Annual Review and Financial Statements for the Financial Year 30 June 2016

'Banking when and where you need it'

WAW credit union

Smart Banking

OUR VISION

To be the best value provider of smart banking services to the communities we serve.

OUR PURPOSE

To operate a responsive, values-driven, co-operative financial institution that provides financial and community benefits to customers and the region in a sustainable manner.

OUR VALUES

Trust • Co-operation • Moral Integrity • Financial Prudence • Caring for Customers • Social Responsibility

OUR 4BL APPROACH

Community Support • Financial Reliability • Environmental Responsibility • Customer Mutuality

Contents

As part of our environmental responsibility business policy, printed copies of this annual report will be supplied by request only. We encourage customers to access this document online at **www.wawcu.com.au**

Annual Review for 2015/2016

Chair's and Chief Executive Officer's Report

RICHARD POWER
Chair

PETER CHALLIS
Chief Executive Officer

Your Credit Union primarily serves the communities of North East Victoria and Southern New South Wales. Our region continues to be a destination of choice for many to raise and educate a family and build a career or operate a business.

CONTINUED TO BALANCE THE NEEDS OF CUSTOMERS AND THE CREDIT UNION

It has certainly been a challenging year, with many global social and economic events disrupting every-day life. Your Credit Union has met these challenges with an approach that balanced the needs of its 30,100 customers with its own prudential requirements. As a mutual, that is customer-owned and not shareholder-driven, we are able to support one another first and foremost. We support and assist our customers. This is a significant difference to the mainstream banking community and is evident every day the Credit Union operates and transacts with its customers.

Your Credit Union strategically provides and distributes pre-profit benefits to its many customers via the competitive pricing of its products and services. Our profits, after addressing our regulatory requirements, are channelled back into pricing and service deliverables. These benefits represent our mutuality dividend through the value we deliver to our customers and the broader community. This is the customer-owned business model.

CONSUMER AND BUSINESS CONFIDENCE REMAINS SUBDUED

The business conditions have been less than ideal, and at the time of writing this report the Reserve Bank of Australia has reduced the official interest rate to the historical low of 1.50%. Unfortunately, consumer and business confidence remains low. Given the previous comments around business conditions, your Credit Union has maintained growth in the two core areas of customer deposits and loans to our customers. Lending growth was challenging, and we did not lower our lending standards to gain short-term growth. We managed our deposit growth lower to maintain our liquidity at 20%. The 2016/2017 year looks just as challenging.

CUSTOMER-CENTRIC APPROACH

We remain sharply customer-centric in all we do, and this is reflected in the solid relationships we have with our stakeholders. In February and March 2016 the Credit Union carried out extensive market research, and results were very pleasing. The results provided confirmation of our position in the hearts and minds of our customers, with a 94% satisfaction level achieved. The results also provided an insight into what the Credit Union needs to do moving forward to further develop its product and service offering. Our focus on people continues to be our strength: our owners, our customers, our staff and our stakeholder suppliers. Our 80 staff undertook 4,727 hours of training and development, and your Board of Directors undertook a total of 495 hours of both external and internal professional development during the year. Your Board of Directors operates with six sub-committees and these committees collectively held 51 meetings to develop and monitor actions that reflect our stakeholder needs.

SPONSORSHIPS AND COMMUNITY-ENABLING ACTIVITIES

Our staff continued to support and volunteer for many community-based activities. Your Credit Union distributed 6.0% of pre-tax profits to sponsorships and community-enabling activities. In addition to this investment in our community, we raised a total of $77,000 during the 2015/2016 year for the Latipsoh appeal – giving back to our hospitals – and this brings the total raised for our hospitals across the region to $1,400,000 since 2002.

CUSTOMER-OWNED BANKING MODEL

To assist with our customer-owned banking model, we have implemented a four-bottom-line strategy. The four bottom lines are: Financial Reliability, Community Support, Environmental Responsibility, and Customer Mutuality. These four pillars provide a framework to develop and operate the Credit Union for the benefit of all its stakeholders. WAW Credit Union employs a 'buy local' policy where it is practical to do so. Further, the Credit Union does outsource a number of key operational banking and information technology functions. WAW does not off-shore or near-shore these activities. Supporting our various communities in our region is central to our customer-owned banking approach.

OUR KEY REGULATORS

Our three key regulators - Australian Prudential Regulation Authority (APRA), Australian Securities & Investments Commission (ASIC), and Australian Transaction Reports and Analysis Centre (AUSTRAC) - demand a high degree of governance and oversight, and your Credit Union strives for continuous development and improvement in its operations to address these requirements. The organisational structure and the allocation of functional responsibilities are continuously assessed to ensure the correct structure and operational focus is maintained.

APRA was very active across the entire banking sector to ensure that the banking system remained prudential and that the externally-influenced changes in the macro-economic operating environment were respected and reflected in the risk management oversight within the banking system. APRA did place demands on those operators in the banking system who placed too much emphasis on growth outcomes and not enough on risk management. Where this was identified in the banking sector, APRA took action. Your Credit Union continued to operate with prudentially sound practices that maintained a strong risk management approach.

ASIC was also active within the consumer lending market and the disclosure requirements in the financial planning and risk insurance areas to ensure that consumers were protected and had access to assistance when it was required. Your Credit Union continued to demand full compliance with ASIC requirements to ensure consumers were protected.

AUSTRAC was also active during the year ensuring that the Australian banking system was operating in a sound manner in the anti-money laundering and counter-terrorism financing (AML/CTF) identification and monitoring activities that protect Australia. Your Credit Union continued to fully operate within the expressed and implied intent of AML/CTF requirements that ensure all involved are not exposed.

These three key regulators continue to amend regulation that builds an even stronger and more resilient banking system. Your Credit Union continued to operate within its set prudential operating framework.

A STRONG AND COMPETITIVE BANKING SYSTEM

WAW Credit Union supports a strong, competitive and neutral banking system. The major banks continue to drive and control the Australian banking landscape. During the year, the Federal Government released the report on the Financial System Inquiry chaired by David Murray. The inquiry looked at the structure, safety and competiveness of the financial services system. The report has recommended a number of changes that are already in train. Some of these changes will level the playing field between the major Banks and the many other banking institutions operating in the banking sector. Your Credit Union welcomes these changes which will improve the access and competitiveness within the Australian banking sector.

The Credit Union's financial performance continues to operate in line with its strategic and business plans. We continue to absorb the challenging operating conditions on behalf of our customers. As an outcome of our customer deposit and loan growth for the year, our three main key performance indicators returned tremendous results and all three were in line with our longer-term strategic targets at 30 June 2016:

Capital Adequacy ratio 14.34%

Liquidity ratio 20.18%

Delinquency ratio 0.34%

The Board of Directors and the Management team remained focused on the protection of its depositors and the long-term sustainability of the Credit Union. We will not seek out short-term decisions that in the long term harm our customers or the Credit Union.

CUSTOMER FRAUD PROTECTION

Our global society has many pockets of criminal activity that are designed to defraud someone of their money. Your Credit Union continues to facilitate a fraud protection program that is all about protecting our stakeholders. We continue to work with our customers and stakeholder suppliers to ensure that fraud protection and fraud education is top of mind. We continue to provide information to keep our customers up-to-date with the latest scams and provide tips to enable them to take more responsibility for their banking actions. We all need to work in partnership in response to the ever-challenging fraud events and activities.

CEO TRANSITION

In February 2015 our Chief Executive Officer, Peter Challis, advised that he would be taking early retirement. Following a CEO succession process, the Board was delighted to announce that Michael Mack was appointed to the role. Michael joined WAW Credit Union in 1994 and has been the Deputy CEO for eight years. During the tenure of Peter Challis, the Credit Union has gone from strength to strength, with all the key indicators improving. The Credit Union is in a sustainable position due to the qualities that Peter and his Management team have instilled into the Credit Union.

THANK YOU TO OUR STAKEHOLDERS

In closing this report, we would like to thank our many stakeholders who continue to support and develop the Credit Union. To our shareholders and customers - thank you for placing your trust in our Credit Union operations. To our focused and dedicated staff - thank you for your attention to service and support - our customers simply enjoy banking with us because of you! And thank you to our Directors and Management who work continuously and are dedicated to ensuring that the Credit Union remains focused on delivering long-term benefits for all.

On behalf of all our stakeholders, we would like to pass on a special thank you to Ms Tracey Toohey who retired from the Board of Directors in November 2015 after seven years of service.

Our future looks very bright and, with your continued and ongoing support, we will achieve even higher levels of success.

Richard A. Power

Richard Power
Chair
Secretary

Peter K Challis
CEO/Company

Implementing 4BL

Since 2007, WAW has incorporated four key business areas to build a comprehensive approach to banking: **Financial** Reliability, **Community** Support, **Environmental** Responsibility and Customer **Mutuality**. Together, these four Bottom Lines (4BL) help to ensure that we deliver tangible benefits to all our stakeholders in a sustainable manner. As such, we again include our 4BL results as part of our Annual Review and Financial Statements report this year.

FINANCIAL RELIABILITY

Long Term Sustainability

The Board and Management remain committed to decisions that focus on the longer-term sustainability of our customer-owned banking model, rather than short-term profits. These decisions include investments into new technologies that customers and communities will need into the future, maintaining a high quality and reliable Service Centre network and training and developing our extremely committed staff.

During the year, the Credit Union sought to balance an extremely sound financial position with the interests of customers in their desire to access highly competitive products backed up with outstanding service. Finding this balance in a low interest rate environment can be challenging; however, we are proud that we were able to pass on the full amount of the Official Cash Rate reduction in May 2016 to borrowers while limiting the impact on customers who rely on returns from their savings and investments. In doing so, the Board and Management were still able to deliver a strong profit result of $1.32m and growth in our Capital Adequacy position to 14.34% for the year.

Controlled growth is also an important feature of longer-term decision-making. Our overall total Asset position increased by 3.41%, which compares well with many others in the sector. This is especially relevant considering that extremely competitive conditions remained present in the industry, along with increases in the regional property market being more subdued than those seen in Sydney and Melbourne.

Maintaining a strong value proposition for customers is also central to our sustainability. As a result, the organisation continued to develop new products and services during the year including the launch of several new lending products to suit owner-occupiers and investors. WAW's new Essentials Variable Rate Home Loan continues to be one of the most competitive loan facilities in the market with features as at 30 June 2016 such as a three year introductory variable rate of just 3.98% along with no monthly or annual facility fees.

COMMUNITY SUPPORT

The WAW Community Support Program underpins our commitment to giving back to the communities we serve. We actively encourage contact from local charities, sporting and social groups and schools needing financial support. This year the Community Support Program has again delivered in excess of $100,000 to worthy recipients. Additionally, WAW staff have given many hours of their own time to support community events and projects through initiatives connected to the WAW Community Fund and more.

Youth Mental Health Forum

Mental health remains one of the most invasive issues for all sections of the community. WAW was pleased to be able to provide the necessary funds to ensure the ongoing success of the Albury Wodonga Youth Mental Health Forum. This is the second year that we have been involved in this very important youth initiative. The one-day forum brings together Year 10 & 11 students from schools in our region to learn about depression, bullying and other factors that impact mental health. They are then able to develop their own school-based initiatives to tackle the issue in its early stages.

The event was held at The Cube in Wodonga, with participation from over 150 students representing 14 schools.

Supporting Regional Sport

There is no doubt that physical activity is good for our personal health, but there is much evidence that also links it with community health as well. General involvement with a sporting club, be it as players, officials or spectators, delivers benefits that are more tangible than the euphoria of a team win. Research has shown that it can reduce crime and anti-social behaviour, strengthen social and cultural inclusion, create greater community identity, and deliver increased volunteer levels. In many smaller rural communities, sporting clubs are the social heart of the town and are often the catalyst for betterment in other areas including health and educational facilities.

The WAW Community Support Program assisted many sporting groups across our service area including football, netball, cricket and golf, to name just a few. Over the past decade, we estimate that we have invested nearly $500,000 in supporting local sporting teams. This year we were able to assist 47 sporting clubs, with financial support totalling $44,000.

Aside from direct financial support, WAW staff also attended a number of league events including awards nights and finals matches.

Kerferd Oration

WAW was again major sponsor of Beechworth's annual Kerferd Oration. The event is named in honour of the Honorable George Briscoe Kerferd, 10th Premier of Victoria and Member of the Legislative Assembly for Ovens from 1864 until 1886. The Oration was first held in 2003 to commemorate the 150th anniversary of the naming of Beechworth. It is now part of the Public Lecture series of La Trobe University.

This year the Oration was held on 19th July and was delivered by Sydney Ethics Centre executive director, Dr Simon Longstaff. Dr Longstaff spoke on what he sees as Australia's 'invisible people' – those unseen by the society in which they live because they make us uncomfortable, or because they lack the economic presence to be duly recognised.

WAW has been the major sponsor of this prestigious event since 2007.

School Safety Program

The Caring About Regional Safety (CARS) promotion is a key part of our Community Support 4BL policy. It has now been running for 10 years and has grown to incorporate even more schools across our region.

CARS is a collaborative initiative developed between WAW and the Victoria Police as a public way of promoting safety awareness. It also commemorates the late Snr. Constable Ann Brimblecombe, who dedicated her life as a Police Officer to teaching primary-aged schoolchildren about road and personal safety.

The winning entry came from Eliza Connor of Walwa Primary School. Her entry was on safe handling of poisons, with a message on personal safety around strangers. For her efforts, Eliza won $2000 and the Ann Brimblecombe Memorial Award for her school; and a ride in a police pursuit car and police boat for herself.

Latipsoh Day

This year was the 15th year for Latipsoh raising funds for our local health services. A total of $100,295 was raised through the WAW Community Fund via a combination of WAW activities, general and online donations via the Community Fund's website and hospital based initiatives. On 9 October, the annual Latipsoh Charity Golf Day held at the Albury Commercial Golf Resort was another outstanding success, with 24 teams taking part.

Following the conclusion of Latipsoh, WAW distributed cheques ranging in value from $561 up to $84,073 to the 10 participating health services. The total raised since it began is now $1,423,572.

Albury Wodonga Theatre Company

WAW has been a major supporter of the Albury Wodonga Theatre Company since 2008. Each year the AWTC, along with the youth theatre company, BYTE Sized Productions, produced many high-quality stage shows that are seen by thousands of theatre-goers across the region. This year they have been able to enjoy productions including 'Allo 'Allo, Oliver, Shrek and Steele Magnolias.

The AWTC provides an artistic and creative outlet for many people with thespian aspirations, be it as a hobby or a career.

Warm Up Winter Blanket Appeal

WAW Credit Union donated 40 woollen blankets to the annual ABC Regional Radio 'Warm Up Winter Blanket Appeal'. The blankets were distributed in our region through the Foodbank to help those families in need.

Staff Charitable Contributions

Throughout the year, WAW staff contributed approximately $100 per head to various charities including the Albury Wodonga Community Chest, Carevan, and the 'Every Home For Christ' child sponsorship program in Bangladesh, through which they help to supply necessary food and education to 11 children in the program. Additionally, on the last Friday of each month staff are permitted to wear casual clothes and pay a gold coin that accumulates and is distributed around Christmas time to local charities and/or fund raising programs.

WAW eStatements
The Eco-Friendly Alternative

ENVIRONMENTAL RESPONSIBILITY

As a business, WAW continues to promote the 'reduce, reuse, recycle, and refuse' message and staff consciously seek ways to limit our impact on the environment.

WAW supports this commitment in many ways:

- Provision of green loans at reduced rates for environmentally-focussed purchases
- Promotion of eStatements as our preferred delivery option
- Recycling of all printer cartridges and paper waste
- Reduction in the number of printed copies of the WAW Annual Report by directing people to our website to read or download
- Limiting the mailing of our customer information newsletter SmartLink to only one copy per postal address, and again making them available online.

CUSTOMER MUTALITY

Because we are customer-owned, WAW has a firm commitment to the principles of mutuality. Customer mutuality means that we have a clear focus on your financial interests rather than making profits for shareholders as the major banks must do. Additionally, we take a proactive position in promoting financial security to account holders.

MEMBER
CUSTOMER OWNED BANKING ASSOCIATION

Customer Benefit Program

The WAW Customer Benefit Program (CBP) is a prime example of the benefits that a customer-owned financial institution can deliver. These benefits are often enshrined under the concept of Mutuality.

Fees and charges are usually an unavoidable part of operating a transaction account, but through our CBP we are able to deliver rebates to customers based on their average aggregate account balance. We also offer accounts that provide fee-free transactions each month to help those customers with lower savings and/or loans balances, as well as fee-free banking entirely for some members of the community with special needs.

Customer mutuality is an area of the business where we focus on the fact that we are owned by the people who bank with us, rather than by external shareholders. During this financial year, the total value of direct fee rebates as part of our CBP was $493,772.

Director Election & Annual General Meeting

Voting in the 2015 WAW Credit Union Director Election was held from 4th to 18th November. Four candidates nominated for the two vacant board positions. As a result of the election, Mr David Iverson was re-elected and Mr Tim Frazer was the other successful candidate. Ms Tracey Toohey, who had served on the WAW Board of Directors since 2008, was not re-elected. WAW wishes to acknowledge Tracey for her 7 years of dedicated service to the Credit Union. Ms Ali Pockley, who also nominated, was similarly unsuccessful.

David and Tim join sitting directors Mr Richard Power, Mr Mark Dixen, Dr Dianne McGrath, Dr Rowan O'Hagan and Mr Brendan Munk in forming the new Board of WAW Credit Union.

The 46th Annual General Meeting of WAW Credit Union was held at the Wangaratta Performing Arts Centre on Wednesday 25 November 2014. The AGM Agenda included the approval of the Annual Review and Financial Statements as well as the Directors' remuneration for the 2016 financial year, along with confirming the two Director appointments.

Following the AGM, the Board of Directors re-elected Mr Richard Power as Chair of the Board, Mr David Iverson as Chair of the Audit Committee and Risk Management Committee, and Mr Mark Dixen as Chair of the Strategy Committee.

In addition to the Audit Committee, Risk Management Committee and the Strategy Committee, WAW operates with three other Committees – Executive & Remuneration, Credit Risk, and Human Resources.

Directors' Report

The Directors present their report together with the Financial Statements of WAW Credit Union Co-operative Limited (the 'Credit Union') for the year ended 30 June 2016 and the auditor's report thereon.

DIRECTORS

The names and details of the Directors of the Credit Union in office during the financial year and until the date of this report unless noted otherwise are:

Mr Richard Power

Richard A Power
FCPA, FTI, FAIM, FAMI, FAICD
Occupation: CPA Accountant
Director since 1996

Mr Mark Dixen

Mark P Dixen
Grad Dip Ed Studies, DipAg, DipCH, TC, Cert IV CLM, MAMI
Occupation: Retired
Director since 2010

Mr David Iverson

David J Iverson
Dip.Law, MAMI
Occupation: Retired
Director since 2012

Dr Dianne McGrath

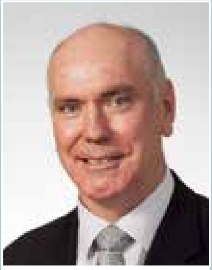
Dr Dianne McGrath
Bec ANU, MCom LTU, PhD CSturt, FCPA, MAMI
Occupation: University Course Director
Director since 2011

Mr Brendan Munk

Brendan Munk
MAMI
Occupation: Retired
Director since 2011

Dr Rowan O'Hagan

Dr Rowan O'Hagan
BAgSci(Hons), MAgSci, MAcc, PhD, FAICD, MAIA, MAMI
Occupation: Consultant
Director since 2014



Mr Timothy Frazer

Timothy S Frazer
BEc (Macquarie Uni)
Occupation: Consultant
Appointed 25 November 2015

Ms Tracey Toohey

Tracey L Toohey
Dip Financial Services, BDAV, EBAA, FAMI Dip
Occupation: Building Designer, Registered Building Practitioner & Thermal Performance Assessor
Retired 25 November 2015

All Directors were in office from the beginning of the financial year until the date of this report, unless otherwise indicated. All Directors are considered to be independent non-executive Directors.

COMPANY SECRETARY

The Chief Executive Officer of the Credit Union, Mr Peter K Challis, was appointed Company Secretary of the Credit Union on 21 October 1996 and continued to act in this capacity until he retired on 23 September 2016. Mr Michael A Mack was appointed as Chief Executive Officer and Company Secretary of the Credit Union on 23 September 2016.

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of Committees) held during the year and the number of meetings attended by each Director were as follows:

Director	Board of Director Meetings		Executive & Remuneration		Audit		Risk Management		Strategy		Credit Risk		Human Resources		WAW CPD Evenings		Strategic Planning Review Workshop	
R Power	16	16	13	13	11	11	10	10	10	8	-	-	1	1	8	8	1	1
M Dixen	16	15	13	12	-	-	-	-	10	10	4	4	-	-	8	8	1	1
D Iverson	16	16	9	9	11	11	10	10	5	5	2	2	-	-	8	8	1	1
D McGrath	16	14	4	4	4	3	10	6	-	-	2	2	-	-	8	3	1	1
B Munk	16	13	-	-	4	3	4	3	10	9	2	2	2	2	8	6	1	1
R O'Hagan	16	15	-	-	-	-	-	-	-	-	4	3	2	2	8	4	1	1
T Frazer [Appointed 25/11/15]	9	9	-	-	7	6	6	5	-	-	2	2	-	-	4	3	1	1
T Toohey [Retired 25/11/15]	7	7	-	-	-	-	-	-	5	4	1	1	1	1	4	3	-	-

A – Reflects the number of meetings the Director was eligible to attend during the year

B – Number of meetings attended

Directors' Report (cont'd)

CONTINUING PROFESSIONAL DEVELOPMENT (CPD)

The Directors have in place a progressive training and development program, thereby ensuring that the Directors are up to date with current trends in the financial services market place. The Directors must complete a minimum 60 hours of CPD per triennium. The following table reports on the hours undertaken by each Director for the year ended 30 June 2016.

Director	CPD Hours to 30/6/16
R Power	60.75
M Dixen	80.50
D Iverson	60.25
D McGrath	82.50
B Munk	61.75
R O'Hagan	35.25
T Frazer [appointed 25/11/15]	26.50
T Toohey [retired 25/11/15]	88.25

All Directors have achieved in excess of the Credit Union's targeted 60 hours (or the applicable pro rata hours) for the triennium 1 July 2013 to 30 June 2016.

During the financial year, the Directors continued a self-assessment process on the ongoing development of a knowledge and skills base required to carry out the Director role and duties. The annual CPD program is structured to address the knowledge and skills required to fulfil the duties of a Director of an Authorised Deposit-taking Institution.

PRINCIPAL ACTIVITIES

The principal activity of the Credit Union is to raise funds from the Credit Union's customers for the purpose of making loans to customers. No significant change in the nature of the activity has occurred during the year

TRADING RESULTS

The profit for the financial year before income tax was $1,684,061 (2015: $1,802,861). Income tax expense was $551,111 (2015: $528,902).

REVIEW OF OPERATION

Net loans and advances for the year have increased by $7,575,455 to $317,676,801.

Deposits increased during the year by $12,020,880 to $389,449,112.

Equity during the year has increased by $1,321,966 to $27,040,780.

DIVIDENDS

The Credit Union does not have permanent share capital and has therefore not paid or declared any dividends for the financial year.

STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the Credit Union during the financial year under review.

EVENTS SUBSEQUENT TO BALANCE DATE

Mr Peter K Challis retired as Chief Executive Officer and Company Secretary of the Credit Union on 23 September 2016, and Mr Michael A Mack was appointed as Chief Executive Officer and Company Secretary of the Credit Union on 23 September 2016.

Other than that noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Credit Union, the results of those operations, or the state of affairs of the Credit Union in subsequent financial years.

LIKELY DEVELOPMENTS

The Credit Union will continue to operate a responsive, values-driven, co-operative financial institution that provides financial and community benefits to customers and the region in a sustainable manner.

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

ENVIRONMENTAL REGULATION

The Credit Union's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Credit Union has adequate systems in place for the management of its environmental requirements as they apply to the Credit Union.

DIRECTORS' BENEFITS

During or since the end of the financial year, no Director of the Credit Union has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration paid or payable to the Directors as shown in the general purpose financial statements) by reason of a contract entered into by the Credit Union (or an entity that the Credit Union controlled, or a body corporate that was related to the Credit Union when the contract was made, or when the Director received, or became entitled to receive, the

Directors' Report (cont'd)

benefit) with:

- a Director,
- a firm of which a Director is a member, or
- an entity in which a Director has a substantial financial interest.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the year, a premium was paid in respect of a contract insuring Directors and Officers of the Credit Union against liability. The Officers of the Credit Union 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 Credit Union.

PUBLIC PRUDENTIAL DISCLOSURE

In accordance with the APS 330 *Public Disclosure* requirements, the Credit Union is to publicly disclose certain information in respect of:

- details on the composition of regulatory capital;
- a reconciliation between the composition of its regulatory capital and its audited financial statements;
- the full details of the terms and conditions of its regulatory capital instruments;
- the quantitative and qualitative information about its capital adequacy, credit and other risks if advanced measurement approaches are used; and
- both qualitative disclosure and quantitative remuneration disclosures for Senior Managers and material risk-takers.

These disclosures can be viewed on the Credit Union's website: www.wawcu.com.au> About WAW>Disclosures.

CORPORATE GOVERNANCE

The Credit Union is committed to achieving high standards of corporate governance. The Credit Union is directed and controlled by its Board of Directors, and through systems of delegation and policies, so as to achieve its business objectives responsibly and in accordance with high standards of accountability and integrity.

The Board of Directors annually carries out an appraisal process that assesses the performance of and produces areas of improvement for the Board of Directors as a whole, individual Directors, the Chair of the Board and the individual Board sub-committees.

The Credit Union complies with the Australian Prudential Regulation Authority Prudential Standard

CPS 510 Governance and the Prudential Practice Guide PPG 511 Remuneration.

Internal audit:

In June 2015, the Credit Union reappointed Bob Travers & Associates to the position of internal auditor for a further two years. The assessment and associated appointment was made in accordance with the Consolidated Prudential Standard (CPS) 231 - Outsourcing.

External audit:

In June 2015, the Credit Union appointed Crowe Horwath Albury in the role of external auditor for a further one year.

Crowe Horwath Albury has appropriate Lead Audit Partner rotation policies to ensure compliance with the requirements of CPS 510 Governance and CPS 520 Fit and Proper.

In July 2016, Crowe Horwath Albury was reappointed for a further one year period (2016/17).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor independence declaration for the year ended 30 June 2016 has been received and can be found on page 5 of the financial report.

Dated at Wodonga this 28th day of September 2016.

Signed in accordance with a resolution of the Directors.

Richard A Power	David J Iverson
Director	Director
Chair, Board of Directors	*Chair, Audit Committee*

Crowe Horwath Albury
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Auditor Independence Declaration under Section 307C of the *Corporations Act 2001* to the Directors of WAW Credit Union Co-operative Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been no contraventions of:

1) The auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

2) Any applicable code of professional conduct in relation to the audit.

Crowe Horwath Albury

CROWE HORWATH ALBURY

David Munday

DAVID MUNDAY
Partner

Dated at Melbourne this 28th day of September 2016.

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016

	Note	2016 $	2015 $
Interest revenue	2	18,060,823	18,882,360
Interest expense	2	(8,420,231)	(9,764,909)
Net interest income		9,640,592	9,117,451
Non-interest revenue	3(a)	2,529,262	2,630,165
Other income	3(b)	15,283	27,573
Other expenses	4	(9,624,825)	(9,101,131)
Impairment charge	10	(2,528)	(34,641)
Fees and commission expense		(873,723)	(836,556)
Profit before tax		1,684,061	1,802,861
Income tax expense	5	(551,111)	(528,902)
Profit after tax		1,132,950	1,273,959
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:		-	-
Net gain on revaluation of property, plant and equipment, net of tax		189,016	-
Other comprehensive income for the year, net of tax		189,016	-
Total comprehensive income for the year attributable to customers		1,321,966	1,273,959

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes set out on pages 10 to 51.

Statement of Changes in Equity
For the year ended 30 June 2016

Year ended 30 June 2015	**Retained Profits $**	**Lending Risk Reserve $**	**General Reserve $**	**Asset Revaluation Reserve $**	**Total $**
Opening balance at 1 July 2014	1,222,024	445,239	21,394,876	1,382,716	24,444,855
Profit after tax	1,273,959	-	-	-	1,273,959
Other comprehensive income	-	-	-		-
Total comprehensive income for the period	1,273,959	-	-	-	1,273,959
Transfer to/(from) lending risk reserve	(32,806)	32,806	-	-	-
Transfer to general reserve	(1,222,024)	-	1,222,024	-	-
Closing balance at 30 June 2015	1,241,153	478,045	22,616,900	1,382,716	25,718,814
Year ended 30 June 2016					
Opening balance at 1 July 2015	1,241,153	478,045	22,616,900	1,382,716	25,718,814
Profit after tax	1,132,950	-	-	-	1,132,950
Other comprehensive income	-	-	-	189,016	189,016
Total comprehensive income for the period	1,132,950	-	-	189,016	1,321,966
Transfer to/(from) lending risk reserve	(8,213)	8,213	-	-	-
Transfer to general reserve	(1,241,153)	-	1,241,153	-	-
Closing balance at 30 June 2016	1,124,737	486,258	23,858,053	1,571,732	27,040,780

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes set out on pages 10 to 51.

Statement of Financial Position
As at 30 June 2016

	Note	2016 $	2015 $
ASSETS			
Cash and cash equivalents	7	93,371,762	87,344,817
Other receivables	8	578,727	443,024
Customer loans and advances	9	317,676,801	310,101,346
Other financial assets	11	629,912	609,912
Property, plant and equipment	12	8,665,064	8,612,244
Intangible assets	13	351,304	360,709
Income tax receivable	6	111,226	-
Deferred tax assets	6	388,326	376,651
Prepayments		125,565	135,960
TOTAL ASSETS		421,898,687	407,984,663
LIABILITIES			
Customer deposits	14	389,449,112	377,428,232
Accounts payable and other liabilities	15	3,272,657	2,763,384
Employee benefits	16	1,146,904	1,099,326
Income tax payable	6	-	95,900
Deferred tax liabilities	6	989,234	879,007
TOTAL LIABILITIES		394,857,907	382,265,849
NET ASSETS		27,040,780	25,718,814
EQUITY			
Reserves	1(o)	25,916,043	24,477,661
Retained profits		1,124,737	1,241,153
TOTAL EQUITY		27,040,780	25,718,814

The Statement of Financial Position is to be read in conjunction with the accompanying notes set out on pages 10 to 51.

Statement of Cash Flows
For the year ended 30 June 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Interest received		17,997,444	18,863,226
Interest paid		(8,890,296)	(9,704,770)
Payments to employees and suppliers		(8,828,325)	(9,423,515)
Receipts from other services		2,456,938	2,536,893
Income tax paid		(703,835)	(605,140)
		2,031,926	1,666,694
Net (increase)/decrease in loans and advances		(7,577,983)	(9,974,288)
Net increase/(decrease) in deposits		12,020,880	20,356,323
Net cash from / (used in) operating activities	17(a)	6,474,823	12,048,729
Cash flows from investing activities			
Acquisition of other financial assets		(20,000)	-
Acquisition of property, plant and equipment		(327,916)	(496,785)
Acquisition of intangible assets		(152,962)	(313,302)
Proceeds from sale of plant and equipment		53,000	62,730
Net cash from / (used in) investing activities		(447,878)	(747,357)
Cash flows from financing activities			
Net increase/(decrease) in borrowings		-	-
Net cash from / (used in) financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		6,026,945	11,301,372
Cash and cash equivalents at 1 July 2015		87,344,817	76,043,445
Cash and cash equivalents at 30 June 2016	7	93,371,762	87,344,817

The Statement of Cash Flows is to be read in conjunction with the accompanying notes set out on pages 10 to 51.

Notes to the Financial Statements
For the year ended 30 June 2016

1. Significant accounting policies

WAW Credit Union Co-operative Limited (the 'Credit Union') is a company domiciled in Australia. The Financial Statements were authorised for issuance by the Directors on 28 September 2016.

(a) Statement of compliance

The Financial Statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS").

Not-for-profit status
Under AIFRS, there are requirements that apply specifically to not-for-profit entities that are not consistent with International Financial Reporting Standards (IFRS) requirements. The Credit Union has analysed its purpose, objectives and operating philosophy and determined that it does not have profit generation as a prime objective. Consequently where appropriate the Credit Union has elected to apply options and exemptions within AIFRS that are applicable to not-for-profit entities.

(b) Basis of preparation

The financial statements are presented in Australian dollars.

The financial statements have been prepared on the basis of historical costs except that the following assets and liabilities (if applicable) are stated at their fair value: land and buildings.

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

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

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 1(n).

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits at call and other short-term deposits with Approved Deposit-taking Institutions that can be readily converted into cash. This includes term deposits (with an original maturity of less than 3 months), negotiable certificates of deposits and floating rate note securities (FRNS). Negotiable certificates of deposits and floating rate note securities are held via the Austraclear system with the Reserve Bank of Australia, to enable conversion to cash. Cash and cash equivalents are recognised at the gross value of the outstanding balance. Bank overdrafts that are repayable on demand and form an integral part of the Credit Union's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

1. Significant accounting policies (cont'd)

(d) Loans and advances

Loans and advances are stated at their amortised cost less impairment losses (see Note 1(f)).

All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification adopted is described below:

Non-accrual loans - are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful, and hence impairment losses are recognised.

Restructured loans - arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms, and the revised terms are not comparable to new facilities. Loans with revised terms are included in non-accrual loans when impairment losses are likely.

Assets acquired through the enforcement of security - are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

Past-due loans - are loans where payments of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected. If an impairment loss is likely, the loan is included in non-accrual loans.

Specific provision
Losses for impaired loans are recognised when there is objective evidence that the impairment of a loan has occurred. Impairment losses are calculated on individual loans in arrears. The amount provided for impaired loans 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.

Collective provision
APRA Prudential Standards require a minimum provision to be maintained, based on specific percentages of the loan balance which are contingent upon the length of time the repayments are in arrears.

(e) Full time equivalent employees

The Credit Union employed 62 (2015: 62) full-time equivalent staff at the end of the financial year.

(f) Impairment of assets

The carrying amounts of the Credit Union's assets, other than deferred tax assets are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

1. Significant accounting policies (cont'd)

(f) Impairment of assets (cont'd)

Calculation of recoverable amount
The recoverable amount of the Credit Union's investments in held to maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Reversals of impairment
An impairment loss in respect of a held to maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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

(g) Property, plant and equipment & intangible assets

(i) Owned assets
Items of land and buildings have been valued at fair value under AASB 116 *Property, Plant &* Equipment and AASB 13 *Fair Value Measurement*. Refer to Notes 1(n), 12 and 27 in regards to further information on fair value measurement.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets
Leases in terms of which the Credit Union assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (refer Note 1(f)) Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property on a property-by-property basis.

(iii) Subsequent assets
The Credit Union recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred; if it is probable that the future economic benefits embodied within the item will flow to the Credit Union, and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income as an expense as incurred.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

1. Significant accounting policies (cont'd)

(g) Property, plant and equipment & intangible assets (cont'd)

(iv) Depreciation/amortisation

Depreciation/amortisation is charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The maximum estimated useful lives in the current and comparative periods are as follows:

• Buildings	40 years
• Office furniture & equipment	5 years
• Leasehold and office improvements	10 years
• Motor vehicles	5 years
• Computer hardware	4 years

The residual value, if not insignificant, is reassessed annually.

Land is not depreciated.

(v) Intangible assets

Items of computer software which are not integral to the computer hardware owned by the Credit Union are classified as intangible assets.

Computer software is amortised over the expected useful life of the software. The maximum estimated useful lives in the current and comparative periods are as follows:

• Computer software	3 years

(h) Employee entitlements

Long term service benefits

The Credit Union's net obligation in respect of long term service benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to high quality corporate bonds at the balance date which have maturity dates approximating to the terms of the Credit Union's obligations.

Short term benefits

Liabilities for employee benefits for wages, salaries and annual leave expected to be taken within 12 months represent present obligations resulting from employees services provided to reporting date, calculated at undiscounted amounts based on remuneration wages and salary rates that the Credit Union expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax. Annual leave expected to be taken after 12 months is discounted back to present value using the rates attached to high quality corporate bond rates at balance date.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

1. Significant accounting policies (cont'd)

(i) Income recognition

Interest revenue
Loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month.

Fees and commissions
Account and Loan fees and commissions are recognised as revenues on an accrual basis, and are reflected in the period to which they apply.

Dividend income
Dividend income is taken into revenue as received.

(j) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases
Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term.

(k) Income tax

Income tax on the Statement of Profit or Loss and Other Comprehensive Income for the periods presented comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Statement of Financial Position date.

A deferred tax asset is recognised only to the extent it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

(l) Goods and Services Tax

Revenues, expenses and assets are recognised net of the goods and services tax (GST), except where the amount of the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of accounting of the asset or as part 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 liability in the Statement of Financial Position.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

1. Significant accounting policies (cont'd)

(l) Goods and Services Tax (cont'd)

Cashflows are included on the Statement of Cashflows on a gross basis. The GST components of cashflows from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

As a financial institution, the Credit Union 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.

(m) Provisions

A provision is recognised in the Statement of Financial Position when the Credit Union has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Accounting estimates and judgements

Management has been involved in the development, selection and disclosure of the Credit Union's critical accounting policies and estimates and the application of these policies and estimates. In particular, information about areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 1(d) and Note 10 – Impairment of loans and advances; and
- Note 12 - Fair value assumptions used for land and buildings.

Determination of fair values
A number of the Credit Union's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Refer to Note 1(r) for further information regarding fair value measurement.

Property, plant and equipment
The fair value of land and buildings is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Credit Union's land and buildings.

(o) Reserves

General reserve
Annually a transfer is performed between retained profits and the general reserve. The general reserve represents the accumulation of prior years' trading profits of the Credit Union after transfers to reserves. The general reserve as at 30 June 2016 is $23,858,053 (2015: $22,616,900).

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

1. Significant accounting policies (cont'd)

(o) Reserves (cont'd)

Asset revaluation reserve
The asset revaluation reserve relates to the revaluation of land and buildings. The asset revaluation reserve as at 30 June 2016 is $1,571,732 (2015: $1,382,716).

Lending risk reserve
In addition to the specific provision and collective provision mentioned at Note 1(d), the Credit Union has recognised the need to maintain a reserve to ensure there is adequate protection for customers against the prospect that some borrowers will experience loan repayment difficulties in the future. The balance of the general provision is carried in equity as an allocation from retained profits.

The Credit Union has transferred the amount of $486,258 to a lending risk reserve account as at 30 June 2016 (2015: $478,045). This reserve is calculated at the rate of 0.30% of risk weighted credit assets for the previous month prior to year end (2015: 0.30%).

Shareholder share redemption reserve
The general reserve includes amounts allocated for the purpose of a shareholder share redemption balance per Compliance Note 2001.084. The balance at 30 June 2016 of $328,509 (2015: $327,469) represents the amount of redeemable preference shares redeemed by the Credit Union since 1 July 1999. The law requires that the redemption of the shares be made out of profits. Since the value of the shares has been paid to members in accordance with the terms and conditions of the share issue, the account represents the amount of profits appropriated to the account. The 2016 allocation amounts to $1,040 (2015: $1,208).

(p) Deposits

Basis for determination
Deposits at call and term investments are held at amortised cost.

Interest payable
Interest on deposits is calculated on the daily balance and posted to the accounts periodically, or on maturity or redemption of the term deposit. Interest on deposits is brought to account on an accrual basis in accordance with the interest rate terms and conditions of each deposit and term deposit account as varied from time to time. The amount of the accrual is shown as part of accounts payable and other liabilities.

(q) Financial instruments

Recognition & initial measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Credit Union becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

1. Significant accounting policies (cont'd)

(q) Financial instruments (cont'd)

The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Classification & subsequent measurement

(i) Financial assets at fair value through profit & loss

Financial assets are classified at fair value through the profit and loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

(ii) Loans & receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Credit Union's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the Statement of Profit or Loss and Other Comprehensive Income unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Credit Union assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Refer to Note 1(d) and Note 1(f) for future details with regards to impairment accounting policy.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

1. Significant accounting policies (cont'd)

(r) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and assumes that the transaction will take place either in the principal market or, in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques are used that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

Fair value measurement hierarchy
The company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective. The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

(s) New accounting standards and interpretations not yet mandatory

The following standards have been identified as ones which may impact the Credit Union in the period of initial application. They are available for early adoption, but have not been applied by the Credit Union in these financial statements:

- AASB 9 *Financial Instruments* replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Credit Union does not expect the changes to AASB 9 to have a material effect on the financial statements other than the move to an expected loss model for impairment which may result in increases to provisions.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

1. Significant accounting policies (cont'd)

(s) New accounting standards and interpretations not yet mandatory (cont'd)

- AASB 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces most of the existing standards and interpretations relating to revenue recognition including AASB 118 *Revenue*. The standard shifts the focus from the transaction level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to, while measurement encompasses estimation by the Credit Union of the amount expected to be entitled for performing under the contract. It is effective for annual reporting periods commencing 1 January 2018, with early adoption permitted. The Credit Union does not expect the changes to revenue recognition to have a material effect on the financial statements when AASB 15 is first adopted.

- AASB 16 *Leases* replaces AASB 117 *Leases* and some lease related interpretations and is applicable for reporting periods beginning on or after 1st January 2019. AASB 16 requires all leases to be accounted for 'on-balance sheet' by lessees, other than short term and low value asset leases, provides new guidance on the application of the definition of lease and on sale and lease back accounting and requires new and different disclosures about leases. The Credit Union is yet to undertake a detailed assessment of AASB 16 however, based on preliminary assessments, the standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted since existing operating leases are minimal and expected to remain so. The Credit Union's preliminary assessment does indicate that the likely impact on the transactions and balances recognised will be an increase in property, plant and equipment and a corresponding increase in liabilities.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

	2016 $	2015 $
2. Interest revenue and interest expense		
Interest Revenue		
Loans and advances - customers	15,654,007	16,443,481
Investment securities	2,406,816	2,438,879
	18,060,823	18,882,360
Interest Expense		
Deposits - customers	(8,401,865)	(9,746,380)
Short-term borrowings	(18,366)	(18,529)
	(8,420,231)	(9,764,909)
3. Other revenue & other income		
a) Non-Interest Revenue		
Dividends	98,392	97,464
Fees and Commissions		
• Loan fee income	333,883	353,127
• Other fee income	1,323,902	1,309,017
• Commissions	584,312	645,893
Rental received	169,788	165,971
Bad debts recovered	2,846	1,131
Other revenue	16,139	57,562
Total non-interest revenue	2,529,262	2,630,165
b) Other Income		
Gain on sale of property, plant & equipment	15,283	27,573
Total other income	15,283	27,573

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

4. Other expenses

	2016 $	2015 $
Amortisation		
• Leasehold improvements	59,597	59,597
• Intangible assets – Computer software	162,367	82,224
Depreciation		
• Office furniture, Plant and equipment, Computer hardware and Motor vehicles	251,438	235,810
• Buildings	159,510	160,852
General and administration	3,368,463	3,182,240
Personnel costs		
• Wages and salaries	3,951,522	3,881,450
• Other associated personnel expenses	352,908	325,517
• Contributions to defined contribution superannuation plans	626,363	514,316
• Annual leave	361,405	299,031
• Long service leave	62,423	95,029
Rental on operating leases	268,829	265,065
Total other expenses	9,624,825	9,101,131

5. Income tax

	2016 $	2015 $
Profit before tax	1,684,061	1,802,861
Prima facie income tax expense calculated at 30% on net profit	505,218	540,858
Increase/(Decrease) in income tax due to:		
Non-deductible expenses	1,608	1,854
Imputation credits	(29,518)	(29,239)
Under/(over) provision for income tax in prior year	-	-
Other differences in tax treatment	73,803	15,429
Income tax expense	551,111	528,902
Current tax expense	496,709	548,375
Deferred tax expense	54,402	(19,473)
Prior year adjustment	-	-
Income tax expense	551,111	528,902

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

6. Taxation balances

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**	**$**	**$**
Debtors	12,586	13,459	-	-	12,586	13,459
Prepayments	-	-	5,700	4,581	(5,700)	(4,581)
Investments	-	-	4,835	4,835	(4,835)	(4,835)
Property, Plant & Equipment, & Intangibles [1]	-	-	978,699	869,591	(978,699)	(869,591)
Accrued Expenses	31,183	29,661	-	-	31,183	29,661
Employee Benefits	333,169	319,904	-	-	333,169	319,904
Lease Incentives	11,388	13,627	-	-	11,388	13,627
	388,326	376,651	989,234	879,007	(600,908)	(502,356)

(1) The Credit Union's land and buildings includes property that is exempt from Capital Gains Tax (CGT). As such a deferred tax liability in relation to the revaluation has only been recognised on the properties that are subject to CGT.

Income tax payable / (receivable)
The current tax receivable for the Credit Union of $111,226 (2015: $95,900 payable) represents the amount of income taxes receivable or payable in respect of current and prior periods.

	2016	**2015**
	$	**$**
Income tax payable / (receivable)	(111,226)	95,900
Movement in taxation provision		
Balance at beginning of year	95,900	152,663
Current year's income tax expense on profit before tax	496,709	548,375
Income tax paid – current year	(607,935)	(452,475)
Income tax paid – prior year	(95,900)	(152,663)
Balance at end of year	(111,226)	95,900

7. Cash and cash equivalents

Cash on hand and at bank	3,313,507	4,189,142
Deposits at call	100,000	2,500,000
Term deposits	7,000,000	24,000,000
Negotiable certificate of deposits	72,958,255	56,655,675
Floating rate note securities	10,000,000	-
	93,371,762	87,344,817
Remaining maturity analysis		
Not longer than 3 months	82,371,762	75,344,817
Longer than 3 and not longer than 12 months	1,000,000	12,000,000
Longer than 12 months and not longer than 5 years[2]	10,000,000	-
	93,371,762	87,344,817

(2) The Credit Union holds floating rate note securities that have a formal maturity beyond 12 months. While the Credit Union intends to hold these securities until maturity, they are held via the Austraclear system with the Reserve Bank of Australia and can be readily converted to cash.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

7. Cash and cash equivalents (cont'd)

	2016 $	2015 $
Credit rating of cash & cash equivalents		
Cuscal Limited – rated A	14,080,193	17,489,701
Banks – rated AA- and above	11,020,925	16,105,077
Banks – rated below AA-	65,330,861	51,230,025
N/A – cash on hand	2,939,783	2,520,014
	93,371,762	87,344,817

8. Other receivables

	2016 $	2015 $
Interest receivable	317,534	254,155
Other	261,193	188,869
	578,727	443,024

9. Loans and advances

	2016 $	2015 $
Overdrafts - customers	6,837,292	7,563,813
Term loans - customers	310,881,463	302,582,395
Gross loans and advances – customers	317,718,755	310,146,208
Provision for impairment	(41,954)	(44,862)
Net loans and advances	317,676,801	310,101,346
Maturity analysis		
Overdrafts	6,837,292	7,563,813
Not longer than 3 months	3,314,273	3,193,028
Longer than 3 and not longer than 12 months	9,534,069	9,129,728
Longer than 1 and not longer than 5 years	48,934,451	46,191,166
Longer than 5 years	249,098,670	244,068,473
	317,718,755	310,146,208
Security held against loans		
Secured by mortgage over residential property	292,802,668	285,088,668
Secured by mortgage over commercial property	20,052,965	21,728,990
Total loans secured by real estate	312,855,633	306,817,658
Secured by funds	1,873,816	639,766
Partly secured by goods mortgage	1,874,675	2,377,831
Fully unsecured	1,114,631	310,953
	317,718,755	310,146,208

It is not practicable to value all collateral as at the balance date due to the variety of assets and condition. A breakdown of the quality of the real estate mortgage security on a portfolio basis is as follows:

	2016 $	2015 $
Loan to Value Ratio of 80% or less	272,067,049	267,102,880
Loan to Value Ratio of more than 80% but mortgage insured	40,788,584	39,714,778
Loan to Value Ratio of more than 80% not mortgage insured	-	-
	312,855,633	306,817,658

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

9. Loans and advances (cont'd)

Concentration of risk

Significant individual exposures
The loan portfolio of the Credit Union does not include any loans or advances which represents 10% or more of capital.

Geographical concentrations
The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to the geographical areas of North Eastern Victoria and Southern New South Wales.

	2016 $	2015 $
The geographical segment details are below:		
- Victoria	223,218,209	217,470,307
- New South Wales	84,488,030	83,564,768
- Other	10,012,516	9,111,133
	317,718,755	310,146,208

10. Impairment of loans and advances

	2016 $	2015 $
Total provision comprises of:		
Collective provisions	2,333	5,954
Additional specific provisions	39,621	38,908
Total provision	41,954	44,862
Movement in the provision for impairment – collective provision		
Balance at beginning of year	5,954	16,071
Expensed during the year	1,815	(4,267)
Bad debts written off from provision	(5,436)	(5,850)
Balance at end of year	2,333	5,954
Movement in the provision for impairment – specific provision		
Balance at beginning of year	38,908	-
Expensed during the year	713	38,908
Bad debts written off from provision	-	-
Balance at end of year	39,621	38,908
Impairment charge comprises of:		
Collective provision	1,815	(4,267)
Specific provision	713	38,908
Bad debts recognised directly to profit or loss	-	-
Total bad debts expense	2,528	34,641

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

10. Impairment of loans and advances (cont'd)

	2016 $	2015 $
Ageing analysis of loans and advances past due		
Loans and advances past due and not impaired		
Up to 30 days	3,354,708	2,391,828
More than 30 days, but less than 90 days	642,470	822,697
More than 90 days, but less than 180 days	69,922	70,698
More than 180 days, but less than 270 days	-	-
More than 270 days, but less than 365 days	157,332	-
More than 365 days	-	-
Over limit credit facilities less than 14 days	5,140	12,529
	4,229,572	3,297,752
Loans and advances past due and impaired		
Up to 30 days	-	-
More than 30 days, but less than 90 days	-	-
More than 90 days, but less than 180 days	1,494	3,438
More than 180 days, but less than 270 days	-	-
More than 270 days, but less than 365 days	-	2,038
More than 365 days	198,104	194,542
Over limit credit facilities more than 14 days	2,492	6,448
	202,090	206,466
Security analysis of loans and advances past due		
Loans and advances past due and not impaired		
Secured by mortgage over real estate	4,146,586	3,218,609
Secured by funds	-	-
Partly secured by goods mortgage	72,370	62,897
Fully unsecured	10,616	16,246
	4,229,572	3,297,752
Loans and advances past due and impaired		
Secured by mortgage over real estate	198,104	194,542
Secured by funds	-	-
Partly secured by goods mortgage	-	3,438
Fully unsecured	3,986	8,486
	202,090	206,466

Loans restructured

During the year, some loans that were previously past due or impaired, have been restructured by the Credit Union.

	2016 $	2015 $
Loans restructured during the financial year	403,704	1,692,889
Balance at the end of the financial year	405,429	440,641

As at the end of 30 June 2016, the Credit Union had one restructured loan with a balance of $405,429 (2015 $440,641).

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

10. Impairment of loans and advances (cont'd)

Assets acquired through enforcement of security

During the year, the Credit Union acquired assets via enforcement of security.

	2016 $	2015 $
Opening balance of enforcement security	194,542	-
Real estate acquired through enforcement of security	-	194,542
Expenses	3,562	
Specific provision for impairment	(39,621)	(38,908)
Balance at the end of the financial year	158,483	155,634

During the 2015 year the Credit Union acquired one residential property via enforcement of the security. The Credit Union plans to sell the property and has placed a specific provision against the transaction.

11. Other financial assets

	2016 $	2015 $
Unlisted shares – Shares in Cuscal Limited – at cost (a)	586,454	586,454
Other investments – Shares in TransAction Solutions Pty Ltd – at cost (b)	23,458	23,458
Other investments – at cost	20,000	-
	629,912	609,912

(a) Cuscal Limited

The shareholding in Cuscal Limited is measured at cost as its fair value could not be measured reliably. This company was created to supply services to the shareholder Authorised Deposit-taking Institutions and does not have an independent business focus. These shares are held to enable the Credit Union to receive essential banking services – refer to Note 20. The shares are not able to be traded and are not redeemable.

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

The Credit Union is not intending to dispose of these shares.

(b) TransAction Solutions Pty Ltd

The shareholding in TransAction Solutions Pty Ltd is measured at cost as its fair value could not be measured reliably.

This company was created to supply information technology services to like-minded business operators and shareholder Authorised Deposit-taking Institutions.

The Credit Union is not intending to dispose of these shares.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

12. Property, plant and equipment

	2016 $	2015 $
Land		
At fair value	1,488,800	1,418,300
	1,488,800	1,418,300
Buildings on freehold land		
At fair value	6,116,267	6,396,908
Accumulated depreciation	-	(289,023)
	6,116,267	6,107,885
Office furniture, plant and equipment, computer hardware and motor vehicles		
At cost	2,262,167	2,363,081
Accumulated depreciation	(1,450,683)	(1,585,132)
	811,484	777,949
Leasehold improvements		
At cost	497,515	497,515
Accumulated amortisation	(249,002)	(189,405)
	248,513	308,110
Carrying amount of total property, plant and equipment	8,665,064	8,612,244

Valuations

The freehold land and/or buildings at Beechworth, Chiltern, Corryong, Myrtleford, Lavington, Tallangatta, Wangaratta and Wodonga were independently valued in June 2016 by the independent firm Taylor Byrne Valuers & Property Consultants Albury NSW, Certified Practising Valuers, on the basis of and in accordance with Australian Accounting Standards AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant & Equipment*. These valuations were adopted by the Credit Union as at 30 June 2016.

The Credit Union has a set policy for regular valuation of freehold land and buildings at least once every three financial years. In the opinion of Directors, there have been no significant changes to fair value since the previous independent valuations or purchase date. Refer to Note 1(g) and Note 27 for further information on fair value measurement.

The next independent valuation is scheduled to be completed by 30 June 2019.

Notes to the Financial Statements for the year ended 30 June 2016 (cont'd)

12. Property, plant and equipment (cont'd)

b) Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Land	Buildings	Plant and equipment	Leasehold improvements	Total
	$	$	$	$	$
Balance at 1 July 2014	1,418,300	6,246,768	574,101	367,707	8,606,876
Additions	-	25,169	476,016	-	501,185
Revaluations	-	-	-	-	-
Transfers	-	(3,200)	(1,200)	-	(4,400)
Disposals	-	-	(35,157)	-	(35,157)
Depreciation	-	(160,852)	(235,811)	-	(396,663)
Amortisation	-	-	-	(59,597)	(59,597)
Balance at 30 June 2015	1,418,300	6,107,885	777,949	308,110	8,612,244
Balance at 1 July 2015	1,418,300	6,107,885	777,949	308,110	8,612,244
Additions	-	5,225	322,691	-	327,916
Revaluations	170,500	62,667	-	-	233,167
Transfers	(100,000)	100,000	-	-	-
Disposals	-	-	(37,718)	-	(37,718)
Depreciation	-	(159,510)	(251,438)	-	(410,948)
Amortisation	-	-	-	(59,597)	(59,597)
Balance at 30 June 2016	1,488,800	6,116,267	811,484	248,513	8,665,064

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

13. Intangible assets

	2016 $	2015 $
At cost – computer software	1,102,143	967,853
Accumulated amortisation	(750,839)	(607,144)
	351,304	360,709

Reconciliations

Reconciliations of the carrying amounts for each class of intangible assets are set out below:

Computer software & licences

	2016 $	2015 $
Balance at beginning of the year	360,709	129,631
Acquisitions	152,962	308,902
Transfers from property, plant & equipment	-	4,400
Amortisation	(162,367)	(82,224)
Balance at end of the year	351,304	360,709

14. Customer deposits

	2016 $	2015 $
Deposits at call	171,784,712	148,580,081
Term deposits	217,664,400	228,848,151
	389,449,112	377,428,232

	2016 $	2015 $
Remaining maturity analysis		
At call	171,784,712	148,580,081
Not longer than 3 months	106,310,331	119,702,006
Longer than 3 and not longer than 12 months	103,179,930	99,911,106
Longer than 1 and not longer than 5 years	8,174,139	9,235,039
	389,449,112	377,428,232

Concentration of deposits

Geographical concentrations
The Credit Union operates in the geographic areas of North Eastern Victoria and Southern New South Wales and customer deposits at balance date were principally received from customers employed in these areas.

The geographical segment details are below:

	2016 $	2015 $
Victoria	276,286,482	251,697,561
New South Wales	103,740,523	111,006,767
Other	9,422,107	14,723,904
	389,449,112	377,428,232

Significant individual customer deposits
As at 30 June 2016, the Credit Union's deposit portfolio did not have any deposit which represented 5% or more of total liabilities (2015: $nil).

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

15. Accounts payable and other liabilities

	2016 $	2015 $
Accrued interest payable	1,827,178	2,297,242
Sundry creditors, accruals and customer clearing accounts	1,445,479	466,142
	3,272,657	2,763,384

16. Employee benefits

	2016 $	2015 $
Current		
Salaries and wages accrued	36,342	32,981
Liability for long service leave	498,819	473,505
Liability for annual leave	422,176	426,737
	957,337	933,223
Non-current		
Liability for long service leave	189,567	166,103
	1,146,904	1,099,326
Movements in long service leave provision		
Opening balance at beginning of year	639,608	582,664
Expensed during the year	62,423	95,029
Long service leave taken	(13,645)	(38,085)
Balance at end of year	688,386	639,608
Movements in annual leave provision		
Opening balance at beginning of year	426,737	431,318
Expensed during the year	361,405	299,031
Annual leave taken	(365,966)	(303,612)
Balance at end of year	422,176	426,737

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

17. Reconciliation of cash flows from Operating activities

(a) Cash flow from operating activities

	2016 $	2015 $
Profit after income tax	1,132,950	1,273,959
Non cash flows in operating surplus/(deficit):		
(Gain)/Loss on sale of non current assets	(15,283)	(27,573)
Depreciation on property, plant & equipment	410,947	396,663
Amortisation on leasehold improvements	59,597	59,597
Amortisation on intangible assets	162,367	82,224
Impairment charge	2,528	34,641
Provision for employee entitlements	44,217	52,363
Changes in assets and liabilities:		
(Increase)/Decrease in other receivables	(135,702)	(112,406)
(Increase)/Decrease in deferred tax asset	(11,675)	(19,530)
Increase/(Decrease) in other assets	10,396	26,202
Increase/(Decrease) in accounts payable & other liabilities	509,273	(12,214)
Increase/(Decrease) in salaries & wages accrued	3,361	(30,524)
Increase/Decrease in income tax payable	(207,126)	(56,763)
Increase/(Decrease) in deferred tax liability	66,076	55
Net cash from revenue activities	2,031,926	1,666,694
Add/(deduct) non revenue operations		
Increase in loan and advances	(7,577,983)	(9,974,288)
Increase in deposits and short term borrowings	12,020,880	20,356,323
	6,474,823	12,048,729

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

(i) customer deposits to and withdrawals from deposit accounts and short term borrowings;
(ii) borrowings and repayments on loans, advances and other receivables; and
(iii) movements in investment securities.

(c) Bank overdraft facility

The Credit Union has access to an overdraft facility provided by Cuscal Limited to the extent of $2,500,000 (2015: $2,500,000). The facility is subject to funds being available from Cuscal Limited at the time of drawdown. This facility is secured by a fixed and floating charge over the assets and undertakings of the Credit Union and incurs interest at 4.75% (2015: 5.00%). As at 30 June 2016, $1,090,789 of the facility was utilised (2015: facility was unused).

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

18. Operating leases and commitments

	2016 $	2015 $
Capital expenditure commitments		
Estimated capital expenditure contracted for at balance date but not provided for (payable not later than one year):		
Property, plant & equipment	-	171,380
Intangibles	29,050	20,691
	29,050	192,071

Expenditure commitments are stated inclusive of Goods and Services Tax.

	2016 $	2015 $
Operating leases payable (non-cancellable)		
Not later than one year	222,902	218,075
Later than 1 and not later than 5 years	735,415	691,738
Later than 5 years	13,826	179,420
Aggregate lease expenditure contracted for at balance date	972,143	1,089,233
Aggregate lease receivable (non-cancellable)		
Not later than one year	191,153	186,066
Later than 1 and not later than 5 years	193,761	384,913
Aggregate lease expenditure contracted for at balance date	384,914	570,979

The Credit Union receives rental income from tenants who lease a portion of the land and buildings owned at Beechworth and Northpoint Tower, Lavington.

Revenue commitments are stated inclusive of Goods and Services Tax.

19. Superannuation

During the year the Credit Union contributed on behalf of its employees to 33 superannuation funds under the Super Choice legislation.

Under the Superannuation Guarantee (Administration) Act 1995 the Credit Union is required to provide minimum levels of superannuation support for employees. This obligation is legally enforceable. In accordance with the Act, employees received 9.50% (2015: 9.50%) paid directly to the above schemes.

The funds are defined contribution funds where benefits are based on the amount of contributions made to the fund plus an allocated share of the earnings of the fund.

20. Outsourcing arrangements

The Credit Union has an outsourcing arrangement with Cuscal Limited (and with National Australia Bank through a strategic partnership with Cuscal Limited) for the provision of corporate banking services and facilities, settlement services with bankers for customer cheques and access to the direct entry system.

The Credit Union has an outsourcing arrangement with Cuscal Limited for the provision of network transactions for automatic teller facilities and the provision of debit cards and personal identification numbers.

The Credit Union has an outsourcing arrangement with Bob Travers & Associates for the provision of Internal Audit services.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

20. Outsourcing arrangements (cont'd)

The Credit Union has an outsourcing arrangement with TransAction Solutions Pty Ltd for the provision of computer data processing services and Cuscal Limited for computer software services, rights to Visa cards and the provision of central banking facilities.

The Credit Union has an economic dependency on Ultradata Australia for the provision of supply and maintenance of the core banking software utilised by the Credit Union.

21. Contingent liabilities and credit commitments

In the normal course of business the Credit Union enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of customers. The total credit related commitments and the financial guarantees do not necessarily represent future cash requirements. The Credit Union uses the same credit policies and assessment criteria in making commitments and conditional obligations for off-Statement-of-Financial-Position risks as it does for on-Statement-of-Financial-Position loan assets.

Credit commitments and contingent liabilities existing as at 30 June 2016 are exclusive of Goods and Services Tax.

	2016 $	2015 $
Credit related commitments		
Approved but undrawn loans, credit limits & loan redraw facilities	56,758,421	51,784,819
Security analysis of credit-related commitments		
Secured by mortgage over real estate	55,606,271	50,744,935
Secured by funds	248,493	256,526
Partly secured by goods mortgage	618,744	520,435
Fully unsecured	284,913	262,923
	56,758,421	51,784,819
Financial guarantees		
Guarantees	784,090	726,356
Security analysis of financial guarantees		
Secured by mortgage over real estate	737,360	679,626
Secured by funds	21,381	21,381
Partly secured by goods mortgage	-	-
Fully unsecured	25,349	25,349
	784,090	726,356

Other contingent liabilities

WAW Credit Union Co-operative Limited is a party to the Credit Union Financial Support System (CUFSS). CUFSS is a voluntary scheme that all credit unions who are affiliated with Cuscal Limited have agreed to participate in. CUFSS is a company limited by guarantee with each credit union's guarantee being $100.

As a member of CUFSS, the Credit Union:

- May be required to advance funds of up to 3% (excluding permanent loans) of total assets to another credit union requiring financial support;
- May be required to advance permanent loans of up to 0.1% (2015: 0.2%) of total assets per financial year to another credit union requiring financial support; and
- Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

22. Auditors' remuneration

	2016 $	2015 $
Amounts received or due and receivable by the External Auditor of WAW Credit Union (including GST) for:		
Audit of the financial statements of the Credit Union	63,580	58,960
Other regulatory assurance services	16,720	15,510
Other services - taxation	6,298	6,930
Other services	20,625	6,600
	107,223	88,000

The above amounts exclude out of pocket expenses recovered.

23. Concentration of assets and liabilities

The Credit Union has cash and cash equivalents exposures in excess of 10% of shareholders equity in regards to a number of investment institutions. At 30 June 2016, these holdings are in accordance with the requirements of APS 221 *Large Exposures*.

One of the entities is Cuscal Limited. This net investment at 30 June 2016 totals $14,666,647 (2015: $18,076,155), representing shares of $586,454 (2015: $586,454) and cash and investments of $14,080,193 (2015: $17,489,701).

Other cash investments in excess of 10% of shareholders equity were also placed in APRA regulated deposit taking institutions at balance date and are as follows:

	2016 $	2015 $
Commonwealth Bank of Australia (BankWest)	3,000,000	16,000,000
ME Bank	17,885,749	21,362,475
P & N Bank	11,429,346	6,957,086
AMP Bank	6,000,000	6,000,000
National Australia Bank	4,020,925	105,077
MyState Bank	17,095,197	11,923,640
Defence Bank	3,976,540	2,000,000
Qudos Bank	4,969,314	-

Concentration of loans and advances and customer deposits are detailed in Notes 9 and 14 respectively.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

24. Key management personnel

The following were key management personnel of the Credit Union at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors

R A Power	Chair of the Board of Directors
D J Iverson	Audit Committee Chair & Risk Management Committee Chair
M P Dixen	Strategy Committee Chair
D McGrath	
B A Munk	
R J O'Hagan	
T S Frazer	Appointed 25 November 2015
T L Toohey	Retired 25 November 2015

Executives

P K Challis	Chief Executive Officer / Company Secretary
M A Mack	Deputy Chief Executive Officer
R P Kearney	Regulatory Services Manager
G A Hutchinson	Treasury & Fraud Manager
J J Kotzur	Finance Manager
P J Gavin	Loans Manager

Transactions with key management personnel

In addition to their salaries, the Credit Union also provides banking services and products to key management personnel as outlined below.

Key Management personnel compensation

The key management personnel compensation included in "personnel expenses" (see Note 4) are as follows:

	2016 $	**2015 $**
Short-term employee benefits	1,007,642	954,031
Other long term benefits	22,359	18,162
Post employment benefits	212,388	180,597
	1,242,389	1,152,790

The above excludes out of pocket reimbursements.

All remuneration to Directors was approved by shareholders at the previous Annual General Meeting of the Credit Union held on 25 November 2015.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

24. Key management personnel (cont'd)

Loans to key management personnel and other related parties

Details regarding the aggregate of loans made, guaranteed or secured by the Credit Union to key management personnel and their related parties are as follows:

	2016 $	2015 $
Loans to key management personnel and other related parties	783,879	816,283

All loans to Directors by the Credit Union have been made in the normal course of business and on the normal commercial terms and conditions. A standard concessional loan rate facility is available to all staff including non director key management personnel. There was one concessional loan rate facility funded during 2016 (2015: one) to non director key management personnel.

Loans (including redraws) totalling $34,000 (2015: $63,000) were made to key management personnel and other related parties during the year including redraws utilised. Overdraft facilities to key management personnel amounting to $25,674 (2015: $18,909) were outstanding as at 30 June 2016.

During the year, repayments of $100,977 (2015: $422,223) of the balance outstanding on key management personnel and other related parties loans were made.

For all loans to key management personnel and their related parties, interest is payable at prevailing market rates, currently 5.28% for SVR and 3.64% for staff concessional rates at balance date (2015: 5.28% and 3.64% respectively). The principal amounts are repayable on a monthly basis in line with contracted terms. Interest is payable monthly. All loans are secured by registered first mortgage over the borrower's residences.

Interest received on the loans to key management personnel and other related parties totalled $34,573 (2015: $47,616). No amounts have been written down or recorded as allowances, as all balances outstanding are considered fully collectable.

There were no other amounts receivable at 30 June 2016 (2015: Nil) nor were any other loans advanced during the period.

Deposits from key management personnel and other related parties

	2016 $	2015 $
Total value Term and Savings Deposits from key management personnel and other related parties	1,574,831	3,355,461
Total interest paid on deposits to key management personnel and other related parties	38,878	118,601

The Credit Union's policy for receiving deposits from key management personnel is that all transactions are approved and deposits accepted on the same terms and conditions which applied to customers for each type of deposit.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

24. Key management personnel (cont'd)

Other key management personnel transactions with the Credit Union

From time to time the key management personnel of the Credit Union and their related parties may conduct banking related transactions with the Credit Union. These transactions are on the same terms and conditions as those entered into by other customers.

A number of key management persons of the Credit Union, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Credit Union in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

25. Risk management objectives and policies

Introduction

The Board of the Credit Union has overall responsibility for the establishment and oversight of the risk management framework. The Board has approved a policy of compliance and risk management to suit the risk profile of the Credit Union.

The Credit Union's risk management focuses on the major areas of market risk, credit risk and operational risk. Authority flows from the Board of Directors to the Risk Management Committee which are integral to the management of risk.

The main elements of risk governance are as follows.

Board: This is the primary governing body. It approves the level of risk which the Credit Union is exposed to and the framework for identifying, monitoring, managing, mitigating and reporting those risks. The Board has a developed Risk Appetite framework that provides the facilitation of the Risk Profile of the Credit Union.

Risk Management Committee: This is the key body in the control of risk within the Credit Union. It consists of representatives from the Board of Directors. The Risk Management Committee does not form a view of acceptability of risks but instead reviews risks and controls that are used to mitigate those risks.

Audit Committee: This is the key body to oversee and control the management and presentation of financial information of the Credit Union. It consists of representatives from the Board of Directors. The Audit Committee also facilitates the External and Internal Auditor arrangements.

Strategy Committee: This is the key body in the control of the strategic and operational planning within the Credit Union. It consists of representatives from the Board of Directors and Management.

Asset & Liability Committee ('ALCO'): This is a committee of Senior Management that meets weekly on the overall identification, monitoring, management, mitigation and reporting of operational issues, and ensures that policies and procedures adopted by the Board are implemented.

Credit Risk Committee: This is the key body in the control of credit risks within the Credit Union. It monitors operations, policy and activity, including exposure limits as determined by the Board. It consists of representatives from the Board of Directors and Management.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

25. Risk management objectives and policies (cont'd)

Market Risk: ALCO is charged with the responsibility for monitoring, managing and reporting the interest rate risk exposures, and ensuring that the cash flow management and financial management adhere to exposure limits as outlined in the policies for interest rate management.

Chief Risk Officer: This role has responsibility for overseeing the risk management framework and function within the Credit Union. The Chief Risk Officer reports directly to the Chief Executive Officer; attends the Board of Directors, Audit Committee and Risk Management Committee meetings; and has access to the Board of Directors.

Internal Audit: Internal audit has responsibility for implementing the controls testing and assessment in line with the Audit & Risk Management Policy Manual.

Key risk management policies encompassed within the overall risk management framework include:-

- Capital management;
- Audit and related arrangements;
- Market (Interest rate) risk;
- Liquidity management;
- Credit risk management;
- Operational risk management including data risk management;
- Human resource management;
- Outsourcing arrangements;
- Anti Money Laundering and Counter Terrorism Finance;
- Fraud;
- Disaster recovery (Business continuity);
- Fit & Proper;
- Board of Directors and Governance;
- Business continuity management; and
- Risk management.

(a) Market risk and hedging policy

The Credit Union has undertaken the following strategies to minimise its financial risks.

The objective of the Credit Union's market risk management is to monitor, manage, control, identify and report market risk exposures in order to optimise the balance between risk and return.

Market risk is the financial impact through changes in interest rates, foreign exchange rates or other prices and volatilities that may have an adverse effect on the Credit Union's financial performance and position. The Credit Union is not exposed to foreign exchange or currency risk. The Credit Union does not trade in the financial instruments it holds on its books. The Credit Union is exposed only to interest rate risk arising from changes in market interest rates within its own banking book.

The management of market risk is the responsibility of ALCO which reports directly to the Board monthly.

i) Interest Rate Risk

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

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

25. Risk management objectives and policies (cont'd)

(a) Market risk and hedging policy (cont'd)

Most financial institutions are exposed to interest rate risk within its treasury operations. WAW Credit Union does not have a treasury operation and does not trade its financial instruments.

Interest rate risk in the banking book

The Credit Union 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 monitored and managed daily, reported to the ALCO weekly and reported to the Board by ALCO.

In the banking book the most common risk the Credit Union faces arises from fixed rate assets and liabilities. This exposes the Credit Union to fluctuations in the market interest rate.

The level of mismatch on the banking book is set out in Note 26 below. Note 26 displays the period over which each asset or liability will reprice. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

Method of managing risk

The Credit Union monitors its interest rate risk by the use of interest rate sensitivity analysis. The details and assumptions used in this analysis are set out below.

Interest rate sensitivity

The Credit Union maintains a balanced 'on book' strategy by ensuring that the net interest gap between assets and liabilities is not excessive. The gap is measured quarterly to identify, manage the interest rate movements and the maturity profile to undertake actions through targeted fixed rate interest settings within assets and liabilities to remedy the imbalance to within acceptable levels.

Based on the calculations at 30 June 2016 and 30 June 2015, the net profit impact for a 2.00% increase in interest rates would be $793,307 increase in profit (2015: $685,350 at 2.00% interest rate movement). A decrease of 2.00% in interest rates would have an equal but opposite effect.

The Credit Union performs a sensitivity analysis to monitor and measure market risk exposures on quarterly basis using a variety of assumptions.

(b) Liquidity and funding risk

Liquidity and funding risk is the risk that the Credit Union may encounter difficulties raising funds to meet commitments associated with financial instruments, eg borrowing repayments or customers' withdrawal demands. It is the policy of the Board that the Credit Union maintains adequate liquidity and funding arrangements along with committed credit facilities to meet the cash flow needs of customers for withdrawal demands and borrowings as and when required.

The Credit Union is required to adopt prudent practices in managing its liquidity risks and to maintain an adequate level of liquidity to meet its obligations as they fall due across a wide range of operating circumstances.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

25. Risk management objectives and policies (cont'd)

(b) Liquidity and funding risk (cont'd)

The Credit Union is required to have a liquidity risk management system incorporating the establishment of a liquidity risk management framework, the management of liquidity risk, the annual funding strategy and a contingency funding plan.

The Credit Union manages its liquidity and funding risk by:

- Continuously monitoring actual and forecast short and long term daily cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Identifying and monitoring Australian domestic and global cash flow movements and market sentiment;
- Identifying and monitoring the macro economic trends along with the general banking cash flow trends;
- Maintaining an adequate funding structure and approach that reflects the size, business mix and operational complexity;
- Monitoring and managing the prudential liquidity ratio daily and forecast future liquidity requirements; and
- Maintaining a liquidity portfolio of high quality liquid assets sufficient in size that reflects the Credit Union's size, business mix and operational complexity that enables the Credit Union to withstand a severe liquidity stress event.

The Credit Union has a contractual arrangement with the Credit Union Financial Support System (CUFSS) which can access committed CUFSS-facilitated industry funds to provide emergency liquidity support for the Credit Union in times of need.

The Credit Union is required under the APRA prudential standards to maintain as a minimum 9% of total liabilities as liquid assets capable of being converted to cash within 48 hours. The Credit Union aims to maintain a required minimum liquidity level of at least 13% to meet adequate operational cash flow requirements. The liquidity ratio is monitored daily and measured against cash flow requirements now and into the future. Should the liquidity ratio breach the minimum level of 13%, ALCO is to take actions to ensure that the required liquidity funds are obtained from new deposits or credit facilities. (Note 17 outlines the borrowing facilities as at the balance date. These facilities are in addition to the support from CUFSS.)

The maturity profile of the financial assets and financial liabilities, based on the contractual terms, are set out in the notes to the financial statements.

The liquidity ratio as at the end of the financial year over the past six years was:

	2011	2012	2013	2014	2015	2016
Minimum Liquidity Holdings*	-	-	-	13.89%	15.16%	20.18%
High Quality Liquid Assets*	17.20%	14.64%	14.18%	-	-	-
Operational Liquid Assets	-	2.64%	4.88%	5.32%	5.74%	1.63%
Total	17.20%	17.28%	19.06%	19.21%	20.90%	21.81%

*APRA released a new Liquidity prudential standard, effective 1st January 2014, which changed the disclosure from high quality liquid assets to minimum liquidity holdings.

(c) Credit risk

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

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

25. Risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

CREDIT RISK - LOANS & ADVANCES:

All loans and facilities are within Australia. The geographic distribution is monitored and analysed. Concentrations are described in Note 9.

The Credit Union assess applicants against the following credit risk policy requirements of capacity, commitment, collateral, character and intent to repay the loan or facility.

The Credit Union has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the value of individual borrowers, non mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- The ongoing reassessment and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Where appropriate debt recovery procedures; and
- Ongoing monitoring and where appropriate remedial action in the compliance with credit risk policies.

A regular review of compliance with the credit risk and associated policies and procedures is conducted as part of the internal audit program and the outcomes are reported to the Audit Committee, the Risk Management Committee and the Credit Risk Committee.

Past due and impaired

A financial asset is past due when the counterparty has failed to make a payment when contractually due. A past due classification can trigger various actions such as a renegotiation, enforcement of covenants, or legal proceedings. Once the past due exceeds 90 days the loan is regarded an impaired, unless other factors indicate the impairment should be recognised sooner.

For loans where repayments are doubtful, external agencies are engaged to conduct recovery action. The exposure to losses arise predominately in personal loans and facilities not secured by registered mortgages over real estate.

The estimated recoverable amount of that impaired loan or facility is determined based on the net present value of future anticipated cash flows and the net loss is recognised in the financial statements. In estimating the financial position, management makes judgements about counterparty's financial situation and the net realisable value of any underlying collateral. Where deemed appropriate external experts may be required to verify such value.

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. Specific loans and facilities are provided for depending on a number of factors including the net realisable value of the asset, environmental factors, changes in a counterparty's industry, technological developments, and identified structural weaknesses or deterioration in cash flows.

Details are set out in Note 10.

Bad Debts

For unsecured loans and facilities, amounts are written off when collection of the loan or facility is considered to be remote. All write offs are identified and actioned on a case by case basis.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

25. Risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

A reconciliation in the movement of both past due and impaired exposure provisions is provided in Note 10.

Collateral secured loans

The loan portfolio primarily is secured by residential property in Australia. Therefore, the Credit Union is exposed to risks in the reduction of the Loan to Value Ratio (LVR) cover should the property market be subject to a substantial negative change.

The risk of losses from the loans undertaken is reduced by the diverse nature, geographic spread and quality of the security taken.

The Credit Union maintains a policy to attract residential mortgages which carry an 80% loan to valuation ratio or less. Where a residential mortgage has a loan to valuation ratio of greater than 80%, then Mortgage Insurance is required. Note 10 outlines the nature and extent of the security held against the loans and facilities held as at balance date.

Concentration risk – Loans

Concentration risk is a measurement of the Credit Unions' exposure to an individual borrower, industry or geographical areas.

The Credit Union has in place a large exposure policy limit of 10% of capital. The Credit Union can lend above 10% of capital however APRA must be consulted prior to undertaking the loan or facility. APRA may impose additional capital requirements on the Credit Union if it considers the aggregate large exposures of 10% of capital or more is deemed to be higher than prudentially acceptable. As at 30 June 2016 the Credit Union had no large exposures of 10% of capital or more.

The aggregate value of large exposure loans are set out in Note 9. The Credit Union holds no significant concentration risk amongst its members. Concentration exposures to individuals or groups of related parties are closely identified, monitored and managed; and an annual review will be prepared for any exposure over 5 per cent of capital.

CREDIT RISK – (LIQUID) INVESTMENTS:

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

The risk of losses from the liquid investments undertaken is mitigated by the nature and quality of the independent rating of the investment bodies and the limits to concentration as approved by APRA from time to time.

The Credit Union uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA prudential guidance Note AGN 112. The credit quality assessment scale within this standard has been complied with.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

25. Risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

Given the high quality of these investments, the Credit Union does not expect any counterparty to fail to meet its obligations. The exposure values associated with each credit quality investment body are detailed in Notes 7 and 23.

The Credit Union has in place repurchase arrangements with the Reserve Bank of Australia for the conversion of a qualifying investment to cash should the need arise.

Under the liquidity support scheme with CUFSS, 3.1% of the assets must be available for the provision of emergency liquidity support.

(d) Operational Risk

Operational risk is the risk of loss to the Credit Union resulting from deficiencies in processes, personal technology and infrastructure, and from external factors other then credit, market and liquidity risks. Operational risks in the Credit Union relate mainly to those risks arising from a number of sources including legal compliance, business continuity, information technology, outsourced service failures, fraud, and employee errors.

CAPITAL MANAGEMENT:

The capital levels are prescribed by APRA. Under the APRA prudential standards capital is determined in three components:

- Credit risk
- Market risk (trading book)
- Operations risk

The market risk component is not required as the Credit Union is not engaged in a trading book for financial instruments.

The Credit Union reports to APRA under Basel III capital requirements effective from 1 January 2013, and as amended effective 1 January 2016. The Credit Union uses the standardised approach for credit risk and operational risk. Prior to 1 January 2013, the Credit Union reported to APRA under the prudential requirements referred to as Basel II.

The Credit Union's capital contains Common Equity Tier 1 Capital, Tier 1 Capital and Tier 2 Capital in accordance with APRA requirements. For WAW Credit Union, Common Equity Tier 1 Capital contains current year earnings, property revaluation reserve and general reserves less adjustments for software technology purchases and equity exposures with associated financial institutions or companies. WAW Credit Union currently holds no other Tier 1 Capital Instruments. WAW Credit Union Tier 2 Capital contains General Reserve for Credit Losses.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

25. Risk management objectives and policies (cont'd)

(d) Operational Risk (cont'd)

Capital Adequacy Ratio Calculation

	2016 $	2015 $
Common Equity Tier 1 Capital		
Retained earnings	1,132,950	1,273,959
Capital profits reserve	23,849,840	22,584,094
Asset revaluation reserve – excluding deferred tax impact	2,181,046	1,947,880
	27,163,836	25,805,933
Less prescribed deductions	(981,216)	(970,620)
Net Tier 1 Capital	26,182,620	24,835,313
Tier 2 Capital		
General reserve for credit losses	486,258	478,045
	486,258	478,045
Less: prescribed deductions	-	-
Net Tier 2 Capital	486,258	478,045
Total capital	26,668,878	25,313,358
Risk profile		
Credit risk	162,241,682	159,327,486
Operational risk	23,770,475	22,619,871
Total risk weighted assets	186,012,157	181,947,357
Capital adequacy ratio	14.34%	13.91%

The Credit Union is required to maintain a minimum capital level of 8% (Common Equity Tier 1 Capital of 4.5% with Total Tier 1 Capital of 6% and Total Capital of 8%) or an APRA advised Prudential Capital Requirement (PCR), whichever is higher, as compared to the risk weighted assets at any given time.

The risk weightings attached to each asset class are based on the weights prescribed by APRA in its guidance AGN 112-1, as amended from time to time. The risk weighted assets processes are set by APRA as part of the Basel III prudential framework. It is recognised that the level of capital ratio can be affected by growth in assets relative to growth in capital and by changes in the mix of financial assets managed by the Credit Union.

The Capital Adequacy Ratio as at the end of financial year over the past 6 years is as follows:

2011[1]	2012[1]	2013[2]	2014[2]	2015[2]	2016[2]
13.04%	13.61%	14.37%	14.06%	13.91%	14.34%

Footnote:
1. Basel II Prudential Capital Framework applied.
2. Basel III Prudential Capital Framework applied.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

25. Risk management objectives and policies (cont'd)

(d) Operational Risk (cont'd)

To manage the Credit Union's capital, the Credit Union reviews the ratio monthly and monitors major movements in the asset levels and capital values. Policies have been implemented to require reporting to the Board and the regulator if the capital ratio is likely to fall below a trigger level. Further a 5 year capital budget projection of the capital levels is maintained and updated on a bi annual basis to allow for the measurement and analysis of strategic decisions and/or trends.

Operational Risk Capital Charge

The Credit Union uses the Standardised approach which is considered to be most suitable for its business given the nature of its transaction activities. The operational risk capital charge is calculated by mapping the Credit Union's three year average net interest income and net non interest income to the Credit Union's various business lines.

Based on this approach, the Credit Union's operational risk capital charge requirement at 30 June 2016 is $23,770,475 (2015: $22,619,871).

It is considered that the Standardised approach accurately reflects the Credit Union's operational risk other than the specific items set out below.

Internal Capital Adequacy Assessment Process

The Credit Union manages its internal capital levels for both current and future activities through the Credit Union's Strategy Committee. The outputs of the Strategy Committee are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in the Credit Union's strategic direction and/or forecasts or unforeseen circumstances are assessed by the Strategy Committee and the Board as and when required.

Further, a 5 year capital budget projection of the capital levels is maintained and updated on a biannual basis to allow for strategic decisions and/or trends to be addressed.

Notes to the Financial Statements
For the year ended 30 June 2016 (cont'd)

26. Financial instruments

(a) Terms, conditions and accounting policies

The Credit Union's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instruments	Note	Accounting Policies	Terms and Conditions
Financial assets			
Customer loans and advances	9	Loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month. Loans and advances are recorded at their recoverable amount. For further details on the classification of loans refer to Note 1.	All housing loans are secured by registered mortgages. Other loans are assessed on an individual basis. Details of maturity terms are set out in Note 9.
Cash and cash equivalents	7	Cash and cash equivalents are stated at the lower of cost and net realisable value. Interest revenue is recognised when earned.	Details of maturity terms are set out in Note 7.
Other financial assets	11	Other financial assets are carried at the lower of cost or recoverable amount. Restrictions apply to the repayment of deposits held by Cuscal Ltd and for other regulatory purposes.	N/A
Financial liabilities			
Customer deposits	14	Deposits are recorded at the principal amount. Interest is calculated on the daily balance outstanding or the minimum monthly balance.	Details of maturity terms are set out in Note 14.
Accounts payable and other liabilities	15	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Credit Union.	Trade liabilities are normally settled on 30-day terms.

Notes to the financial statements for the year ended 30 June 2016 (cont'd)

26. Financial instruments (cont'd)

(b) Interest rate risk

The Credit Union's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities recognised at the balance date are as follows. The time bandings reflect the earlier of the next contractual repricing date or the maturity date of the asset or liability.

Financial instruments	Floating interest rate		Fixed interest rate repricing in: 1 year or less		Over 1 to 5 years		More than 5 years		Non-interest bearing		Total carrying amount as per the Statement of Financial Position		Weighted average effective interest rate	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 %	2015 %
Financial assets:														
Cash and cash equivalents	374	1,669	90,058	83,156	-	-	-	-	2,940	2,520	93,372	87,345	2.66	2.99
Other receivables	-	-	-	-	-	-	-	-	579	443	579	443	N/A	N/A
Customer loans and advances (gross)	218,439	250,891	31,715	18,838	66,723	39,493	842	924	-	-	317,719	310,146	4.99	5.39
Other financial assets	-	-	-	-	-	-	-		630	610	630	610	N/A	N/A
Total financial assets	218,813	252,560	121,773	101,994	66,723	39,493	842	924	4,149	3,573	412,300	398,544	N/A	N/A
Financial liabilities:														
Customer deposits	171,765	148,560	209,490	219,613	8,174	9,235	-	-	20	20	389,449	377,428	2.20	2.66
Accounts payable and other liabilities	-	-	-	-	-	-	-	-	3,273	2,763	3,273	2,763	N/A	N/A
Total financial liabilities	171,765	148,560	209,490	219,613	8,174	9,235	-	-	3,293	2,783	392,722	380,191	N/A	N/A

N/A - not applicable for non-interest bearing financial instruments.

Notes to the Financial Statements for the year ended 30 June 2016 (cont'd)

26. Financial instruments (cont'd)

(c) Maturity profile of financial assets and liabilities

Monetary assets and liabilities have differing maturity profiles depending on the contractual terms, and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities 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 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 carrying amounts of the Statement of Financial Position.

Financial instruments	Within 3 months		From 3 to 12 months		From 1 to 5 years		More than 5 years		No maturity		Total cash flows		Total carrying amount per Statement of Financial Position	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Financial assets:														
Cash and cash equivalents	79,887	73,232	1,012	12,157	10,076	-	-	-	2,940	2,520	93,915	87,909	93,372	87,345
Other receivables	-	-	-	-	-	-	-	-	261	189	261	189	579	443
Customer loans and advances (gross)	13,952	14,613	20,554	20,355	101,708	99,863	356,401	355,094	-	-	492,615	489,925	317,719	310,146
Other financial assets	-	-	-	-	-	-	-	-	630	610	630	610	630	610
Total financial assets	93,839	87,845	21,566	32,512	111,784	99,863	356,401	355,094	3,831	3,319	587,421	578,633	412,300	398,544
Financial liabilities:														
Customer deposits	279,445	270,282	105,352	102,346	8,174	9,241	-	-	20	20	392,991	381,889	389,449	377,428
Accounts payable and other liabilities	-	-	-	-	-	-	-	-	1,445	466	1,445	466	3,273	2,763
Total financial liabilities	279,445	270,282	105,352	102,346	8,174	9,241	-	-	1,465	486	394,436	382,355	392,722	380,191

Notes to the financial statements
For the year ended 30 June 2016 (cont'd)

26. Financial instruments (cont'd)

(d) Financial instruments fair value

The fair value is required to be disclosed where the financial instruments are not measured at fair value in the Statement of Financial Position. Disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

Assets where the fair value is lower than the book value have not been written down in the accounts of the Credit Union on the basis that they are held to maturity or, in the case of loans, all amounts due are expected to be recovered in full.

The Credit Union has assessed that, at balance date, the carrying amount of all financial instruments approximates fair value. The description of the valuation techniques and assumptions are detailed below:

Cash and liquid assets due from other financial institutions:
The carrying values of cash and liquid assets and receivables due from other financial institutions redeemable within 12 months approximates their fair value as they are short term in nature or are receivable on demand. The floating rate note securities are considered short term in nature as the interest rate is repriced every 90 days.

Customer loans and advances:
The majority of the Credit Union's loans are variable rate loans. The carrying amount of these loans is considered to approximate fair value. The net fair values of any non variable rate loans are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Customer deposits:
The fair value of call and variable rate deposits and fixed rate deposits repricing within 60 months is the amount shown in the Statement of Financial Position. The maximum term for fixed term deposits accepted by the Credit Union is 5 years.

The Credit Union has assessed its own credit risk in regards to the fair value of deposits, and has assessed that no material valuation adjustment is required.

Short-term borrowings:
The carrying amount approximates fair value because of their short term to maturity.

Long-term borrowings:
The fair values of long-term borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

Accounts payable and other liabilities:
The carrying amount approximates fair value as they are short term in nature.

Other financial liabilities:
This includes interest payable and other payables for which the carrying amount is considered to be a reasonable approximation of fair value given the short-term nature.

Notes to the financial statements
For the year ended 30 June 2016 (cont'd)

26. Financial instruments (cont'd)

(e) Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

	2016 $	2015 $
Financial assets		
Customer loans and receivables – carried at amortised cost		
Cash and cash equivalents	93,371,762	87,344,817
Other receivables	578,727	443,024
Customer loans and advances (gross)	317,718,755	310,146,208
	411,669,244	397,934,049
Available for sale investments – carried at cost		
Other financial assets	629,912	609,912
	629,912	609,912
Total financial assets	412,299,156	398,543,961
Financial liabilities		
Carried at amortised cost		
Accounts payable and other liabilities	3,272,657	2,763,384
Customer deposits (Including customer shares)	389,449,112	377,428,232
	392,721,769	380,191,616
Total financial liabilities	392,721,769	380,191,616

27. Fair value measurement

Fair value hierarchy

The following table highlights the Credit Union's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets of liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: Unobservable inputs for the asset or liability.

2016 **Assets measured at fair value**	Level 1 $	Level 2 $	Level 3 $	Total $
Land and buildings	-	7,605,067	-	7,605,067
Investment properties	-	-	-	-
Total assets	-	7,605,067	-	7,605,067

2015 **Assets measured at fair value**	Level 1 $	Level 2 $	Level 3 $	Total $
Land and buildings	-	7,526,185	-	7,526,185
Investment properties	-	-	-	-
Total assets	-	7,526,185	-	7,526,185

Notes to the financial statements
For the year ended 30 June 2016 (cont'd)

27. Fair value measurement (cont'd)

The Credit Union has assessed that, at balance date, the carrying amount of all financial instruments approximates fair value. Refer to Notes 12 and 26(d).

Valuation techniques for fair value measurements categorised with level 2
Land and buildings, including investment properties, have been valued based on similar assets, location and market conditions.

28. Subsequent events

Mr Peter K Challis retired as Chief Executive Officer and Company Secretary of the Credit Union on 23 September 2016, and Mr Michael A Mack was appointed as Chief Executive Officer and Company Secretary of the Credit Union on 23 September 2016.

Other than that noted above, there are no issues or events that in the opinion of the Directors will significantly impact on the operations of the Credit Union, the results of those operations, or the state of affairs of the Credit Union in subsequent financial years.

29. Corporate information

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

The Head Office of the business and the registered office is 11 Stanley Street, Wodonga, Victoria.

The nature of the operations and its principal activities are the provision of deposit taking facilities and loan facilities to customers of the Credit Union.

Directors' declaration

In the opinion of the Directors of WAW Credit Union Co-operative Limited (the Credit Union):-

1. the financial statements and notes, set out on pages 6 to 51, are in accordance with the *Corporations Act 2001*, including:

    (a) giving a true and fair view of the Credit Union's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

    (b) complying with the Accounting Standards and Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

Dated at Wodonga this 28th day of September 2016.

Signed in accordance with a resolution of the Directors:

Richard A. Power

Richard A Power - Director
Chair, Board of Directors

David J Iverson - Director
Chair, Audit Committee

Crowe Horwath.
PART OF FINDEX

Crowe Horwath Albury
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Member Crowe Horwath International

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Independent Auditor's Report to the Shareholders of WAW Credit Union Co-operative Limited

Report on the financial report

We have audited the accompanying financial report of WAW Credit Union Co-operative Limited (the Company), which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the Directors' declaration.

Directors' responsibility for the financial report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls 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.

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 that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 controls relevant to the Company's preparation and fair presentation of the financial report 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 controls. 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, the financial report of WAW Credit Union Co-operative Limited 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 2016 and of its performance for the year ended on that date; and

II. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Crowe Horwath Albury

CROWE HORWATH ALBURY

DAVID MUNDAY
Partner

Dated at Melbourne this 28th day of September 2016.

Customer Service Centre Locations

Albury
500 Dean Street
Phone: (02) 6051 3600 Fax: (02) 6051 3602

Beechworth
19 Camp Street
Phone: (03) 5728 8100 Fax: (03) 5728 2204

Chiltern
40 Conness Street
Phone: (03) 5726 1226 Fax: (03) 5726 1953

Corryong
34 Hanson Street
Phone: (02) 6076 1266 Fax: (02) 6076 2004

Lavington
366 Griffith Road
Phone: (02) 6051 4555 Fax: (02) 6051 4551

Moulamein
Shire offices
Phone: (03) 5887 5353 Fax: (03) 5887 5352

Myrtleford
27 Clyde Street
Phone: (03) 5752 1764 Fax: (03) 5751 1063

Tallangatta
55 Towong Street
Phone: (02) 6071 3036 Fax: (02) 6071 3041

Walla Walla
76 Commercial Street
Phone: (02) 6029 2392 Fax: (02) 6029 2432

Walwa
Walwa Bush Nursing Centre
Main Street
Phone: (02) 6037 1499 Fax: (02) 6037 1494

Wangaratta
12 Ford Street
Phone: (03) 5723 4133 Fax: (03) 5723 4138

Wodonga
11 Stanley Street
Phone: (02) 6022 8444 Fax: (02) 6022 8401

Yackandandah
17 High Street
Phone: (02) 6027 1272 Fax: (02) 6027 1051

$ = *ATM available at this CSC*

Web (Netlink) www.wawcu.com.au
Telephone banking (Infolink) 1300 361 766
General enquiries (Directlink) 1300 368 555

WAW Credit Union Co-Operative Limited

ABN: 48 087 651 787
AFSL: 247298
Australian Credit Licence: 247298
Registered office: 11 Stanley Street, Wodonga, Victoria 3690
Telephone: 02 6022 8444   Directlink: 1300 368 555

Regional Customer Service Centres

Albury • Beechworth • Chiltern • Corryong • Lavington • Moulamein • Myrtleford • Tallangatta
Walla Walla • Walwa • Wangaratta • Wodonga • Yackandandah

Phone Based Services

Directlink 1300 368 555 – Loans, insurance, term deposits and information
Infolink 1300 361 766 – 24 hour telephone banking and BPAY

Internet and Email

Website: www.wawcu.com.au Information, Netlink and Mobile Netlink Internet Banking
Email: info@wawcu.com.au Information and Communication

Affiliations and Associations

COBA – Customer Owned Banking Association • World Council of Credit Unions
The Association of Asian Confederation of Credit Unions • TransAction Solutions Ltd
Credit Union Financial Support System Ltd • Visa Worldwide
Ultradata Australia • Institute for Strategy, Innovation & Leadership

Bankers

Cuscal Ltd • National Australia Bank

Insurers

QBE Insurance (Australia) Ltd • GMHBA Health Insurance
Genworth Financial

Auditors

External – Crowe Horwath, Albury
Internal – Bob Travers & Associates, Albury

External Dispute Resolution Provider

Financial Ombudsman Service

Solicitors

HL, Wodonga • Mark Swivel Legal, Sydney
Purcell Partners, Melbourne • Daniels Bengtsson, Sydney

Wealth Management

Quadrant Financial Planning

Key Regulators

APRA – Australian Prudential Regulation Authority
ASIC – Australian Securities and Investments Commission
ATO – Australian Taxation Office
Austrac
Privacy Commissioner

WAW credit union
Smart Banking
www.wawcu.com.au

Australian Government $250,000 GUARANTEED DEPOSITS

WAW Credit Union is an authorised deposit-taking institution that receives the Commonwealth Government Financial Claims Scheme deposit guarantee.