

2016

Annual Report

WARWICK
CREDIT UNION

Competitive Community Banking

Board of Directors

Alan Olsen – Chair

Alan owns and operates a retail hardware business in Warwick. Alan has strong business acumen and holds a Bachelor of Business degree, is a CPA and a graduate of the Australian Institute of Company Directors.

Ross Fraser – Deputy

Ross is the Managing Director of a Warwick based national livestock transport business. Ross has held several national positions in the transport industry.

Nicholas Gardner (Resigned 27 April 2016)

Nick is an experienced businessman with over 37 years involvement in international agri business management, including high level industry representation. He has held interest and directorships in several local businesses.

David Thomson

David owns and operates a veterinary clinic based in Killarney which services the surrounding district, including across the border into New South Wales. David is actively involved in the community and holds a Diploma of Financial Services.

Pauline Pickering

Pauline is the director of a Warwick based accounting firm. Born and educated locally, Pauline has significant community involvements. She is a member of the CPA Australia, Queensland Public Practice Committee which represents and advocates for accountants in public practice across the state.

James Lindsay

A skilled accountant with more than 26 years in the finance sector, Jim holds a Bachelor of Business and a Masters of Business Administration.

Chairman & CEO's Report

2015/16 has been an exciting time of transformation, a journey which continues into the current year. In particular a tremendous boost has come from the launch of a new core banking system. This software is the engine room of a financial institution, processing payments to and from accounts, holding balances, monitoring for fraud, providing data and many other functions. We are fortunate to have been able to implement state of the art functionality at a time when being up to date with advancing technology is so important. To compliment the core system the Credit Union took the opportunity to update the fleet of ATMs to the latest technology and launch improvements to online banking.

In making this improvement long term customers may remember the transition from the 1970's non electronic "accounting machine" with its hand written and typed ledgers and cardboard records, to the Domino software in 1985. Staff and customers entered a new world of green and black screens which gave us the ability to issue cards, undertake fast transaction posting, quickly access information for customer enquiries and many other services we now take for granted.

Domino served customers well for many years through upgrades and enhancements to ensure a high level of service and usability. It set a standard for reliability which compared favourably against even the largest banks. The new Ultracs system is a stable, safe and secure way forward into the digital age which reassuringly is just as reliable. It also offers a quantum improvement in our ability to find and interpret information in formats that serve today's customer, security and regulatory needs.

While ironing out every nuance and fully adapting to the needs of our customers will take time, it is an enormous step forward for the Credit Union and a statement of confidence in its communities.

Exciting as new technology is, it is just as important to recognise the hard work by staff to develop, test and bring it on line. To do so is no small achievement requiring

Chairman & CEO's Report continued

initiative, energy and application to overcome legacy obstacles to make the most of new technology. Since launch we have been very grateful for customer feedback and suggestions which have provided many opportunities for future enhancements.

As an institution firmly grounded in local communities the Credit Union is conscious of the need to balance the advantages technology offers with the needs of all parts of our customer support base. It is very important to make sure customers can access money the way that is most convenient, whether over the telephone speaking to a person in the local area, using cards and online banking anywhere in the world or just by walking into a branch and talking to us over the counter. In particular as digital banking comes into its own there will be many opportunities to build on this strong base. Over coming years as we leverage the Ultracs system, the overriding goal will be to ensure investment and training make good on our brand promise of



**Easy to do
business with**

competing strongly while always being easy to do business with.



At a practical level, continual attention to customer needs

remained at the heart of planning for how systems and products work. In response to growing demand for a simple low cost, everyday low price loan, staff developed the Essential Plus Home Loan. It combines the simplicity and low price which are paramount for many individuals and families particularly first home buyers and renovators. At the same time, recognising that other customers need more features and options including combined variable and fixed alternatives, we continued to upgrade the Home Owners Package. Both are highly competitive.

In the current low interest rate environment where after accounting for inflation, rates are close to zero, we have worked to maximise returns to savers who invest in term deposit and other everyday products. This is consistent with the Credit Union philosophy of encouraging financial self reliance through prudence and planning.

Chairman & CEO's Report continued

Supporting this commitment to get the best outcomes for customers, over the year our rates have been close to, or at the top of the market. It is encouraging that some of the best growth has been in accounts opened by parents and grandparents getting children started with savings and small term deposits.

Reflecting strong support from customers, innovative marketing and dedicated work by staff, the Credit Union funded over \$36m in loans to individuals, families and businesses over the year. These covered a mix of new as well as existing customers seeking funds for purposes including new and existing home and business buying, holidays, motor vehicles, renovations and business working capital. It has been good to receive feedback that customers like the practice of having lending staff regularly on site in Inglewood, Killarney and Allora in addition to maintaining a permanent presence in Warwick and Dalby.

While lending out money is what drives most income, it is important that the process creates value at an acceptable risk for the Credit Union and borrowers as individuals. At present low interest rates are making loans very affordable, but history suggests they will rise at some stage. Given that likelihood our loans staff are careful to take a prudent and responsible approach when considering loans to ensure that borrowers are not overcommitted in the event that interest rates rise.

Turning to deposits, savings and term investments remained steady and were in line with loan funding needs. Cash, investment securities and deposits with other banks rose slightly to just over \$33.6m, providing a strong cushion of liquidity to meet customer withdrawals and increases in demand for loans. Overall deposits and related liabilities finished the year at just over \$219m. As a measure of capital management, in June the Credit Union redeemed \$2.5m of preference shares issued in 2006. As these expensive instruments no longer qualified as capital repaying them provided an additional useful saving. We are continuing to work on a replacement capital issue to fund ongoing growth.

Chairman & CEO's Report continued

Combined with these achievements in lending and deposits in a marketing of strong price competition, good returns on investment funds enabled the Credit Union to maintain its net interest margin at 2.48%. Similarly careful management of costs kept overall expenses down as is appropriate in the current economic environment. Together these factors contributed to an increase in profit to just over \$1.6m before tax.

Prudent low risk approach

As well as direct volume, margin and profit metrics the Credit Union pays close attention to a variety of risk indicators which track and monitor the business. These include liquidity, credit quality, investment, strategic, operational and market risk. At an operational level we watch for potentially negative scenarios through numerous process controls (akin to listening points). As a financial institution it is important to be vigilant because even small changes can signal potential problems, and we must always be ready to take corrective action. Over the year while there were short term fluctuations in markets and the business environment, our indicators have remained stable reflecting the Credit Union's prudent low risk approach to stewardship of customer's money.

Through the year customers managed their money through an expanding range of the Credit Union's market leading access and payment products. Direct credit, direct debit, BPAY, automatic teller machines, cheques and cash through branches complimented good growth in online, mobile banking and VISA cards. In recognition that needs change, and with around half of all customers accessing money through their mobile telephones, we also continued to improve online banking. In the next months a new mobile App will be rolled out together with additional online features to make transacting and account management easier.

Chairman & CEO's Report continued

As always the Credit Union has been proud to sponsor and support many community activities in and around Warwick, Dalby, Inglewood, Killarney and Allora over the year. These have ranged from single one off happenings to large regular events such as the Killarney Bonfire, Allora, Killarney and Warwick Cup races, Jumpers and Jazz, and Dalby rugby league. Overall over 100 activities were supported with a mix of direct cash and indirect in kind assistance. Whether the amount is small or large we work hard to ensure it meets shareholder expectations that sponsorships will assist events and organisations which add to the social fabric of communities.

At a personal level individual milestones are as important to recognise as systems, processes and even communities. Over the year we welcomed many new customers and thank them for their business. We are particularly grateful for parents and employers encouraging children, employees and families to bank with the Credit Union. To name but a few individual customers and staff who have been here



**We welcomed many
new customers**



for some time Mrs Rhonda Bell reached the milestone of 21 years overall with the Credit Union and we were fortunate enough to have a customer

who reached 100 years of age. Similarly we farewelled Mr Nick Gardner who retired after serving as a director for 10 years and wish him and his wife Patrina well in the future.

Finally we take this opportunity to congratulate and thank everyone who has contributed to the community through the Credit Union.

Alan Olsen
CHAIR

Lewis von Stieglitz
CEO

Directors' Report

Information on Warwick Credit Union Limited Concise Financial Statements

The information contained in the concise financial statements has been derived from the full 2016 Financial Statements of Warwick Credit Union Limited. Discussion and analysis is provided to assist members in understanding the concise financial statements.

A copy of the full financial statements and auditor's report will be sent to any member, free of charge, upon request.

Your Directors present their report on the affairs of the Credit Union for the financial year ended 30 June 2016.

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

Information On Directors

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

Name: Mr Alan Frank Olsen

Position: Chairman

Qualifications: B.Bus (Acc), CPA, JP (QUAL), GAICD, FAMI

Experience: Director for 28 years

Responsibilities: Ex officio on all Board Committees, Nomination Committee Member, Remuneration Committee Member.

Name: Mr James Michael Lindsay

Position: Director

Qualifications: B Bus (Acc and Local Government), M Bus Admin, CPA, C Dec, GAICD, MAMI

Experience: Director for 9 years

Responsibilities: Audit Committee Chair, Risk Committee Member

Name: Mr Ross Charles Fraser

Position: Director

Qualifications: MAMI

Experience: Director for 9 years

Responsibilities: Deputy Chair, Remuneration Committee Member.

Name: Ms Pauline Theresa Pickering

Position: Director

Qualifications: B.Bus (Acc), CPA, MAMI

Experience: Director for 9 years

Responsibilities: Audit Committee Member, Risk Committee Member, Remuneration Committee Chair (from 27th June 2016), Nominations Committee Member (from 27th June 2016).

Name: Mr Nicholas David Gardner (resigned 27th April 2016)

Position: Director

Qualifications: Dip Agricultural Merchandising (UK), MAMI

Experience: Director for 9 years

Responsibilities: Remuneration Committee Chair, Nomination Committee Member.

Name: Mr David Andrew Thomson

Position: Director.

Qualifications: B.V Sc, MAICD, CMAVA, MAMI, Dip of Financial Services

Experience: Director for 9 years

Responsibilities: Risk Committee Chair, Nomination Committee Member, Audit Committee Member.

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

Name: Mr Lewis von Stieglitz

Qualifications: Master of Business Administration, Bachelor of Arts (Honours)

Experience: Chief Executive Officer/Company Secretary of Warwick Credit Union.

All directors have held their office from 1 July 2015 to the date of this report unless otherwise stated.

Directors' Meeting Attendance

Name	Board Meetings		Nominations Committee		Remuneration Committee		Audit Committee		Risk Committee	
	E	A	E	A	E	A	E	A	E	A
A. Olsen*	11	11	1	1	1	1	4	4	1	1
J Lindsay	11	10	0	0	0	0	4	3	0	0
R Fraser	11	7	0	0	1	1	0	0	1	1
N Gardner	9	7	1	0	1	1	0	0	1	1
P Pickering	11	11	0	0	0	0	4	4	0	0
D Thomson	11	10	1	1	0	0	4	4	0	0

* Mr Olsen is an ex officio member not an appointed member of the Audit and Risk Committee.

E = Eligible to Attend

A = Attended

Insurance and Indemnification of Officers or Auditor

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

No insurance cover has been provided for the benefit of the auditor of the Credit Union.

No indemnities have been given to the officers or auditor.

Principal Activities

The principal activities of the Credit Union during the year were the provision of retail financial services to members in the form of taking deposits as prescribed by the Constitution.

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

Operating Results

The net profit of the Credit Union for the year after providing for income tax was \$1,180,020 (2015: \$795,775).

Dividends

Dividends totalling \$89,622 (2015: \$98,003) were declared and paid on 25,000 redeemable preference shares. The payments of dividends during the financial year were approved by a resolution of the Directors.

Share Options

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

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

Review Of Operations

The results of the Credit Union's operations from its activities of providing competitive community banking services did not change significantly from those of the previous year.

In a tight economic and competitive environment net profit after tax was \$1,180,020. Net interest margin increased by \$428,871 reflecting stability of margins with the Credit Union balancing the value it can provide to members through both competitive lending and deposit rates. Loans increased by \$1,246,334 (0.62%). Deposits remained steady for the year.

Expenses increased by \$130,225 (2.15%) with particular increases in employee benefits expense and other expenses while there was a reduction in provision for bad and doubtful debts of \$75,086 (64.96%).

The Credit Union implemented a new banking system to replace the out dated system in September 2015. Consolidation of the new banking system continues to increase value for customers.

Significant Changes In State Of Affairs

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

Events Subsequent to the End of the Reporting Period

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

Likely Developments and Results

The Credit Union will continue to implement its Strategic Plan. The Credit Union will continue to provide financial services, including an increasing range of savings and lending products to its customers through its network of branches in South East Queensland.

Looking forward, the Credit Union still faces a challenging market, given its size and position. In response, the Credit Union remains focused on improving its current business through initiatives to both increase revenues and improve efficiencies.

The Credit Union redeemed \$2.5m in preference shares in June. A new capital replacement program is currently underway with approval from APRA likely in the first quarter of 2017. Once approved the Credit Union will accept applications from eligible interested parties who wish to participate.

Further information on likely developments in the operations of the Credit Union and the expected results of operations have not been included in these financial statements because the Directors consider that it would be likely to result in unreasonable prejudice to the Credit Union.

Regulatory Disclosures

The qualitative and quantitative disclosures on capital and remuneration as required by APS 330 Public Disclosures can be seen on the website of the credit union. (www.wcu.com.au/about-us-publications.html)

Proceedings

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

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2016 as required under s307c of the Corporations Act 2001 forms part of this report and a copy of this declaration is attached.

Environmental Regulation

The Credit Union's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

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



Alan F Olsen
CHAIRMAN



Ross C Fraser
DEPUTY CHAIRMAN

Dated this 22nd day of August 2016

WARWICK CREDIT UNION LIMITED
A.B.N. 98 087 651 116
AUDITOR'S INDEPENDENCE DECLARATION



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

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

**DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF
WARWICK CREDIT UNION LIMITED**

As lead auditor of Warwick Credit Union Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'P A Gallagher'. The signature is written in a cursive, flowing style.

P A Gallagher

Director

BDO Audit Pty Ltd
Brisbane, 22 August 2016

BDO Audit (QLD) Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (QLD) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

Statement of Comprehensive Income

WARWICK CREDIT UNION LIMITED
A.B.N. 98 087 651 116
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
Interest income	2	11,681,867	11,941,875
Interest expense	2	(5,581,631)	(6,270,510)
Net interest income		<u>6,100,236</u>	<u>5,671,365</u>
Non-interest revenue and other income	3	1,688,240	1,517,665
Impairment expense on loans and advances		(40,506)	(115,592)
Employee benefits expense		(2,810,321)	(2,723,286)
Occupancy expense		(323,696)	(333,112)
Depreciation and amortisation expense		(257,802)	(271,224)
Other expenses		(2,764,215)	(2,623,101)
Profit before income tax		<u>1,591,936</u>	<u>1,122,715</u>
Income tax expense		(411,916)	(326,940)
Profit for the year		<u>1,180,020</u>	<u>795,775</u>
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the year		<u><u>1,180,020</u></u>	<u><u>795,775</u></u>

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

Statement of Financial Position

WARWICK CREDIT UNION LIMITED
A.B.N. 98 087 651 116
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	2016 \$	2015 \$
ASSETS			
Cash and cash equivalents		7,126,121	6,816,378
Financial assets available for sale		429,980	387,480
Other receivables		103,571	133,530
Financial assets held-to-maturity		26,061,729	25,902,201
Loans and advances		202,067,906	200,821,572
Investment property		903,488	587,634
Property, plant and equipment		2,349,328	2,086,586
Deferred tax assets		416,589	460,217
Intangible assets		1,071,009	911,987
Current tax asset		57,992	-
Other assets		189,714	180,190
TOTAL ASSETS		<u>240,777,427</u>	<u>238,287,775</u>
LIABILITIES			
Borrowings		10,548,030	6,041,166
Deposits		208,546,937	209,180,111
Other payables		626,281	660,957
Income tax payable		-	13,870
Provisions		301,517	247,627
Subordinated debt		3,970,857	3,950,637
TOTAL LIABILITIES		<u>223,993,622</u>	<u>220,094,368</u>
NET ASSETS		<u>16,783,805</u>	<u>18,193,407</u>
EQUITY			
Tier 1 redeemable preference shares		-	2,443,300
Redeemed preference share capital		118,161	111,740
Reserve for credit losses		665,408	685,242
Retained earnings		16,000,236	14,953,125
TOTAL EQUITY		<u>16,783,805</u>	<u>18,193,407</u>

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

Statement of Changes in Equity

WARWICK CREDIT UNION LIMITED
A.B.N. 98 087 651 116
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Note	Tier 1 Red Pref Share Issue	Red Pref Share Capital	Reserve for Credit Losses	Retained Earnings	Total
		\$	\$	\$	\$	\$
Balance at 30 June 2014		2,443,300	106,679	560,672	14,384,984	17,495,635
Total comprehensive income for the year						
Profit for the year		-	-	-	795,775	795,775
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	795,775	795,775
Transfers						
Transfers to and from reserve for credit losses		-	-	124,570	(124,570)	-
Transfers to redeemed preference share capital		-	5,061	-	(5,061)	-
Total transfers		-	5,061	124,570	(129,631)	-
Dividends Paid		-	-	-	(98,003)	(98,003)
Balance at 30 June 2015		2,443,300	111,740	685,242	14,953,125	18,193,407
Total comprehensive income for the year						
Profit for the year		-	-	-	1,180,020	1,180,020
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	1,180,020	1,180,020
Transfers						
Transfers to and from reserve for credit losses		-	-	(19,834)	19,834	-
Transfers to redeemed preference share capital		-	6,421	-	(6,421)	-
Total transfers		-	6,421	(19,834)	13,413	-
Transactions with owners in their capacity as owners						
Capital Payment		(2,443,300)	-	-	(56,700)	(2,500,000)
Dividends Paid	5	-	-	-	(89,622)	(89,622)
Total Transactions with owners in their capacity as owners		(2,443,300)	-	-	(146,322)	(2,589,622)
Balance at 30 June 2016		-	118,161	665,408	16,000,236	16,783,805

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

Statement of Cash Flows

WARWICK CREDIT UNION LIMITED
A.B.N. 98 087 651 116
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		11,694,254	11,994,807
Dividends received	3	22,668	43,884
Other income received		132,709	96,958
Fees and commissions received		1,218,761	1,402,560
Interest paid		(5,817,010)	(6,163,955)
Payments to suppliers and employees		(5,867,380)	(5,647,911)
Income taxes paid		(440,149)	(395,874)
Net movement in financial assets held-to-maturity		(159,528)	(2,023,428)
Net movement in loans and advances		(1,275,045)	(15,446,508)
Net movement in deposits		(390,932)	15,213,203
Net payments to borrowings		4,500,000	1,500,000
		<u>3,618,348</u>	<u>573,736</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(679,566)	(475,259)
Proceeds from sale of property, plant and equipment		3,083	-
Share acquisitions		(42,500)	(21,780)
		<u>(718,983)</u>	<u>(497,039)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(89,622)	(98,003)
Payout of Tier 1 Preference Shares		(2,500,000)	-
		<u>(2,589,622)</u>	<u>(98,003)</u>
Net cash provided by / (used in) investing activities		<u>(718,983)</u>	<u>(497,039)</u>
Net cash provided by / (used in) financing activities		<u>(2,589,622)</u>	<u>(98,003)</u>
Net increase/(decrease) in cash and cash equivalents		309,743	(21,306)
Cash and cash equivalents at the beginning of the financial year		6,816,378	6,837,684
Cash and cash equivalents at the end of the financial year		<u>7,126,121</u>	<u>6,816,378</u>

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

Notes to the Concise Financial Report

WARWICK CREDIT UNION LIMITED
A.B.N. 98 087 651 116
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The concise financial statements are extracted from the full financial statements for the year ended 30 June 2016. The concise financial statements have been prepared in accordance with Accounting Standard AASB 1039: Concise Financial Reports and the Corporations Act 2001.

The concise financial statements are presented in Australian Dollars.

The financial statements, specific disclosures and other information included in the concise financial statements are derived from and are consistent with the full financial statements of Warwick Credit Union Limited. The concise financial statements cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investing activities of Warwick Credit Union Limited as the full financial statements.

The full financial statements of the Credit Union as an individual entity comply with all International Financial Reporting Standards (IFRS) in their entirety.

A copy of the full financial statement and auditors report will be sent to any member, free of charge, upon request.

	2016 \$	2015 \$
NOTE 2: INTEREST INCOME AND INTEREST EXPENSE		
(a) Interest Income on Assets at Amortised Cost		
Cash and cash equivalents	53,473	67,506
Financial assets held-to-maturity	832,694	837,091
Loans and advances	10,789,747	11,030,441
Other interest income	5,953	6,837
Total Interest Income on Assets at Amortised Cost	11,681,867	11,941,875
(b) Interest Expense on Liabilities at Amortised Cost		
Short term borrowings	271,315	138,291
Deposits	4,982,338	5,790,612
Subordinated debt	327,978	341,607
Total Interest Expense on Liabilities Carried at Amortised Cost	5,581,631	6,270,510

	2016 \$	2015 \$
NOTE 3: NON INTEREST REVENUE AND OTHER INCOME		
Non-Interest Income		
Dividends received (financial assets available for sale)	22,668	43,884
Fees and commissions		
- Deposits	270,789	292,987
- Other (exc loan origination fees)	932,686	1,062,289
Bad debts recovered	5,780	6,814
Gain on disposal of property, plant and equipment	3,083	-
Rental income from investment property	80,000	80,000
Gain on revaluation of investment property	315,854	-
Other Income	57,380	31,691
Total Non-Interest Revenue and Other Income	<u>1,688,240</u>	<u>1,517,665</u>

NOTE 4: EVENTS SUBSEQUENT TO THE END OF THE REPORTING DATE

There are no significant events subsequent to the end of the reporting date which significantly affected or may significantly affect the operations, or state of affairs of the Credit Union in the subsequent financial year.

NOTE 5: DIVIDENDS

Fully franked redeemable preference dividend of 90.69 cents per share paid on 30 September 2015 franked at the tax rate of 30% (2015: fully franked redeemable preference dividend of 100.48 cents per share paid on 28 September 2014 at the tax rate of 30%).	22,673	25,120
Fully franked redeemable preference dividend of 91.22 cents per share paid on 30 December 2015 franked at the tax rate of 30% (2015: fully franked redeemable preference dividend of 101.1 cents per share paid on 30 December 2014 at the tax rate of 30%).	22,805	25,275
Fully franked redeemable preference dividend of 93.63 cents per share paid on 31 March 2016 franked at the tax rate of 30% (2015: fully franked redeemable preference dividend of 99.42 cents per share paid on 30 March 2015 at the tax rate of 30%).	23,407	24,855
Fully franked redeemable preference dividend of 82.95 cents per share paid on 20 June 2016 franked at the tax rate of 30% (2015: fully franked redeemable preference dividend of 91.01 cents per share paid on 26 June 2015 at the tax rate of 30%).	20,737	22,753
	<u>89,622</u>	<u>98,003</u>
Total Dividends per share for the period	<u>358.49¢</u>	<u>392.01¢</u>

Notes to the Concise Financial Report & Directors Declaration

NOTE 6: DISCUSSION AND ANALYSIS

Loans and advances increased by \$1,246,334 (0.62%) to \$202,067,906. Deposits remained steady closing at \$208,546,937.

Short term borrowings increased by \$4,506,864 (74.60%) to \$10,548,030.

Assets increased slightly by \$2,489,652 (1.04%) to \$240,777,427. The increase is due to the increase in loans and revaluation of an investment property. Liabilities increased by \$3,899,254 (1.77%) to \$223,993,622.

The larger increase in liabilities compared to assets was the result of using liabilities to redeem the preference shares.

The year saw the Reserve Bank (RBA) reduce the official cash rate in May by 25 basis points, the first rate change since May 2015. The full year impact of the rate cut in is reflected in the level of interest income decreasing \$260,008 (2.2%).

Interest expense fell \$688,879 (10.99%). The reduction was due partly to the RBA rate reduction in May 2015. Coupled with this were movements in term deposit interest rates driven by competitors largely on expectations of future RBA rate cuts.

The Credit Union completed its implementation on the new banking software and has turned its focus on extracting value from the new system.

Notes to the Concise Financial Report & Directors Declaration

DECLARATION BY DIRECTORS

The Directors of Warwick Credit Union Limited declare that the Concise Financial Statements of Warwick Credit Union Limited for the financial year ended 30 June 2016, being Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Concise Financial Statements;

- comply with Accounting Standard AASB 1039: Concise Financial Reports, and
- is an extract from, that has been derived from and is consistent with the full financial statements of Warwick Credit Union Limited for the year ended 30 June 2016.

This declaration is made in accordance with a resolution of the Board.



Alan F Olsen
CHAIRMAN



Ross C Fraser
DEPUTY CHAIRMAN

Dated this 22th day of August 2016

INDEPENDENT AUDITOR'S REPORT

To the members of Warwick Credit Union Limited

Report on the Financial Report

We have audited the accompanying concise financial report of Warwick Credit Union Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and related notes, derived from the audited financial report of Warwick Credit Union Limited for the year ended 30 June 2016 and the discussion and analysis. The concise financial report does not contain all the disclosures required by the Australian accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

Directors' Responsibility for the Concise Financial Report

The directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*, and for such internal control as directors determine are necessary to enable the preparation of the concise financial report.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*. We conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Warwick Credit Union Limited for the year ended 30 June 2016. We expressed an unmodified opinion on that financial report in our report dated 22 August 2016. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise 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 concise 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. Our procedures include testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis and whether the discussion and analysis complies with the requirements laid down in AASB 1039 *Concise Financial Reports*.

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

Opinion

In our opinion, the concise financial report including the discussion and analysis of Warwick Credit Union Limited for the year ending 30 June 2016 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

BDO Audit Pty Ltd

BDO.
A handwritten signature in black ink, appearing to read 'P A Gallagher'.

P A Gallagher
Director

Brisbane, 22 August 2016



Credit Union Prayer

Lord, make me an instrument of your peace;
Where there is hatred, let me show you love;
Where there is injury, pardon;
Where there is doubt, faith;
Where there is despair, hope;
Where there is darkness, light;
And where there is sadness, joy.

O divine master, grant that I may not so
much seek to be consoled, as to console;
To be loved, as to love;
For it is in pardoning that we are pardoned,
and it is in dying that we are born into eternal life.

Amen

