

2017
Annual Report



WARWICK
CREDIT UNION
competitive community banking

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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.

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.

Paul McMahon

Paul manages the Rowe Group of companies which has a diverse investment portfolio. He holds a Masters of Business Administration, an accounting degree and is a CPA. He is Treasurer of St Andrews Toowoomba Hospital, a director of the Prince Charles Hospital Foundation, a member of the Toowoomba Diocesan Finance Council and the Chair of the Southern Downs Economic Advisory Committee.

Bob Hogarth

Bob is Managing Director of his own consulting firm following a highly successful career as an executive in the banking industry. Bob is an experienced board member and a Human Resources and Management professional with over 25 years at executive level. Bob has a Masters of Business Administration and an Associate Diploma in Administration.



Chair & CEO's Report

A great deal has happened since our last annual report, with many positives and some continuing challenges.

In the last 12 months two new directors joined the board, a comprehensive review of operations was undertaken and progress was made promoting everyday banking along with loans, savings, insurance and financial planning.

While not neglecting news media and radio, our strategy of moving marketing into social and digital channels has seen significant results in attracting new customers and looking after existing ones.

While compliance with regulation remains a costly activity relative to our size, we have seen positive new signs in thinking about how it relates to smaller institutions.

Products and Services

The market for banking products continues to evolve in tandem with new technological innovation. Better payment processes and the uptake of tablet and smart phones is bringing immediacy and connectedness 24 hours a day.

Consumers of all ages want, and are getting, more detailed and faster information and transactions at a lower cost - whether it is teenagers checking they have enough in the bank for pizza or adults confirming tax details.

"Better payment processes and use of tablet and smart phones is bringing connectedness 24 hours a day"

While this fast-paced change is often called 'disruption' it is also a great opportunity for the credit union as a nimble and flexible organisation to prosper.

Our high ratio of staff to customers compared to large banks, ready access to secure customer data and a business model which uses 'best in class' support solutions is well suited for the emerging model of banking.

In the same way that online banking now delivers more convenience than hundreds of branches, and Google is a faster, lower cost reference source than volumes of printed material, advancing technology allows us to slice, dice and deliver information and opportunities to customers and staff in a fraction of the time and cost needed in yesteryear.

As an illustration, earlier this year information from within our core systems underpinned a targeted home loan campaign which attracted several million dollars in new business.

Similarly technology in our everyday banking business allowed fast identification and intervention in at-risk transactions saving customers significant amounts of money.

"We have seen an acceleration in home loan and savings growth in Warwick and the wider district"

Districts and Communities

Since 1971 the credit union has been operating as a financial services gateway for our customers and communities. That means providing the best possible products and services to deliver the solutions customers want at a competitive price. But just as important is keeping and reinforcing our regional identity through focusing on investment, flexibility and people in local communities. In short, being local, friendly and easy to do business with, is why customers continue to choose us.

Some of the results are visible in sponsorships and local marketing; a lot more is inherent in the way we go about helping people with loans and investments to help them get to where they want to go.

For instance our staff make local decisions and have the authority to take local conditions into account. In addition money stays in the district because our call centre, loans processing, compliance, marketing as well as sales staff are all here.

Against this background we are very grateful to the individuals, families and businesses who have kept up steady demand for products and services in our core Warwick, Warrego and 'Warwick linked' markets.

The latter two have been steady, particular in home loan and savings growth; pleasingly we have seen an acceleration in Warwick and the wider district including Allora, Killarney and Inglewood.

New Faces, New Expertise

We have welcomed some new faces and skills at board level. Over the year we were joined by Mr Paul McMahon and Mr Bob Hogarth.

Paul farms property in the Warwick area, is the General Manager of the Rowe Group of companies, and chairs Southern Downs Regional Council's economics advisory group.

Bob is a management and strategy consultant from Toowoomba who has occupied senior executive banking positions, particularly specialising in people and culture. Collectively they bring a valuable range of skills and experience to the board.

Regulation

Over 2016/17 year the credit union continued to invest resources and effort to ensure compliance with laws and codes. At a grass roots level staff use a mix of common sense professional scepticism and advanced electronic systems to protect customers from fraud and to ensure transactions are as safe and fast as possible. It remains a core responsibility to ensure we keep customer information and money completely safe.

In common with many businesses constrained by the necessary but complex world of government regulation, credit unions are significantly disadvantaged by a range of long-standing rules which give larger institutions an unfair advantage. Hence it has been encouraging to see recent initiatives including; the Hammond Review, direct issue of Common Equity Tier One (the best form of capital), relaxation of the use of the word 'bank', the Productivity Commission inquiry into competition, and Open Banking. Individually and collectively these provide the opportunity for customer owners and communities of Warwick, and many other credit unions to gain the full benefits of having their own mutual bank.

Financial

Firstly we thank all our staff and customers for their support over the period. Together with supportive customers we believe we have the best lending, savings and support teams in our areas. Each and every director and staff member is a valued part of the team and our success is dependent on a collective effort.

The recent financial year has been challenging and has involved careful balancing of pressures. While being mindful of our own costs which are high in a low interest rate, low growth environment, we have focused on maximising interest paid to savers while holding down loan rates for borrowers as much as possible.

The result was a net profit before tax of \$642,678. While that is down on the previous year which included one off items, the credit union believes ongoing results can and will be improved. The trends and initiatives referred to earlier in this report give us great confidence that will be the case.

To break results down, over the year the credit union funded almost \$54 million in lending across commercial, housing and personal segments. We note a good mix of urban and industrial property and also more and more people buying properties for occupancy and investment in rural residential acreage. After repayments, loans and advances rose over \$10 million or 5% to just over \$212 million. That is a creditable achievement by the lending group considering the first few months of the year were relatively quiet. In particular the increase in lending for housing was impressive given regulatory constraints on interest-only and investor lending.

"Being close to our communities is the best way to earn a place on customers' shopping lists for financial products"

Overall assets rose \$14.7 million or 6% to over \$255 million reflecting increases in loans, cash and investments held to maturity. As always the credit union holds large reserves to fund loans, make investments and settle approximately \$1.3 billion in transactions with customers each year.

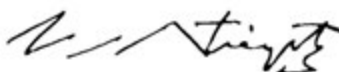
Over the year savings and deposits increased by \$12.4 million or almost 6% to \$221 million. Total liabilities increased by just over \$14 million to \$238 million. This reflects hard work by the team competing for savings, term deposits and cards and ensuring all the related products such as direct credit and debit, periodical payments, BPay and cheques are on offer as required. At the request of some members we even retain passbooks for their convenience.

Within capital we thank customers who voted to amend the constitution in August allowing the credit union to issue Additional Tier One capital to supplement retained earnings and other reserves. Over the year capital increased from almost \$16.8 million to \$17.3 million.

While the numbers are sound, they only reflect what and how we manage operations. Of far more importance is **why** customers choose to give us their business. Our belief is that being close to our communities is the best way to earn a place on customers' shopping lists for financial products. Once on their list we work hard to ensure they get the services and products they need at the best possible price and quality.



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 2017 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 2017.

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 29 years
Responsibilities: Ex officio on all Board Committees.

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 10 years
Responsibilities: Audit Committee Chair, Risk Committee Member, Nominations Committee Member.

Name: Mr Ross Charles Fraser
Position: Director
Experience: Director for 10 years
Qualifications: MAMI
Responsibilities: Deputy Chair, Remuneration Committee Member, Nominations Committee Member.

Name: Ms Pauline Theresa Pickering
Position: Director
Qualifications: B.Bus (Acc), CPA, MAMI
Experience: Director for 10 years
Responsibilities: Audit Committee Member, Risk Committee Member, Nominations Committee Chair.

Name: Mr David Andrew Thomson
Position: Director
Qualifications: B.V Sc, MAICD, CMAVA, MAMI, Dip of Financial Services
Experience: Director for 10 years
Responsibilities: Risk Committee Chair, Audit Committee Member.

Name: Mr Paul Norman McMahon (Appointed 15/08/2016)
Position: Director
Qualifications: Bachelor of Accounting, MBA, CPA
Experience: Director for 1 year
Responsibilities: Audit Committee Member, Risk Committee Member, Nominations Committee Member, Remuneration Committee Member.

Name: Mr Robert Hogarth (Appointed 28/11/2016)
Position: Director
Qualifications: MBA, Ass.Dip. Administration
Experience: Director for 1 year
Responsibilities: Remuneration Committee Chair, Nominations 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 2016 to the date of this report unless otherwise stated.

Directors' Meeting Attendance

| Name | Board Meetings | | Nomination Committee | | Remuneration Committee | | Audit Committee | | Risk Committee | |
|-------------|----------------|----|----------------------|---|------------------------|---|-----------------|---|----------------|---|
| | E | A | E | A | E | A | E | A | E | A |
| A Olsen* | 12 | 12 | 2 | 2 | 1 | 1 | 3 | 3 | 3 | 3 |
| J Lindsay | 12 | 10 | 0 | 0 | 0 | 0 | 3 | 3 | 3 | 3 |
| R Fraser | 12 | 9 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 |
| P Pickering | 12 | 12 | 2 | 2 | 1 | 1 | 3 | 3 | 3 | 3 |
| D Thomson | 12 | 11 | 1 | 1 | 0 | 0 | 3 | 3 | 3 | 3 |
| P McMahon | 11 | 9 | 0 | 0 | 0 | 0 | 3 | 3 | 3 | 3 |
| R Hogarth | 8 | 8 | 1 | 1 | 0 | 0 | 0 | 0 | 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 \$446,289 (2016: \$1,180,020).

Dividends

No dividends were declared (2016: \$89,620) during the financial year.

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 \$446,289. Net interest margin decreased by \$532,761 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 \$10,019,382 (4.96%). Deposits increased \$12,371,727 (5.93%).

Expenses increased by \$29,702 (0.48%) with particular decreases in bad debts and occupancy costs. There was an increase in the level of depreciation being a full year charge for the banking system implemented in September 2015.

Support from customers underpinned a steady performance in day to day transaction banking. There was sound growth in both new customers and the number of accounts individuals, families and businesses hold.

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. It 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. Work continues to improve and promote online and App based banking, giving customers greater convenience and choice.

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

The Credit Union will redeem \$4,000,000 in subordinated debt in December 2017. A new capital replacement program is currently underway.

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 2017 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
CHAIR



Ross C Fraser
DEPUTY CHAIR

Dated this 28th day of August 2017.

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



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

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

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

This declaration is in respect of Warwick Credit Union.

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

P A Gallagher
Director

BDO Audit Pty Ltd

Brisbane, 28 August 2017

Statement Of Comprehensive Income For The Year Ended 30 June 2017

| | | 2017 | 2016 |
|--|------|------------------|------------------|
| | Note | \$ | \$ |
| Interest income | 2 | 10,815,805 | 11,681,867 |
| Interest expense | 2 | (5,248,330) | (5,581,631) |
| Net interest income | | 5,567,475 | 6,100,236 |
| Non-interest revenue and other income | 3 | 1,301,445 | 1,688,240 |
| Impairment expense on loans and advances | | 20,418 | (40,506) |
| Employee benefits expense | | (2,844,494) | (2,810,321) |
| Occupancy expense | | (312,358) | (323,696) |
| Depreciation and amortisation expense | | (293,708) | (257,802) |
| Other expenses | | (2,796,100) | (2,764,215) |
| Profit before income tax | | 642,678 | 1,591,936 |
| Income tax expense | | (196,389) | (411,916) |
| Profit for the year | | 446,289 | 1,180,020 |
| Other comprehensive income, net of income tax | | - | - |
| Total comprehensive income for the year | | 446,289 | 1,180,020 |

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

Statement Of Financial Position For The Year Ended 30 June 2017

| | 2017 | 2016 |
|-------------------------------------|--------------------|--------------------|
| | \$ | \$ |
| ASSETS | | |
| Cash and cash equivalents | 8,241,357 | 7,126,121 |
| Financial assets available for sale | 429,980 | 429,980 |
| Other receivables | 92,059 | 103,571 |
| Financial assets held-to-maturity | 29,407,563 | 26,061,729 |
| Loans and advances | 212,087,288 | 202,067,906 |
| Investment Property | 903,488 | 903,488 |
| Property, plant and equipment | 2,315,253 | 2,349,328 |
| Deferred tax assets | 373,422 | 416,589 |
| Intangible assets | 1,120,431 | 1,071,009 |
| Current tax asset | 261,459 | 57,992 |
| Other assets | 243,638 | 189,714 |
| TOTAL ASSETS | 255,475,938 | 240,777,427 |
| LIABILITIES | | |
| Borrowings | 12,360,161 | 10,548,030 |
| Deposits | 220,918,664 | 208,546,937 |
| Other payables | 655,540 | 626,281 |
| Provisions | 320,402 | 301,517 |
| Subordinated debt | 3,991,077 | 3,970,857 |
| TOTAL LIABILITIES | 238,245,844 | 223,993,622 |
| NET ASSETS | 17,230,094 | 16,783,805 |
| EQUITY | | |
| Tier 1 redeemable preference shares | - | - |
| Redeemed preference share capital | 122,651 | 118,161 |
| Reserve for credit losses | 672,898 | 665,408 |
| Retained earnings | 16,434,545 | 16,000,236 |
| TOTAL EQUITY | 17,230,094 | 16,783,805 |

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

Statement Of Changes In Equity For The Year Ended 30 June 2017

| | Tier 1 Red Pref Share Issue \$ | Redeemed Pref Share Capital \$ | Reserve for Credit Losses \$ | Retained Earnings \$ | Total \$ |
|---|---|---|---------------------------------------|----------------------------|-------------------|
| 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 | - | - | - | (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 |
| Total comprehensive income for the year | | | | | |
| Profit for the year | - | - | - | 446,289 | 446,289 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | 446,289 | 446,289 |
| Transfers | | | | | |
| Transfers to and from reserve for credit losses | - | - | 7,490 | (7,490) | - |
| Transfers to redeemed preference share capital | - | 4,490 | - | (4,490) | - |
| Total transfers | - | 4,490 | 7,490 | (11,980) | - |
| Transactions with owners in their capacity as owners | | | | | |
| Capital Payment | - | - | - | - | - |
| Dividends Paid | - | - | - | - | - |
| Total Transactions with owners in their capacity as owners | - | - | - | - | - |
| Balance at 30 June 2017 | - | 122,651 | 672,898 | 16,434,545 | 17,230,094 |

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

Statement Of Cash Flows For The Year Ended 30 June 2017

| | Note | 2017 \$ | 2016 \$ |
|--|------|-------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Interest received | | 10,830,798 | 11,694,254 |
| Dividends received | 3 | - | 22,668 |
| Other income received | | 89,058 | 132,709 |
| Fees and commissions received | | 1,183,184 | 1,218,761 |
| Interest paid | | (5,215,819) | (5,817,010) |
| Payments to suppliers and employees | | (5,938,512) | (5,867,380) |
| Income taxes paid | | (356,689) | (440,149) |
| Net movement in financial assets held-to-maturity | | (3,345,834) | (159,528) |
| Net movement in loans and advances | | (9,973,780) | (1,275,045) |
| Net movement in deposits | | 12,401,347 | (390,932) |
| Net payments to borrowings | | 1,750,000 | 4,500,000 |
| Net cash provided by operating activities | | 1,423,753 | 3,618,348 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for property, plant and equipment | | (308,517) | (679,566) |
| Proceeds from sale of property, plant and equipment | | - | 3,083 |
| Share acquisitions | | - | (42,500) |
| Net cash provided by / (used in) investing activities | | (308,517) | (718,983) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid | | - | (89,622) |
| Payout of Tier 1 Preference Shares | | - | (2,500,000) |
| Net cash provided by / (used in) financing activities | | - | (2,589,622) |
| Net increase/(decrease) in cash and cash equivalents | | 1,115,236 | 309,743 |
| Cash and cash equivalents at the beginning of the financial year | | 7,126,121 | 6,816,378 |
| Cash and cash equivalents at the end of the financial year | | 8,241,357 | 7,126,121 |

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

Notes to the Financial Statements For The Year Ended 30 June 2017

NOTE 1: Summary Of Significant Accounting Policies

The concise financial statements are extracted from the full financial statements for the year ended 30 June 2017. 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.

NOTE 2: Interest Income And Interest Expense

(a) Interest Income on Assets at Amortised Cost

| | 2017 \$ | 2016 \$ |
|---|------------|------------|
| Cash and cash equivalents | 35,467 | 53,473 |
| Financial assets held-to-maturity | 695,572 | 832,694 |
| Loans and advances | 10,084,766 | 10,789,747 |
| Other interest income | - | 5,953 |
| Total Interest Income on Assets at Amortised Cost | 10,815,805 | 11,681,867 |

(b) Interest Expense on Liabilities at Amortised Cost

| | 2017 \$ | 2016 \$ |
|---|------------|------------|
| Short term borrowings | 336,273 | 271,315 |
| Deposits | 4,601,751 | 4,982,338 |
| Subordinated debt | 310,306 | 327,978 |
| Total Interest Expense on Liabilities Carried at Amortised Cost | 5,248,330 | 5,581,631 |

NOTE 3: Non-Interest Revenue And Other Income

| | 2017 | 2016 |
|--|-----------|-----------|
| | \$ | \$ |
| Non-Interest Income | | |
| Dividends received (financial assets available for sale) | - | 22,668 |
| Fees and commissions | | |
| - Deposits | 259,031 | 270,789 |
| - Other (exc loan origination fees) | 924,006 | 932,686 |
| Bad debts recovered | 4,248 | 5,780 |
| Gain on disposal of property, plant and equipment | 540 | 3,083 |
| Rental income from investment property | 80,000 | 80,000 |
| Gain on revaluation of investment property | - | 315,854 |
| Other Income | 33,620 | 57,380 |
| Total Non-Interest Revenue and Other Income | 1,301,445 | 1,688,240 |

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

| | 2017 \$ | 2016 \$ |
|--|------------|------------|
| No fully franked redeemable preference dividends were paid on 30 September 2016. (2016: fully franked redeemable preference dividend of 90.69 cents per share paid on 30 September 2015 at the tax rate of 30%). | - | 22,673 |
| No fully franked redeemable preference dividends were paid 31 December 2016. (2016: fully franked redeemable preference dividend of 91.22 cents per share paid on 30 December 2015 at the tax rate of 30%). | - | 22,805 |
| No fully franked redeemable preference dividends were paid on 31 March 2017. (2016: fully franked redeemable preference dividend of 93.63 cents per share paid on 31 March 2016 at the tax rate of 30%). | - | 23,407 |
| No fully franked redeemable preference dividends were paid on 30 June 2017 (2016: fully franked redeemable preference dividend of 82.95 cents per share paid on 20 June 2016 at the tax rate of 30%). | - | 20,737 |
| | - | 89,622 |
| Total Dividends per share for the period | - | 358.49¢ |

NOTE 6: Discussion And Analysis

Loans and advances increased by \$10,019,382 (4.96%) to \$212,087,288. Deposits increased \$12,371,727 (5.93%) closing at \$220,918,664.

Short term borrowings increased by \$1,812,131 (17.18%) to \$12,360,161.

Assets grew by \$14,698,511 (6.10%) to \$255,475,938. The increase is due to the growth in loans and an increase in Financial Assets held to maturity. Liabilities rose by \$14,252,222 (6.36%) to \$238,245,844.

The year saw the Reserve Bank (RBA) reduce the official cash rate in August by 25 basis points. This coupled with the full year impact on the rate reduction in May 2016 is reflected in the level of interest income decreasing \$866,062 (7.41%). Similarly interest expense fell \$333,301 (5.97%).

While there has been a reduction in fee income of \$386,795 (22.91%), this is from the inclusion of the investment property revaluation in 2015 of \$315,854.

Expenses fell \$29,702 (0.48%) for the year on the back of a favourable outcome for bad debts with a better than expected recovery on a bad debt.

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 2017, 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 2017.

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



Alan F Olsen
Chair



Ross C Fraser
Deputy Chair

Dated this 28th day of August 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Warwick Credit Union Limited

Report on the Concise Financial Report

Opinion

We have audited the concise financial report of Warwick Credit Union Limited (the Company), which comprises the statement of financial position as 30 June 2017, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and related notes, derived from the financial report of Warwick Credit Union Limited for the year 30 June 2017 and the discussion and analysis.

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

Basis for opinion

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

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

Concise financial report

The concise financial report does not contain all the disclosures required by the Australian Accounting Standards in the preparation of the financial report. Reading the concise financial report and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon. The concise financial report and the audited financial report do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial report.

The financial report and our report thereon

We expressed an unmodified audit opinion on the financial report in our report dated 30 June 2017.



Responsibility of the Director's 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 the directors determine is necessary to enable the preparation of the concise financial report.

Auditor's responsibility for the audit of the concise financial report

Our responsibility is to express an opinion on whether the concise financial report complies in all material respects, with AASB 1039 *Concise Financial Reports* of the based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

BDO Audit Pty Ltd

P A Gallagher

Director

Brisbane, 28 August 2017

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

WARWICK
CREDIT UNION
competitive community banking

Warwick Credit Union Limited
ABN 98 087 651 116