,623,057	2,381,774
Leasehold Make Good	325,999	556,000	325,999	556,000
Other	24,100	260,706	24,100	30,706
	2,973,156	3,198,480	2,973,156	2,968,480

20. Taxation Liabilities

Provisions for Income tax	1,834,847	1,046,748	1,432,722	881,837
Provision for Deferred Income Tax	763,672	845,971	763,672	845,971
Other	175,970	122,637	68,207	48,707
	2,774,489	2,015,356	2,264,601	1,776,515
Provision for Deferred Income Tax Comprises:				
- Prepayments;	39,292	49,024	39,292	49,024
- Tax allowances relating to Property, Plant & Equipment; and	651,274	723,841	651,274	723,841
- Tax allowances relating to Chelsea Wealth Management Pty Ltd.	73,106	73,106	73,106	73,106
	763,672	845,971	763,672	845,971

21. Capital Reserve Account

Balance - 1 July	364,520	353,440	364,520	353,440
Transfer from retained earnings on share redemptions	10,630	11,080	10,630	11,080
Balance - 30 June	375,150	364,520	375,150	364,520

Share Redemption

The accounts represent the amount of redeemable Preference Shares redeemed by the Bank since 1 July 1999. The law requires that the redemption of the Shares be made out of profits. Since the value of the Shares have been paid to Members in accordance with the terms and conditions of the share issue, the account represents the amount of profits appropriate to the account.

22. General Reserves For Credit Losses

	Consolidated		Police Bank	
	2015	2014	2015	2014
	$	$	$	$
General Reserves For Credit Losses	2,159,248	3,557,306	2,159,248	3,557,306
Balance 1 July	3,557,306	3,400,306	3,557,306	3,400,306
Add: Increase/Decrease transferred from retained earnings	(1,398,058)	157,000	(1,398,058)	157,000
Balance 30 June	2,159,248	3,557,306	2,159,248	3,557,306

23. Financial Risk Management Objectives and Policies

The Board has endorsed a policy of compliance and risk management to suit the risk profile of the Bank.

The Bank's risk management focuses on the major areas of capital risk, market risk, credit risk, liquidity risk, strategic risk and operational risk. Authority flows from the Board of Directors. In addition to this, the internal risk management structure is strengthened by the interaction with external audit. The Audit Committee is responsible for reviewing the internal audit plan and the progress against the plan each year, and ensuring that issues raised are dealt with in an adequate and timely manner. Over and above the aforementioned the external auditor reports to Members by the way of the Auditor's Report in which the auditor expresses an opinion on the annual accounts. Please refer to the Auditor's Report for the full details. The diagram on the next page shows the risk management framework. The main elements of risk governance are as follows:

Board: This is the primary governing body. It approves the level of risk which the Bank is exposed to and the framework for reporting and mitigating those risks.

Corporate Governance Committee: The primary objectives of the Committee are:

- To ensure that the Bank practices good corporate governance primarily by fulfilling its obligations as set out by the Australian Prudential Regulation Authority in Australian Prudential Standards CPS 510 and CPS 520;
- To ensure all Directors and persons nominating for the position of Director are of good character and meet the "Fit and Proper" requirements of the Corporate Governance policy;
- To recommend to the Board on how best for the Board to achieve Board renewal to ensure that the majority of the Directors are independent and that the Board as a whole possess the required skills of directing the Bank;
- To review disputes from Members relating to the Bank's policies, procedures, systems or service delivery, which have been unable to be resolved by Management; and
- To assess the appropriateness of Director and Executive remuneration, and encourage behaviour that supports the long-term financial soundness of the Bank and the risk management framework.

This Committee holds at least three meetings each year.

Audit Committee: The primary objective of the Audit Committee is to assist the Board of Directors in discharging the Board's responsibilities as they relate to:

- Audit obligations (internal & external);
- Financial reporting practices;
- Accounting policies;
- Management and internal controls.

The Audit Committee:

- Oversees and appraise the quality of the audits conducted by both the Internal and External Auditors;
- Reviews and approve the Internal Audit Charter;
- Provides, through regular meetings, a forum for communication between the Board, Senior Management and both the Internal and External Auditors;
- Serves as an independent and objective party to review the financial information presented by management to Members and regulators;
- Determines the adequacy of the Bank's administrative, operating and accounting controls; and
- The Chairpersons of the Audit Committee and the Risk Committee shall, at their discretion, consult on any matters that relate to both Committees.

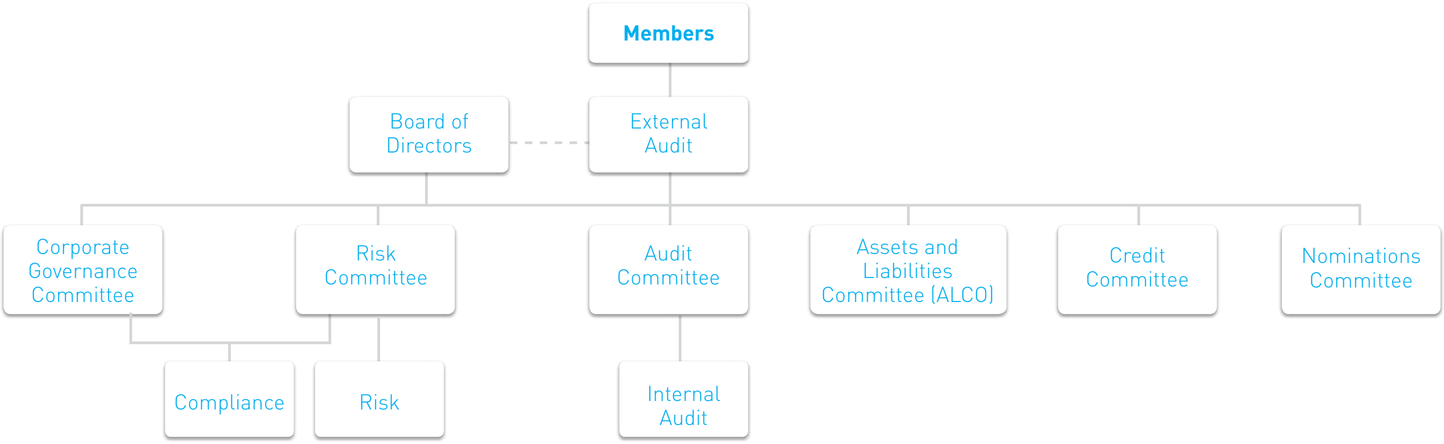
The Committee holds at least 4 meetings each year and the Committee periodically monitors the annual internal audit plan.

Risk Committee: The primary objective of the Risk Committee is to discharge the Board's responsibilities in overseeing the risk governance of Police Bank and to recommend the risk profile and risk management framework to the Board.

The Risk Committee assists the Board by providing an objective non-executive review of the effectiveness of the Risk Management Framework of the Bank.

The Risk Committee:

- Agrees and recommends for Board approval, a risk management framework consistent with the agreed risk appetite for the Bank's material risk exposures;
- Monitors the effectiveness of the risk framework in supporting business performance/strategy and the Bank's risk appetite;



- Oversees APRA statutory reporting obligations pertaining to risk matters;
- Provides reasonable assurance to the Board that all aspects of the risk management of Police Bank are compliant with prudential standards;
- Reviews the annual Risk Management Declaration to APRA and recommends its endorsement by the Board;
- Consider reports from APRA review staff, and follow up of recommendations and monitors management's responses to correct any noted deficiencies as they relate to risk;
- Reviews and recommends for Board approval:
  (i) The Risk Committee Terms of Reference;
  (ii) The Risk Management Strategy;
  (ii) The Risk Appetite Statement; and
  (iv) The Operational Risk Policy.
- Review risk management practices and internal controls having regard to material business risks;
- Monitor movements in the Board identified Strategic Risks and operations risk register;
- Report to the Board on matters arising from its review functions through Committee minutes of meetings or by special report;
- Oversee and monitor the annual risk assessment and 3 year review;
- Review adequacy of insurance coverage;
- Review of the Business Continuity Plan and its annual testing results; and
- The Chairpersons of the Risk Committee and the Audit Committee shall, at their discretion, consult on any matters that relate to both Committees.

The Committee holds at least 4 meetings each year and the Committee periodically monitors the annual risk plan.

Credit Committee – Credit Risk: This Committee meets monthly 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 in 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.

All loans are managed through the monitoring of the scheduled repayments. Accounts where the arrears are over 90 days or overlimit 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 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. A dedicated credit control team, which reports to the Credit Committee, implements the Bank'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 balance sheet date.

Asset and Liability Committee (ALCO) - Market Risk: This Committee meets monthly and has responsibility for managing interest rate risk exposures, and ensuring that the treasury and finance functions adhere to exposure limits as outlined in the policies for interest rate and liquidity risk. The daily scrutiny of market risk reports is intended to prevent any exposure breaches prior to the monthly review by the ALCO Committee.

Nomination Committee: The Nomination Committee has been established to independently assess the fairness and propriety of all candidates (excluding incumbents who are re-standing) for the positions of Director. In addition, the Committee ensures that those persons interviewed for the position of Director have the appropriate level of skills, experience and qualifications.

Compliance and Risk Managers: Their primary responsibilities involve the development and implementation of controls to manage operational risk to balance the avoidance of financial loss and damage to the Bank's reputation.

Internal Audit: Internal Audit has responsibility for implementing the controls testing and assessment as required by the Audit Committee.

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

- Interest Rate Risk;
- Liquidity Management;
- Credit Risk Management; and
- Operations Risk Management including data risk management.

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

a. Market Risk and Hedging Policy

The objective of the Bank'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 volatilities will have an adverse effect on the Bank's financial condition or results. The Bank is not exposed to currency risk, and other significant price risk. The Bank does not trade in the financial instruments it holds on its books. The Bank is exposed only to interest rate risk arising from changes in market interest rates. The management of market risk is the responsibility of the ALCO Committee, which reports directly to the Board.

(i) Interest Rate Risk

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

Most banks are exposed to interest rate risk within their Treasury operations. Police Bank does not have a treasury operation and does not trade in financial instruments.

(ii) Interest Rate Risk in the Banking Book

The Bank is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities.

The interest rate risk on the banking book is measured daily, reported to the ALCO monthly, and to the Board via the ALCO Committee monthly.

In the banking book the most common risk the Bank faces arises from fixed rate assets and liabilities. This exposes the Bank to the risk of sensitivity should interest rates change.

The level of mismatch on the banking book is set out in Note 27. The table set out at note 27 displays the period that each asset and liability will reprice as at the balance date.

(iii) Method of Managing Risk

The Bank manages its interest rate risk by the use of value at risk models (VAR) and interest rate sensitivity analysis, the detail and assumptions used are set out below.

(iv) Hedging

To mitigate this risk the Bank has entered into pay fixed/receive floating interest rate swaps. The interest rate risk on fixed rate loans/assets are hedged by purchasing pay fixed/receive floating interest rate swaps. As at 30 June 2015 the notional principle amounts of the interest rate swap contracts is $80,000,000. The fair value reflected in the Balance Sheet is ($714,980). The valuation of the derivative transactions is based on mid-market levels as of the close of business on 30 June 2015. The valuations are derived from proprietary models based upon well recognised financial principles and reasonable estimates about relevant future market conditions.

(v) Interest Rate Sensitivity

The Bank's exposure to market risk is measured and monitored using interest rate sensitivity models.

The policy of the Bank to manage the risk is to monitor on a monthly basis the changes to maturity profiles within its deposit base and changes in the underlying portfolio mix to ensure that such changes will not have an unacceptable adverse outcome to the Bank. The policy of the Bank is to use derivatives to hedge against adverse consequences of interest rate risk. The Bank's exposure to interest rate risk is set out in Note 27 which details the contractual interest change profile.

An independent review of the interest rate risk profile is conducted by Strategic Risk International, an independent Risk Management Consultancy.

Based on the calculations as at 30 June 2015, the calculated market value of equity (EVE) is $162.91 million, with a sensitivity of $751,915 to a 1% change in interest rates.

The Bank performs a sensitivity analysis to measure market risk exposures.

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 Bank for the next 12 months. In doing the calculation the assumptions applied were that:

- the interest rate change would be applied equally over to 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 deposit with similar terms and rates applicable;
- savings deposits would not reprice in the event of a rate change;
- fixed rate loans would all reprice to the new interest rate at the contracted date;
- variable rate mortgage loans would all reprice to the new interest rate in one month;
- personal loans would reprice at the contracted maturity 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.

There has been no change to the Bank's exposure to market risk or the way the Bank manages and measures market risk in the reporting period.

b. Liquidity Risk

Liquidity risk is the risk that the Bank 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 of Directors that the Bank maintains adequate cash reserves and committed credit facilities so as to meet the Member withdrawal demands when requested.

The Bank manages liquidity risk by:

- continuously monitoring actual 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.

The Bank has a longstanding arrangement with the industry liquidity support company Credit Union Financial Support Services (CUFSS) which can access industry funds to provide support to the Bank should it be necessary at short notice.

The Bank is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential standards. The Bank policy is to apply a minimum of 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, or borrowing facilities available. Note 32 describes the borrowing facilities as at the balance date. These facilities are in addition to the support from CUFSS.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in the specific Note 25. The ratio of liquid funds over the past year is set out in the table to the right:

APRA	2015	2014
To total adjusted liabilities		
As at 30 June	18.24%	13.76%
Average for the year	16.76%	12.67%
Minimum during the year	15.68%	11.54%
To total Member deposits		
As at 30 June	23.12%	17.86%

c. Credit Risk

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

(i) Credit Risk - Loans

The analysis of the Bank's loans by class, is as follows:

	2015			2014		
	Carrying Value	Off Balance Sheet	Maximum Exposure	Carrying Value	Off Balance Sheet	Maximum Exposure
Residential	830,091,267	45,496,354	875,587,621	793,600,411	47,711,239	841,311,650
Personal	98,379,643	524,158	98,903,801	109,471,883	627,443	110,099,326
Credit Cards	20,245,560	23,491,870	43,737,430	19,237,248	20,477,422	39,714,670
Overdrafts	9,353,558	22,813,042	32,166,600	10,846,782	22,532,914	33,379,696
Total to Natural Persons	958,070,028	92,325,424	1,050,395,452	933,156,324	91,349,018	1,024,505,342
Commercial	151,499,320	-	151,499,320	132,841,482	-	132,841,482
Total	1,109,569,348	92,325,424	1,201,894,772	1,065,997,806	91,349,018	1,157,346,824

Carrying value is the value on the balance sheet. Maximum exposure is the value on the balance sheet plus the undrawn facilities (loans approved not advanced, redraw facilities; line of credit facilities; overdraft facilities; credit cards limits). The details are shown in Note 31 and a summary is in Note 10c.

All loans and facilities are within Australia. The geographic distribution is not analysed into significant areas within Australia as the exposure classes are not considered material. Concentrations are described in Note 10c.

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

The Bank 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 to geographic and industry groups considered at high risk of default;
- reassessing and review of the credit exposures on loans and facilities;
- establishing appropriate provisions to recognise the impairment of loans and facilities;
- debt recovery procedures; and
- review of compliance with the above policies.

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

Past Due and Impaired

A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, a Member enters into a lending agreement with the Bank that requires interest and a portion of the principle to be paid every month. On the first day of the next month, if the agreed repayment amount has not been paid, the loan is past 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. Once the past due exceeds 90 days the loan is regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days. 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 mortgages over real estate. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the income statement. In estimating these cash flows, Management makes judgements 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 Bank makes collective assessments for each financial asset portfolio segmented by similar risk characteristics.

Balance sheet provisions are maintained at a level that Management deems sufficient to absorb probable incurred losses in the Bank's loan portfolio from homogenous portfolios of assets and individually identified loans.

A provision for incurred losses is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered. The provisions for impaired and past due exposures relate to the loans to Members. Past due value is the 'on balance sheet' loan balances which are past due by 90 days or more. Details are as set out in Note 11.

Bad Debts

Amounts are written-off when collection of the loan or advance is considered to be remote. All write-offs are on a case by case basis, taking account of the exposure at the date of the write off. On secured loans, the write off takes place on ultimate realisation of collateral value, or from claims on any lender's mortgage insurance. A reconciliation in the movement of both past due and impaired exposure provisions is provided in Note 11.

Collateral Securing Loans

A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, the Bank 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.

The Board policy is where the outstanding loan balance exceeds 80% of the valuation, the mortgage should be 100% mortgage insured secured. Note 10b describes the nature and extent of the security held against the loans held as at the balance date.

Concentration Risk – Individuals

Concentration risk is a measurement of the Bank's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the Bank's regulatory capital (10 per cent) a large exposure is considered to exist. 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% capital benchmark, to be higher than acceptable.

The aggregate value of large exposure loans are set out in Note 10. The Bank holds no significant concentrations of exposures to Members.

Concentration Risk – Industry

The Bank has a concentration in the retail lending for Members who comprise employees and family in the Policing Industry. This concentration is considered acceptable on the basis that the Bank was formed to service these Members, and the employment concentration is not exclusive. Should Members leave the industry the loans continue and other employment opportunities are available to the Members to facilitate the repayment of the loans.

(ii) Credit Risk - Liquid Investment

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Bank incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Bank.

There is a concentration of credit risk with respect to investment receivables with the placement of investments in Cuscal. The credit policy is that investments are only made to authorised institutions. Directors have established policies that a maximum of up to 30% of the capital base (excluding Cuscal) can be invested with any one financial institution at a time.

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 Bank. Also the relative size of the Bank as compared to the industry is relatively low such that the risk of loss is reduced.

Under the liquidity support scheme at least 3.2% of the total assets must be invested in Cuscal and/or a Bank Financial Support Scheme (CUFSS) approved Authorised Deposit-taking Institution (ADI), to allow the scheme to have adequate resources to meet its obligations if needed.

d. Capital Management

The capital levels are prescribed by Australian Prudential Regulation Authority (APRA). Under the APRA prudential standards capital is determined in three components:

- Credit risk;
- Market risk (Trading Book); and
- Operations risk.

The market risk component is not required as the Bank is not engaged in a Trading Book for financial instruments.

Capital Resources

Tier 1 Capital

The vast majority of Tier 1 capital comprises:

- Retained profits;
- Realised reserves; and
- Asset revaluation reserves on property.

Additional Tier 1 capital

This is a new classification of capital and includes

- Preference share capital approved by APRA and which qualify as Tier 1 capital.

Tier 2 Capital

Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by APRA.

Capital in the Bank is made up as shown in chart below.

	2015
Tier 1	
Share capital	375,150
General reserve	40,397,000
Retained earnings	123,694,104
Asset revaluations reserves on property	268,875
Less prescribed deductions	23,655,175
Net tier 1 capital	141,079,954
Tier 2	
Reserve for credit losses	2,159,248
Net Tier 2 capital	2,159,248
Total Capital	143,239,202

The Bank is required to maintain a minimum capital level of 8% as compared to the risk weighted assets at any given time.

The risk weights attached to each asset are based on the weights prescribed by APRA in its Guidance AGN 112-1. The general rules apply the risk weights according to the level of underlying security.

The capital ratio as at the end of the financial year over the past 5 years is as follows:

2015	2014	2013	2012	2011
Basel III	Basel III	Basel III	Basel II	Basel II
18.53%	18.72%	18.47%	19.23%	20.09%

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

To manage the Bank's capital, the Bank reviews the ratio monthly and monitors movements in the asset levels. Policies have been implemented to require reporting to the Board and the regulator if the capital ratio falls below 14.5%. Further a 5 year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

Pillar 2 Capital on Operational Risk

This capital component was introduced as from 1 January 2013 and coincided with changes in the asset risk weightings for specified loans and liquid investments. Previously no operational charge was prescribed.

The Bank uses the Standardised approach which is considered to be most suitable for its business given the small number of distinct transaction streams. The Operational Risk Capital Requirement is calculated by mapping the Bank's three year average net interest income and net non-interest income to the Bank's various business lines.

Based on this approach, the Bank's operational risk requirement is as follows:

- Operational Risk Regulatory Capital $6,520,129

It is considered that the Standardised approach accurately reflects the Bank's operational risk other than for the specific items set out below:

Internal Capital Adequacy Management

The Bank manages its internal capital levels for both current and future activities through a combination of the various committees. The outputs of the individual committees are reviewed by the board in its capacity as the primary governing body. The capital required for any change in the Bank's forecasts for asset growth, or unforeseen circumstances, are assessed by the Board. The finance department then update the forecast capital resources models produced and the impact upon the overall capital position of the Bank is reassessed.

In relation to the operational risks, the major measurements for additional capital are recognised by the monitoring and stress testing for:

1. Asset impairment - the impact of economic and employment factors on the loan losses, and/or recovery of investments.
2. Property value decline - the impact on property values declining and the related exposure to higher capital required to recognise potential losses or risk weight on assets.
3. Interest rate risk - measures the impact on capital from changes in interest rates impacting the net interest margin and net surplus.
4. Events impacting on additional costs of retention of liquid funds and exercising available liquidity drawdown facilities.

24. Categories of Financial Instruments and Liabilities

The following information classifies the financial instruments into measurement classes		Consolidated 2015 $	Consolidated 2014 $	Police Bank 2015 $	Police Bank 2014 $
Financial Assets - carried at amortised cost					
Cash	6	69,747,921	37,009,510	69,086,807	36,656,241
Receivables from Financial Institutions	7	76,000,000	106,000,000	76,000,000	106,000,000
Accrued Receivables	8	3,933,831	3,419,322	3,671,311	3,176,279
Investment Securities	9	228,335,019	164,802,765	228,335,019	164,802,765
Loans & Advances	10	1,107,599,386	1,063,104,602	1,107,599,386	1,063,104,602
Total Loans and Receivables		1,485,616,157	1,374,336,199	1,484,692,523	1,373,739,887
Available for Sale Investments carried at cost	12	8,116,806	6,718,492	12,203,370	10,805,056
Fair Value of Derivatives		-	-	-	-
Total Financial Assets		1,493,732,963	1,381,054,691	1,496,895,893	1,384,544,943
Financial Liabilities carried at amortised cost					
Short Term Borrowings	16	133,062,019	120,758,912	133,062,019	120,758,912
Deposits from Members	17	1,202,981,386	1,099,189,864	1,202,981,386	1,099,189,864
Withdrawable Shares	17	354,810	365,380	354,810	365,380
Creditors and Borrowings	18	16,290,313	13,824,999	16,098,437	13,655,253
Total Carried at Amortised Cost		1,352,688,528	1,234,139,155	1,352,496,652	1,233,969,409
Fair Value of Derivatives		714,980	594,909	714,980	594,909
Total Financial Liabilities		1,353,403,508	1,234,734,064	1,353,211,632	1,234,564,318

25. Maturity Profile of Financial Assets and Liabilities

Monetary assets and liabilities have differing maturity profiles depending on their contractual term, and in the case of loans, the repayment amount and frequency. The table on the next page shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in the event that current repayment conditions are varied. Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly these values will not agree to the balance sheet.

2015

	Balance Sheet	Up to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total Cash Flows
Assets						
Cash	69,747,921	69,747,921	-	-	-	69,747,921
Accrued Receivables	3,933,831	3,933,831	-	-	-	3,933,831
Receivables from Financial Institutions	76,000,000	56,442,966	20,125,192	-	-	76,568,158
Investment Securities	228,335,019	95,000,000	43,000,000	91,804,820	-	229,804,820
Loans and Advances	1,107,599,386	25,399,197	76,197,591	406,387,152	1,136,881,066	1,644,865,006
Available for Sale Investments	8,116,806	-	-	-	8,116,806	8,116,806
On Balance Sheet Financial Assets	1,493,732,963	250,523,915	139,322,783	498,191,972	1,144,997,872	2,033,036,542
Interest Rate Swaps	80,000,000	-	-	81,662,864	-	81,662,864
Total Financial Assets	1,573,732,963	250,523,915	139,322,783	579,854,836	1,144,997,872	2,114,699,406
Liabilities						
Creditors and Accruals	9,624,405	9,624,405	-	-	-	9,624,405
Creditors Interest Payable on Deposits	6,665,908	-	-	-	-	-
Deposits from Members - At Call	562,619,806	562,619,806	-	-	-	562,619,806
Deposits from Members - Fixed Term	640,361,580	390,746,835	158,716,604	86,684,197	150,581	636,298,217
Negotiable Certificate of Deposit	113,062,019	88,000,000	26,000,000	-	-	114,000,000
Medium Term Notes	20,000,000	-	-	20,000,000		20,000,000
Withdrawable Shares	354,810	354,810	-	-	-	354,810
Borrowings	-	-	-	-	-	-
On Balance Sheet Financial Liabilities	1,352,688,528	1,051,345,856	184,716,604	106,684,197	150,581	1,342,897,238
Undrawn Loan Commitments	92,325,424	92,325,424	-	-	-	92,325,424
Interest Rate Swaps	80,000,000	-	40,924,309	41,333,238	-	82,257,547
Total Financial Liabilities	1,525,013,952	1,143,671,280	225,640,913	148,017,435	150,581	1,517,480,209

2014

	Balance Sheet	Up to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total Cash Flows
Assets						
Cash	37,009,510	37,009,510	-	-	-	37,009,510
Accrued Receivables	3,419,322	3,419,322	-	-	-	3,419,322
Receivables from Financial Institutions	106,000,000	75,685,519	26,411,572	5,000,000	-	107,097,091
Investment Securities	164,802,765	91,000,000	14,000,000	60,834,988	-	165,834,988
Loans and Advances	1,063,104,602	25,933,258	77,799,773	414,932,124	1,130,908,849	1,649,574,004
Available for Sale Investments	6,718,492	-	-	-	6,718,492	6,718,492
On Balance Sheet Financial Assets	1,381,054,691	233,047,609	118,211,345	480,767,112	1,137,627,341	1,969,653,407
Interest Rate Swaps	80,000,000	-	20,375,888	63,110,508	-	83,486,396
Total Financial Assets	1,461,054,691	233,047,609	138,587,233	543,877,620	1,137,627,341	2,053,139,803
Liabilities						
Creditors and accruals	6,688,093	6,688,093	-	-	-	6,688,093
Creditors Interest Payable on Deposits	7,136,906	-	-	-	-	-
Deposits from Members - At Call	481,425,003	481,425,003	-	-	-	481,425,003
Deposits from Members - Fixed Term	617,764,861	390,979,921	158,965,169	86,693,583	150,581	636,789,254
Negotiable Certificate of Deposit	120,758,912	100,000,000	22,000,000	-	-	122,000,000
Withdrawable Shares	365,380	365,380	-	-	-	365,380
Borrowings	-	-	-	-	-	-
On Balance Sheet Financial Liabilities	1,234,139,155	979,458,397	180,965,169	86,693,583	150,581	1,247,267,730
Undrawn Loan Commitments	91,349,018	91,349,018	-	-	-	91,349,018
Interest Rate Swaps	80,000,000	-	20,594,530	63,391,699	-	83,986,229
Total Financial Liabilities	1,405,488,173	1,070,807,415	201,559,699	150,085,282	150,581	1,422,602,977

26. Maturity Profile of Financial Assets and Liabilities

The table below represents the above maturity profile summarised at discounted values. The contractual arrangements best represents the estimated minimum amount of repayment on the loans, liquid investments and on the member deposits within 12 months. While the liquid investments and member deposits are presented in the table below on a contractual basis, as part of our normal banking operations we would expect a large proportion of these balances to roll over. Loan repayments are generally accelerated by Members choosing to repay loans earlier. These advance repayments are at the discretion of the Members and not able to be reliably estimated.

2015	Within 12 Months	After 12 Months	Total
Assets			
Cash	69,747,921	-	69,747,921
Accrued receivables	3,933,831	-	3,933,831
Receivables from Financial Institutions	76,000,000	-	76,000,000
Investment Securities	136,530,199	91,804,820	228,335,019
Loans and Advances	44,849,133	1,062,750,253	1,107,599,386
Available for Sale Investments	-	8,116,806	8,116,806
On Balance Sheet Financial Assets	331,061,084	1,162,671,879	1,493,732,963
Interest Rate Swaps	40,000,000	40,000,000	80,000,000
Total Financial Assets	371,061,084	1,202,671,879	1,573,732,963
Liabilities			
Creditors and Accruals	9,624,405	-	9,624,405
Creditors Interest Payable on deposits	6,665,908	-	6,665,908
Deposits from Members - At Call	562,619,806	-	562,619,806
Deposits from Members - Fixed Term	544,932,375	95,429,205	640,361,580
Negotiable Certificate of Deposit	113,062,019	-	113,062,019
Medium Term Note	-	20,000,000	20,000,000
Withdrawable Shares	354,810	-	354,810
Borrowings	-	-	-
On Balance Sheet Financial Liabilities	1,237,259,323	115,429,205	1,352,688,528
Undrawn Loan Commitments	92,325,424	-	92,325,424
Interest Rate Swaps	40,000,000	40,000,000	80,000,000
Total Financial Liabilities	1,369,584,747	155,429,205	1,525,013,952

2014	Within 12 Months	After 12 Months	Total
Assets			
Cash	37,009,510	-	37,009,510
Accrued receivables	3,419,322	-	3,419,322
Receivables from Financial Institutions	101,000,000	5,000,000	106,000,000
Investment Securities	103,967,777	60,834,988	164,802,765
Loans and Advances	41,574,410	1,021,530,192	1,063,104,602
Available for Sale Investments	-	6,718,492	6,718,492
On Balance Sheet Financial Assets	286,971,019	1,094,083,672	1,381,054,691
Interest Rate Swaps	20,000,000	60,000,000	80,000,000
Total Financial Assets	306,971,019	1,154,083,672	1,461,054,691
Liabilities			
Creditors and Accruals	6,688,093	-	6,688,093
Creditors Interest Payable on deposits	7,136,906	-	7,136,906
Deposits from Members - At Call	481,425,003	-	481,425,003
Deposits from Members - Fixed Term	535,611,076	82,153,785	617,764,861
Negotiable Certificate of Deposit	120,758,912	-	120,758,912
Withdrawable Shares	365,380	-	365,380
Borrowings	-	-	-
On Balance Sheet Financial Liabilities	1,151,985,370	82,153,785	1,234,139,155
Undrawn Loan Commitments	91,349,018	-	91,349,018
Interest Rate Swaps	20,000,000	60,000,000	80,000,000
Total Financial Liabilities	1,263,334,388	142,153,785	1,405,488,173

27. Interest Rate Change Profile of Financial Assets and Liabilities

Monetary assets and liabilities have conditions which allow interest rates to be amended either on maturity (Term Deposits and Term Investments) or after adequate notice is given (Loans and Savings). The following table shows the respective value of funds where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual repricing date, or maturity date.

2015	Floating Rate	1 to 3 Months	3 to 12 Months	1 to 5 Years	Non Interest Sensitive	Total
Assets						
Cash	66,516,151	-	-	-	3,231,770	69,747,921
Accrued Receivables	-	-	-	-	3,933,831	3,933,831
Receivables from Financial Institutions	-	56,000,000	20,000,000	-	-	76,000,000
Investment Securities	-	185,873,399	42,461,620	-	-	228,335,019
Loans and Advances	713,615,949	12,525,517	73,459,646	307,998,274	-	1,107,599,386
Available for Sale Investments	-	-	-	-	8,116,806	8,116,806
On Balance Sheet Financial Assets	780,132,100	254,398,916	135,921,266	307,998,274	15,282,407	1,493,732,963
Interest Rate Swaps	-	80,000,000	-	-	-	80,000,000
Total Financial Assets	780,132,100	334,398,916	135,921,266	307,998,274	15,282,407	1,573,732,963
Liabilities						
Creditors, Interest Payable on Deposits	-	-	-	-	16,290,313	16,290,313
Deposits from Members - At Call	562,619,806	-	-	-	-	562,619,806
Deposits from Members - Fixed Term	-	361,316,887	183,615,488	95,429,205	-	640,361,580
Negotiable Certificate of Deposit	-	87,411,335	25,650,684	-	-	113,062,019
Medium Term Note	-	20,000,000	-	-	-	20,000,000
Withdrawable Shares	-	-	-	-	354,810	354,810
Borrowings	-	-	-	-	-	-
On Balance Sheet Financial Liabilities	562,619,806	468,728,222	209,266,172	95,429,205	16,645,123	1,352,688,528
Undrawn Loan Commitments	92,325,424	-	-	-	-	92,325,424
Interest Rate Swaps	-	-	40,000,000	40,000,000	-	80,000,000
Total Financial Liabilities	654,945,230	468,728,222	249,266,172	135,429,205	16,645,123	1,525,013,952

2014	Floating Rate	1 to 3 Months	3 to 12 Months	1 to 5 Years	Non Interest Sensitive	Total
Assets						
Cash	34,472,309	-	-	-	2,537,201	37,009,510
Accrued Receivables	-	-	-	-	3,419,322	3,419,322
Receivables from Financial Institutions	-	79,000,000	27,000,000	-	-	106,000,000
Investment Securities	-	151,059,982	13,742,783	-	-	164,802,765
Loans and Advances	798,951,407	14,419,443	52,351,800	197,381,952	-	1,063,104,602
Available for Sale Investments	-	-	-	-	6,718,492	6,718,492
On Balance Sheet Financial Assets	833,423,716	244,479,425	93,094,583	197,381,952	12,675,015	1,381,054,691
Interest Rate Swaps	-	80,000,000	-	-	-	80,000,000
Total Financial Assets	833,423,716	324,479,425	93,094,583	197,381,952	12,675,015	1,461,054,691
Liabilities						
Creditors, Interest Payable on Deposits	-	-	-	-	13,824,999	13,824,999
Deposits from Members - At Call	481,425,003	-	-	-	-	481,425,003
Deposits from Members - Fixed Term	-	368,351,471	167,259,605	82,153,785	-	617,764,861
Negotiable Certificate of Deposit	-	99,121,951	21,636,961	-	-	120,758,912
Withdrawable Shares	-	-	-	-	365,380	365,380
Borrowings	-	-	-	-	-	-
On Balance Sheet Financial Liabilities	481,425,003	467,473,422	188,896,566	82,153,785	14,190,379	1,234,139,155
Undrawn Loan Commitments	91,349,018	-	-	-	-	91,349,018
Interest Rate Swaps	-	-	20,000,000	60,000,000	-	80,000,000
Total Financial Liabilities	572,774,021	467,473,422	208,896,566	142,153,785	14,190,379	1,405,488,173

28. Net Fair Value of Financial Assets and Liabilities

Net Fair Value is an estimate of the present market value of each asset or liability and has been calculated to show the difference between the current and future value of funds at the present time. Where the assets/liabilities are short term in nature or reprice frequently, then the net fair value is stated at book value.

The information is only relevant to circumstances at Balance Date and will vary depending on the contractual rates applied to each asset and liability. No assets held are regularly traded by the Bank.

Assets

	Receivables from other Financial Institutions		Loans & Advances (before Provision)	
	2015 $	2014 $	2015 $	2014 $
Net Fair Value	301,430,806	267,796,071	1,108,774,646	1,065,512,990
Book Value	304,335,019	270,802,766	1,109,569,348	1,065,997,806
Variance	(2,904,213)	(3,006,695)	(794,702)	(484,816)

Liabilities

	Payable to other Financial Institutions		Member Deposits		Interest Rate Swaps	
	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $
Net Fair Value	113,561,941	121,364,221	1,203,715,483	1,098,860,237	79,285,020	79,405,091
Book Value	113,062,019	120,758,912	1,203,336,196	1,099,555,244	80,000,000	80,000,000
Variance	499,922	605,309	379,287	(695,007)	(714,980)	(594,909)

29. Derivative Financial Instruments

The Bank is exposed to the financial risk of changes in interest rates to the extent of the repricing profile of the Bank's balance sheet. Derivative financial instruments are held for the purpose of managing existing or anticipated risk from the source.

The Bank applies cash flow hedge accounting to hedge the variability in highly probable forecast future cash flows attributable to interest rate risk.

	2015		2014	
	Notional Value	Fair Value	Notional Value	Fair Value
Interest Rate Swaps designated as cash flow hedges	80,000,000	79,285,020	80,000,000	79,405,091

30. Expenditure Commitments

a. Future Capital Commitments

	Consolidated		Police Bank	
	2015 $	2014 $	2015 $	2014 $
Within 1 year	661,597	15,627,620	661,597	15,627,620
1 to 2 years	150,000	-	150,000	-
2 to 5 years	150,000	-	150,000	-
over 5 years	-	-	-	-
	961,597	15,627,620	961,597	15,627,620

b. Future Lease Rental Commitments

Future lease rental commitments are $1,152,077 (2014 $2,310,185). Operating lease payments under existing lease arrangements for office accommodation are payable over the following periods:

	Consolidated		Police Bank	
	2015	2014	2015	2014
	$	$	$	$
Within 1 year	546,184	1,611,246	546,184	1,611,246
1 to 2 years	264,778	414,506	264,778	414,506
2 to 5 years	341,115	284,433	341,115	284,433
over 5 years	-	-	-	-
	1,152,077	2,310,185	1,152,077	2,310,185

31. Financial Commitments

a. Loan Commitments

Loans approved but not funded as at 30 June 2015 total $32,315,078 (2014 $35,075,015).

b. Undrawn Loan Facilities

Loan facilities available to Members for Overdrafts, Credit Card and Redraw Loans are as follows:

	Consolidated		Police Bank	
	2015	2014	2015	2014
	$	$	$	$
Total value of facilities approved	104,252,730	102,940,564	104,252,730	102,940,564
Less: Amount outstanding at balance day	44,242,384	46,666,561	44,242,384	46,666,561
Net undrawn value	60,010,346	56,274,003	60,010,346	56,274,003

These commitments are contingent on Members maintaining credit standards and on-going repayment terms on amounts drawn. Under the contracts, the Bank has the right to withdraw the facilities at any time without notice.

32. Standby Borrowing Facilities

The Bank has the following credit facilities with Cuscal:

Overdraft

	Consolidated		Police Bank	
	2015	2014	2015	2014
	$	$	$	$
Approved Limit	12,000,000	12,000,000	12,000,000	12,000,000
Less: Amount drawn	-	-	-	-
Available to draw	12,000,000	12,000,000	12,000,000	12,000,000

Draw down of the loan facility is subject to the availability of funds at Cuscal. Cuscal holds an equitable mortgage charge over all of the assets of the Bank as security against loan and overdraft amounts drawn.

33. Contingent Liabilities

Liquidity Support Scheme

The Bank is a Member of CUFSS Ltd, a company established to provide financial support to Member Mutual ADIs in the event of a liquidity or capital problem arising. As a Member, the Bank is committed to maintaining an amount equivalent to 3.2% of total assets as deposits with Cuscal and/or a Cuffs approved Authorised Deposit-taking Institution (ADI). The maximum call for each Member ADI would be 3.2% of the Bank's total assets. The Bank has the opportunity under certain circumstances to draw on this scheme.

Employee Entitlements

The Bank has a potential liability for the payment of entitlements to employees consequent on the dismissal of an employee, the amount of which cannot be determined. At the time of this report there are no matters outstanding.

34. Disclosures on Key Management Personnel

a. Remuneration of Key Management Personnel

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly including any Director (whether Executive or otherwise) of that entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Key Management Persons have been taken to comprise the Directors and the 4 Members of the Executive Management responsible for the day to day financial and operational management of the Bank.

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

	2015			2014		
	Directors $	Other KMP $	Total $	Directors $	Other KMP $	Total $
(a) short term employee benefits	482,745	1,552,054	2,034,799	446,588	1,578,537	2,025,125
(b) Post-employment benefits - Superannuation Contributions	61,434	132,500	193,934	57,504	126,980	184,484
(c) Other long-term benefits - net increases in Long Service leave provision	-	31,657	31,657	-	(71,753)	(71,753)
(d) Termination benefits	-	-	-	197,021	759,022	956,043
(e) Share-based Payment	-	-	-	-	-	-
Total	544,179	1,716,211	2,260,390	701,113	2,392,786	3,093,899

In the above table, remuneration shown as "short term benefits" means wages, salaries, paid annual leave and paid sick leave, bonuses, value of Fringe Benefits received, but excludes out of pocket expense reimbursements. All remuneration to Directors was approved by the Members at the previous Annual General Meeting of the Bank.

Note the AASB 124 standard does not specifically require the separation of the Directors and Executive remuneration.

This note should be read in conjunction with note 19 of the financial statements.

Other Transactions with Key Management Persons

The disclosures are made in accordance with AASB 124 and include disclosures relating to policy for lending to related parties and, in respect of related party transactions, the amount included in:

(i) each of the loans and advances, deposits and acceptances and promissory notes;

(ii) each of the principal types of income and interest expense;

(iii) the amount of the expense recognised in the period for impairment losses on loans and advances and the amount of any allowance at the reporting date; and

(iv) irrevocable commitments and contingencies arising from off balance sheet items.

b. Loans to Directors and Other Key Management Persons

		Consolidated 2015 $	Consolidated 2014 $	Police Bank 2015 $	Police Bank 2014 $
(i)	The aggregate value of loans to Directors and other Key Management Personnel as at balance date amounted to:	1,260,974	1,146,116	1,260,974	1,146,116
(ii)	The total value of revolving credit facilities to Directors and other Key Management Personnel, as at balance date amounted to:	77,000	107,000	77,000	107,000
	Less amounts drawn down and included in (i)	34,187	28,612	34,187	28,612
	Net balance available	42,813	78,388	42,813	78,388
(iii)	During the year aggregate value of loans dispersed to Directors and other Key Management Personnel amounted to:				
	Revolving Credit Facilities	175,669	197,418	175,669	197,418
	Personal Loans	-	-	-	-
	Term Loans	-	-	-	-
Total		175,669	197,418	175,669	197,418
(iv)	During the year the aggregate value of Revolving Credit Facility limits granted or increased to Directors and other Key Management Personnel amounted to:	-	-	-	-
(v)	Interest and other revenue earned on Loans and Revolving Credit facilities to Key Management Personnel.	41,505	45,804	41,505	45,804

The Bank's policy for lending to Directors and Management is that the loans are approved and deposits accepted on the same terms and conditions which apply to Members for each class of loan or deposit with the exception of loans to KMP who are not Directors. There are no loans which are impaired in relation to the loan balances with Director's or other KMPs.

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

Other transactions between related parties include deposits from Directors, and other KMP are:

Total value Term and Savings Deposits from KMP	1,235,727	1,378,098	1,235,727	1,378,098
Total Interest paid on Deposits to KMP	18,353	30,610	18,353	30,610

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

c. Transactions with Other Related Parties

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

The Bank's policy for receiving deposits from related parties is that all transactions are approved and accepted on the same terms and conditions which apply to Members.

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

35. Events Occurring after the Balance Date

There were no events that have occurred since 30 June 2015 that will have significant impact upon the Bank.

36. Superannuation Liabilities

If an employee does not nominate a fund of choice, the Bank contributes to one of two superannuation funds. One being the NGS Super which is an industry fund. The Bank has no interest in the Superannuation Fund (other than as a contributor to comply with Superannuation Guarantee Levy) and is not liable for the performance of the plan nor the obligations of the plan.

The other fund is a Corporate Master Trust which is administered by MLC Limited. It is a contribution accumulated type fund. The Bank has no legal obligation to cover any shortfall in the Fund's obligation to provide benefits to employees on retirement. In the event the Fund is terminated, Members are only entitled to the balance of their account within the fund. As at the date of the last annual review being 30 June 2015, the fund had reserves equal to Members accumulated balances.

The Bank is legally obligated to contribute to the Fund as per the Superannuation Guarantee Levy Act and for employees who have a contract of service. These obligations are enforceable. As at the date of this report there is:

1. No outstanding payments due by the Bank.
2. No former employee or any individual associated with a former employee or an entity of a former employee receiving or entitled to receive a benefit under the Corporate Master Trust.

37. Transfers of Financial Assets

The Bank has established arrangements for the transfer of loan contractual benefits of interest and repayments to support ongoing liquidity facilities. These arrangements are with:

(i) The repurchase obligation (REPO) trust for securing the ability to obtain liquid funds from the Reserve Bank – these loans are not derecognised as the Bank retains the benefits of the trust until such time as a drawing is required.

(ii) The Integris securitisation trust where the Bank acts as agent for the trust in arranging loans on behalf of Integris, and/or can transfer the contractual rights to the trust of pre-existing loans at market value.

Only residential mortgage-backed securities (RMBS) that meet specified criteria, are eligible to be transferred in each of the above situations.

a. Securitised loans retained on the balance sheet - Repurchase Obligation REPO Trust

The values of securitised loans which are not qualifying for derecognition as the conditions do not meet the criteria in the accounting standards are set out below. In each case the loans are primarily variable interest rate loans, hence the book value of the loans transferred equates to the fair value of those loans.

The associated liabilities are equivalent to the book value of the loans reported.

The REPO trust is a trust established by the Bank to facilitate the liquidity requirements under the prudential standards. The trust has an independent trustee. In the case of the REPO Trust the Bank receives a Warrant certificate to sell to the Reserve Bank should the liquidity needs not be satisfied by normal operational liquidity. The Warrant is secured over residential mortgage-backed securities (RMBS).

The Bank has financed the loans and received the net gains or losses from the trust after trustee expenses. The Bank has an obligation to manage the portfolio of the loans in the trust and to maintain the pool of eligible secured loans at the value equivalent to the value of the Warrants received. The Bank retains the credit risk of losses arising from loan default or security decline, and the interest rate risk from movements in market interest rates.

If a portion of the value of the portfolio in the Repo trust fails to meet the trust's criteria, the Bank is obliged to repurchase those loans and substitute equivalent qualifying loans into the trust.

	2015 $	2014 $
Loans and Receivables	110,399,304	81,408,787
Fair Value of associated liabilities	4,674,903	3,767,287

	2015 $	2014 $
Off Balance Sheet Financial Commitments	9,876,002	8,326,685
Notes Issued	57,731,250	32,300,000

b. Securitised loans not on the balance sheet - Derecognised in their entirety

The Integris securitisation trust is an independent securitisation vehicle established by the peak Bank body, Cuscal.

The Bank has an arrangement with Integris Securitisation Services Pty Limited whereby it acts as an agent to promote and complete loans on their behalf, for on sale to an investment trust. The Bank also manages the loans portfolio on behalf of the trust. The Bank bears no risk exposure in respect of these loans. The Bank receives a management fee to recover the costs of administration of the processing of the loan repayments and the issue of statements to the members.

These loans qualify for de-recognition on the basis that the assignment transfers all the risks and rewards to Integris and there is no residual benefits to the Bank. The Bank receives a management fee to recover the costs of on-going administration of the processing of the loan repayments and the issue of statements to the Members.

The Bank does not have any obligations in connection with performance or impairment guarantees, or call options to repurchase the loans.

	2015 $	2014 $
Integris securitisation trust (bulk items only)	1,451,501	1,926,300
Net income received from the continuing involvement cumulatively	17,424	21,980

38. Notes to Cash Flow Statement Liabilities

a. Reconciliation of Cash

Cash includes cash on hand and deposits at call net of overdraft.

	Consolidated		Police Bank	
	2015 $	2014 $	2015 $	2014 $
Cash as at balance date comprises:				
Cash on Hand	22,699,809	8,120,249	22,038,695	7,766,980
Deposits at Call	47,048,112	28,889,261	47,048,112	28,889,261
Less: Overdraft with Cuscal	-	-	-	-
	69,747,921	37,009,510	69,086,807	36,656,241

b. Member deposits and shares are shown net of deposits and withdrawals.

c. The net cash from Operating Activities is reconciled to the Operating Profit and Extraordinary Item after Income Tax.

	Consolidated		Police Bank	
	2015 $	2014 $	2015 $	2014 $
Operating Profit after Income Tax	11,711,341	10,257,959	11,452,150	9,978,346
Add (Deduct):				
Bad Debts Written Off	527,033	524,674	527,033	524,674
Depreciation Expense	1,083,576	1,132,601	907,423	1,081,037
Increase in Provision for Employee Entitlements	241,283	(250,648)	241,283	(250,648)
Accrued Expenses	2,465,314	2,100,967	2,443,182	1,069,003
Gain on Sale of Assets	33,720	(70,741)	33,720	(70,741)
Decrease (Increase) in Prepayments	225,450	(251,349)	225,450	(251,349)
Increase (Decrease) in Unearned Income	192,454	(8,923)	192,454	(8,923)
Amortised Loan Transaction Costs	35,394	25,468	35,394	25,468
Decrease (Increase) in Sundry Debtors	(514,509)	116,894	(495,032)	272,253
Increase (Decrease) in Deferred Taxes Payable	35,805	304,517	35,805	304,517
Provisions for Income Tax	841,431	253,581	570,385	76,169
Other Provisions	(1,617,698)	373,021	(1,387,698)	143,021
Dividend Accrued	-	(230,000)	-	-
Net Cash from Revenue Activities	15,260,594	14,278,021	14,781,549	12,892,827

Compliance Statistics

a. Capital Adequacy

At all times the Bank must maintain a minimum of 8% capital adequacy ratio. The capital adequacy ratio is a measure of reserves, general provisions for doubtful debts less an amount equal to the future income tax benefit as a percentage of the risk weighted value of assets. The Bank's ratio as at balance date was 18.53% (2014 18.72%).

b. Liquidity

The Bank is required to maintain at all times liquid assets at a minimum level of 9% of its liability base in High Quality Liquid Assets. These percentages were exceeded for the whole year. In addition to liquid assets the Bank has in place confirmed standby lines available to it. The High Quality Liquid Asset Ratio as at balance date was 18.24% (2014 13.76%).

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