Annual Review and Financial Statements for the Financial Year 30 June 2017

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

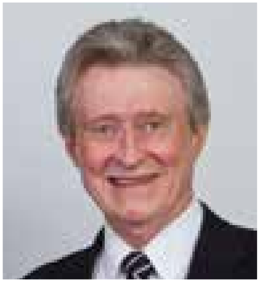
Community Support • Financial Reliability • Environmental Responsibility • Customer Mutuality

Contents

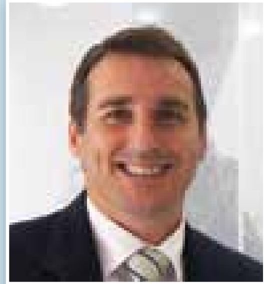
As part of our environmental responsibility business policy, printed copies of this annual report will be supplied by request only. We encourage customers to access this document online at **www.wawcu.com.au**

Annual Review for 2016/2017

Chair's and Chief Executive Officer's Report



RICHARD POWER
Chair



MICHAEL MACK
Chief Executive Officer

On behalf of the Board, Management and staff of the Credit Union, we are delighted to present the 2016-2017 Annual Report to our stakeholders. At the outset, we wish to sincerely thank our customers and staff for their support and commitment to the organisation during the year which underpinned our growth and strong operating results.

As a customer-owned financial institution we remain very focused on running a responsible, ethical organisation which is based on offering products and services that are fair, flexible and easy to access. We believe that this approach is as relevant in today's digital banking environment as it was when the majority of our business was transacted face to face, and it underpins our desire to keep the concept of sustainability at the heart of our strategy.

"WE WISH TO SINCERELY THANK OUR CUSTOMERS AND STAFF FOR THEIR SUPPORT AND COMMITMENT TO THE ORGANISATION DURING THE YEAR WHICH UNDERPINNED OUR GROWTH AND STRONG OPERATING RESULTS."

The general operating and regulatory environment has been influenced by significant growth in the property markets of Melbourne and Sydney, as well as a relatively stable economy that has seen interest rates remain unchanged since August 2016. Competition, innovation and developments in regulation have dominated the sector over the past year and will continue to do so for the foreseeable future. We are delighted to advise that the Credit Union has been able to grow strongly during this time and continue to meet the expectations of customers and the wider community in terms of delivering product innovations such as Apple, Android and Samsung Pay while maintaining a commitment to traditional customer service.

Against this economic backdrop, the Credit Union approved a record value of new loans for customers of just under $100m for the year and increased its loan base by over $20m (or 6.42% annualised) in the same period. Importantly, this level of growth was achieved completely independent of any mortgage broker partnerships which are becoming increasingly common-place throughout the sector. From a customer deposits perspective, we continued to see the strong levels of growth during the financial year which have been present for some time now. Overall, deposit balances grew by $27.13m during 2016-2017 (6.97% annualised) with strong support shown for deposit accounts linked to innovative products such as Digital Wallets.

As the banking landscape continues to change and the emergence of new technologies shape consumer expectations, we are pleased to advise that the Credit Union has maintained a commitment to investing in new technology and platforms. During the year, Management and staff completed a significant amount of preparation and testing in order to deliver real-time payments for customers in the near future under the New Payments Platform (NPP). The industry has been working hard over a number of years to be in a position to offer this exciting new payments option which will deliver a far richer experience for business and consumers alike. We are delighted that WAW will be one of the very first financial institutions in Australia to make this available to customers.

Despite high levels of competition, solid growth rates and the investments in technology, the Credit Union's core prudential measures of Capital Adequacy and Liquidity have remained in a very good position and well above regulatory minimums. The organisation's Capital Adequacy Ratio finished the year at 14.33% following a profit result that increased year on year by just under 25%. Customer deposit growth supported a very strong cash flow position which was reflected in a Liquidity result that finished the period at 22.82%.

WAW's origins in the local region, which date back over 60 years, and its focus on community continues to resonate in the decisions that Board and Management make today. During 2016-2017, we distributed over 5.2% of profit directly back into the local community via 109 individual sponsorships or donations. WAW's Latipsoh hospital fundraiser approached an outstanding milestone in its 16 year history in 2016, whereby over $1.5m has been raised in total over this time for our region's local hospital services. WAW's school safety program (CARS) reached thousands of children in schools throughout North East Victoria, promoting awareness of important issues such as cyber-bullying along with road and general safety around the home and the schools themselves.

Staff and Director training and development remain an important part of our effort to ensure that customers receive outstanding levels of service and Governance of the organisation remains strong. During the year we delivered over 5,200 hours of training to our committed employees and we would like to acknowledge their commitment to development. Our Directors also undertook over 190 hours of formal Continuing Professional Development training to ensure that they maintained a high degree of awareness of operational and strategic issues impacting the business. During the last 12 months, the Board has also overseen an extensive amount of policy development which places the Credit Union in a very strong position moving forward.

In closing, we would again like to thank our nearly 30,000 customers, who are also our owners, for their continued support in 2016-2017. To our staff, Management and Board, we pass on our gratitude for your commitment and passion for WAW Credit Union in what is an extremely complex operating environment. We would also like to extend our thanks to our numerous suppliers, many of which are local, for doing your part to ensure that we are a growing, vibrant and proud regional business.

Richard Power
Chair

Michael Mack
CEO/
Company Secretary

About WAW

Established in 1956, WAW Credit Union is a customer-owned financial institution with a proud history of supporting the people and communities of North East Victoria and Southern NSW. Today, WAW is a modern, vibrant and growing organisation with a range of innovative products including technology such as Apple, Android and Samsung Pay. WAW's focus is one of meeting the banking needs of customers and their communities by being easy to deal with and flexible in our approach to ensure that common sense and customer service are at the core of our identity. At the heart of the WAW business model is a commitment to measuring success by more than just financial results. Environmental responsibility, community support and a commitment to the principles of Mutuality are all key elements that are measured each year within the business. We are extremely grateful to our customers, staff and Directors who have contributed to our success over this time in order to create a strong, respected and community-focused financial institution in 2017.

WAW has over 30,000 customers and total assets approaching $450 million. We offer a full range of banking solutions including home and personal lending, savings and transaction accounts, term deposits, business banking, financial planning and a wide range of insurance products.

WAW customers enjoy access to over 3,000 ATMs, desktop, mobile and telephone banking, a branch network of 13 Service Centres, plus access to industry innovations such as Digital Wallets.

We are registered with the Australian Securities and Investments Commission (ASIC) and Australian Prudential Regulation Authority (APRA). We hold an Australian Financial Service Licence (AFSL) and an Australian Credit Licence (ACL). We are an Authorised Deposit-taking Institution (ADI) and our customers' deposits are covered by the Australian Government's Financial Claims Scheme.

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

Our values reflect the way we do things at WAW Credit Union. They are the guiding principles by which we run the organisation and conduct ourselves in our interactions.

They comprise:

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

Our Approach

WAW places emphasis on balancing a Four Bottom Line (4BL) business model:

- Community Support
- Financial Reliability
- Environmental Responsibility
- Customer Mutuality

COMMUNITY SUPPORT

WAW Credit Union is a proud supporter of our local communities. We have a history spanning over 60 years of supporting the communities around our region and remain dedicated to helping those communities grow and prosper. As a regionally-based financial institution, WAW Credit Union views sponsorships as an investment in the community. WAW is a proud supporter of a wide variety of sporting and social clubs, educational, environmental, health initiatives and the arts.

The WAW Community Support Program was established to reinforce our commitment to giving back to the communities we serve. Since its inception, the Community Support Program has granted hundreds of thousands of dollars in sponsorships which have helped generate economic, social, cultural, environmental, and educational benefits for these communities. This year, we again worked hard to create positive outcomes for our customers and our communities by delivering in excess of $73,000 in sponsorships to worthy recipients. Our staff play a large role within our local communities, by supporting fundraisers and local events and by being actively involved in the community.

This year WAW continued our sponsorship commitments to many organisations and programs in our region including, but not limited to, the following:

- Albury Wodonga Theatre Company
- Beechworth Barrowthon
- Border Bandits Basketball Club
- Hume Football & Netball League
- Kerferd Oration
- Ovens & King Football & Netball League
- Caring About Regional Safety (CARS) School Safety Program
- Trinity College Art Award
- Tallangatta 50s festival
- Youth Mental Health Forum
- Winter blanket appeal

Latipsoh

This year marks the 16th year of Latipsoh raising funds for our local health services. A total of $70,000 was raised through the WAW Community Fund this year via a combination of WAW activities, general and online donations via the Community Fund's website, and hospital-based initiatives. A portion of funds raised went to the recently completed Rehabilitation & Robotics Centre of Excellence within the Northeast Health Community Care Centre. WAW, through Latipsoh fundraising, was pleased to be recognised for playing a key part in helping this Centre come to fruition. The facility is the only one in regional Australia to provide rehabilitation therapy for stroke victims, as well as other limb and mobility impaired patients, using state-of-the-art robotic equipment.

We are delighted to announce that the WAW Latipsoh initiative has now raised over $1.5m for our region's hospitals!

Customer Mutuality

WAW Credit Union is one of 77 customer-owned financial institutions in Australia. We are regulated in the same way as the major banks, with our customers' deposits covered by the Federal Government deposit guarantee. We proudly reinvest 100% of our profits back into our organisation for the benefit of our customers and the communities we support, rather than paying dividends to shareholders as listed companies often do.

Each shareholding customer holds one share in our organisation, which cannot be sold or transferred to anyone else. As part owners, customers have a say in how we operate the business, and they can vote on matters of importance at our Annual General Meeting. This year WAW welcomed 1,213 new customers into our organisation.

The Customer Benefit Program (CBP) is a prime example of the benefits that a customer-owned financial institution can deliver. 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 customers 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 $519,855.

ENVIRONMENTAL RESPONSIBILITY

In addition to being economically sustainable, WAW's corporate social responsibility signifies our understanding and our commitment to responding to the community in which we operate in.

WAW adheres to the Customer Owned Banking Code of Practice, a voluntary code of conduct that binds WAW to the promise of recognising the impact our actions have on our community, to promote community engagement and contribute to community actions and projects.

Through sponsorship of community activities and financial products designed to assist customers, we are able to provide benefits to the local area and environment. WAW is putting the principles of corporate responsibility into action every day:

- Provision of green loans at reduced rates for environmentally-focused purchases
- Promotion of eStatements as our preferred statement delivery option
- Reducing 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.

FINANCIAL RELIABILITY

The operating result showed profit after tax of $1.41m compared to $1.13m the previous year.

The cornerstone of strength and reliability of any banking organisation is its capital position. At WAW the capital adequacy ratio finished the 16-17 financial year at 14.33%, which is well above the minimum requirements set down by APRA. We want to grow, but we will grow responsibly while protecting our capital reserves. Our strong capital adequacy ratio validates our strength and commitment to sustainable growth.

Total liquidity on our balance sheet measures the strength of the Credit Union's funding base and our ability to meet financial commitments. Despite lending growth exceeding $20m for the year, liquidity levels remained strong at 22.82%, which is again well above our Prudential requirements.

Loans and Deposits

On the 3rd August 2016, the Reserve Bank reduced official interest rates to 1.50%, with no further changes to the cash rate since that time.

WAW has always balanced the needs of depositing and borrowing customers and has continued to offer competitively priced deposit and loan products.

Overall, customer deposits increased strongly to finish at $416.5m at the end of the year, while we also experienced good levels of growth in loan balances which finished at $338.1m compared to $317.7m as at 30 June 2016.

Total assets at 30 June 2017 were $449.4m compared to $421.9m as at 30 June 2016.

Fraud Detection

WAW Credit Union is committed to protecting our customers' funds from fraud. In an increasingly digitised world, managing cyber risk continues to be a focus in our efforts to shield and educate customers in this area. The industry experienced increased levels of fraud activity which includes fraudsters targeting people's sensitive information through computer viruses, identity takeover, lending fraud, ATM skimming and email scams. Despite the prevalence of fraud, we are pleased to announce that our year-on-year fraud losses actually declined and we managed to shield customers from potential threats as a result of over 5,000 outbound verification calls to customers from our Fraud Interceptor team.

We have been vigilant in setting up systems and processes to identify fraud, whether it is internal or external. We continue to develop our capability in tackling fraud in both new and old forms, which includes investments into the latest digital technologies to monitor transaction patterns and threat sources both domestically and around the globe.

All financial institutions face these same issues and we are working cooperatively with the banking sector to ensure we are even more watchful and more responsive to these growing trends.

DIRECTOR ELECTION & ANNUAL GENERAL MEETING

Voting in the 2016 WAW Credit Union Director Election was held from 2 November to 16 November.

Six candidates nominated for the two vacant Board positions. Following the election, Mark Dixen was re-elected to the Board and was joined by Carol Judd in her first term as a Director of WAW Credit Union.

The 2017 AGM will be held on 22 November 2017.

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 2017 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

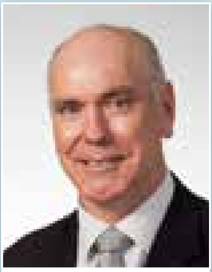
Mark P Dixen
Grad Dip Ed Studies, DipAg, DipCH, TC, Cert IV CLM, MAMI
Occupation: Teacher (retired)
Director since 2010


Mr Brendan Munk

Brendan Munk
MAMI
Occupation: Business Owner (retired)
Director since 2011


Mr David Iverson

David J Iverson
Dip.Law, MAMI
Occupation: Solicitor (retired)
Director since 2012


Mr Timothy Frazer

Timothy S Frazer
BEc (Macquarie Uni), FFINSIA, MAMI
Occupation: Consultant
Director since 2015


Mrs Carol Judd

Carol A Judd
B.Bus(Acct), FCPA, MAICD
Occupation: Accountant (retired)
Appointed 23 November 2016


Dr Dianne McGrath

Dr Dianne McGrath
Bec ANU, MCom LTU, PhD CSturt, FCPA, MAMI
Occupation: University Course Director
Retired from Board 23 November 2016


Dr Rowan O'Hagan

Dr Rowan O'Hagan
BAgSci(Hons), MAgSci, MAcc, PhD, FAICD, MAIA, MAMI
Occupation: Consultant
Retired from Board 4 December 2016

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

Mr Peter K Challis retired as Chief Executive Officer and Company Secretary of the Credit Union 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, and continues to act in this capacity.

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 Continuing Professional Development	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
R Power	15	14	14	14	13	13	11	11	10	10	1	1	1	1	9	9
M Dixen	15	12	6	2	6	4	5	4	10	8	4	2	1	1	9	7
B Munk	15	14	8	8	6	6	6	6	10	9	2	2	2	2	9	7
D Iverson	15	7	9	8	7	7	6	6	7	7	-	-	-	-	9	6
T Frazer	15	7	-	-	7	6	6	5	3	3	3	3	-	-	9	7
C Judd [Appointed 23/11/16]	10	10	5	5	6	6	5	5	3	3	2	2	1	1	4	3
D McGrath [Retired 23/11/16]	5	4	-	-	-	-	5	4	-	-	2	2	-	-	5	3
R O'Hagan [Retired 4/12/16]	7	7	-	-	-	-	-	-	-	-	2	2	1	1	5	1

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 Board has in place a progressive annual training and development program to support Directors in maintaining a high level of knowledge and skills related to the regulatory and operating environment of the organisation, and to address the knowledge and skills required to fulfil the duties of a Director of an Authorised Deposit-taking Institution (ADI). Individual Directors must complete a minimum 60 hours of CPD per triennium. The following table reports the hours undertaken by each Director for the year ended 30 June 2017.

Director	CPD Hours to 30/6/17
R Power	34.00
M Dixen	14.00
B Munk	36.50
D Iverson	28.50
T Frazer	26.75
C Judd [appointed 23/11/16	26.50
D McGrath [retired 23/11/16]	24.00
R O'Hagan [retired 04/12/16]	2.00

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 2014 to 30 June 2017.

During the financial year, the Board carried out its annual Director appraisal process which includes detailed peer and self-assessment feedback as well as a review of collective Board performance and skill sets.

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 $1,912,639 (2016: $1,684,061). Income tax expense was $497,792 (2016: $551,111).

REVIEW OF OPERATION

Net loans and advances for the year have increased by $20,388,948 to $338,065,749.

Deposits increased during the year by $27,127,777 to $416,576,889.

Equity during the year has increased by $1,414,847 to $28,455,627.

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

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 specifically subject to any significant environmental regulations under either Commonwealth or State legislation beyond those required of the business community in general. However, the Board believes that the Credit Union has adequate systems in place for the management of its environmental responsibilities as they apply to the Credit Union in general terms.

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 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.

Directors' Report (cont'd)

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 through systems of oversight, 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 carries out an annual appraisal process that assesses the performance of individual Directors and the Board as a whole, as well as the function and performance of the Board's Committees. The annual appraisal process also assists the Board with individual and group development plans and reviewing the skill sets required by the Board to carry out its role with reference to the Credit Union's Strategic and Business Plans.

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 May 2016, the Credit Union re-appointed Bob Travers & Associates to the position of internal auditor for a further two years. The assessment and associated appointment was made in accordance with key Prudential Standards including CPS 231 - *Outsourcing* and APS 310 Audit and *Related Matters*.

External audit:

In June 2016, the Credit Union appointed Crowe Horwath Albury in the role of external auditor for a further one year. Following a tender process in 2017, Crowe Horwath Albury was re-appointed for a further three years.

Crowe Horwath Albury has appropriate Lead Audit Partner rotation policies to ensure compliance with key requirements contained within Prudential Standards CPS 510 Governance, CPS 520 Fit and Proper and APS 310 Audit and Related Matters.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor independence declaration for the year ended 30 June 2017 has been received and can be found on page 5 of the financial report.

Dated at Wodonga this 26th day of September 2017.

Signed in accordance with a resolution of the Directors.

Richard A Power	Carol A Judd
Director	Director
Chair, Board of Directors	*Chair, Audit Committee*

Crowe Horwath Albury
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Member Crowe Horwath International

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Tel 02 6021 1111
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www.crowehorwath.com.au

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 2017 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

DAVID MUNDAY
Partner

Dated at Melbourne this 26th day of September 2017.

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2017

	Note	2017 $	2016 $
Interest revenue	2	17,638,863	18,060,823
Interest expense	2	(7,760,532)	(8,420,231)
Net interest income		9,878,331	9,640,592
Non-interest revenue	3(a)	2,582,708	2,529,262
Other income	3(b)	(4,473)	15,283
Other expenses	4	(9,559,747)	(9,624,825)
Impairment charge	11	1,788	(2,528)
Fees and commission expense		(985,968)	(873,723)
Profit before tax		1,912,639	1,684,061
Income tax expense	5	(497,792)	(551,111)
Profit after tax		1,414,847	1,132,950
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		1,414,847	1,321,966

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 2017

Year ended 30 June 2016	Retained Profits $	Lending Risk Reserve $	General Reserve $	Asset Revaluation Reserve $	Total $
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
Year ended 30 June 2017					
Opening balance at 1 July 2016	1,124,737	486,258	23,858,053	1,571,732	27,040,780
Profit after tax	1,414,847	-	-	-	1,414,847
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	1,414,847	-	-	-	1,414,847
Transfer to/(from) lending risk reserve	(30,003)	30,003	-	-	-
Transfer to general reserve	(1,124,737)	-	1,124,737	-	-
Closing balance at 30 June 2017	1,384,844	516,261	24,982,790	1,571,732	28,455,627

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 2017

	Note	2017 $	2016 $
ASSETS			
Cash and cash equivalents	7	99,132,316	86,371,762
Receivables due from other financial institutions	8	2,000,000	7,000,000
Other receivables	9	398,652	578,727
Customer loans and advances	10	338,065,749	317,676,801
Other financial assets	12	629,912	629,912
Property, plant and equipment	13	8,301,927	8,665,064
Intangible assets	14	284,227	351,304
Income tax receivable	6	152,922	111,226
Deferred tax assets	6	345,203	388,326
Prepayments		115,180	125,565
TOTAL ASSETS		449,426,088	421,898,687
LIABILITIES			
Customer deposits	15	416,576,889	389,449,112
Accounts payable and other liabilities	16	2,373,166	3,272,657
Employee benefits	17	1,137,519	1,146,904
Deferred tax liabilities	6	882,887	989,234
TOTAL LIABILITIES		420,970,461	394,857,907
NET ASSETS		28,455,627	27,040,780
EQUITY			
Reserves	1(o)	27,070,783	25,916,043
Retained profits		1,384,844	1,124,737
TOTAL EQUITY		28,455,627	27,040,780

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 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Interest received		17,653,642	17,997,444
Interest paid		(7,645,534)	(8,890,296)
Payments to employees and suppliers		(10,945,379)	(8,828,325)
Receipts from other services		2,748,004	2,456,938
Income tax paid		(602,712)	(703,835)
		1,208,021	2,031,926
Net (increase)/decrease in loans and advances		(20,387,159)	(7,577,983)
Net increase/(decrease) in deposits		27,127,777	12,020,880
Net cash from / (used in) operating activities	18(a)	7,948,639	6,474,823
Cash flows from investing activities			
Acquisition of other financial assets		-	(20,000)
Acquisition of receivables from other financial institutions		5,000,000	17,000,000
Acquisition of property, plant and equipment		(132,279)	(327,916)
Acquisition of intangible assets		(126,378)	(152,962)
Proceeds from sale of plant and equipment		70,572	53,000
Net cash from / (used in) investing activities		4,811,915	16,552,122
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		12,760,554	23,026,945
Cash and cash equivalents at 1 July 2016		86,371,762	63,344,817
Cash and cash equivalents at 30 June 2017	7	99,132,316	86,371,762

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 2017

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 26 September 2017.

(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 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 2017 (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 60 (2016: 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 2017 (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), 13 and 28 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 2017 (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 2017 (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 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 that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates that have been 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 2017 (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 11 – Impairment of loans and advances; and
- Note 13 - 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 2017 is $24,982,790 (2016: $23,858,053).

Notes to the Financial Statements
For the year ended 30 June 2017 (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 2017 is $1,571,732 (2016: $1,571,732).

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 $516,261 to a lending risk reserve account as at 30 June 2017 (2016: $486,258). This reserve is calculated at the rate of 0.30% of risk weighted credit assets for the previous month prior to year end (2016: 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 2017 of $329,570 (2016: $328,509) 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 2017 allocation amounts to $1,061 (2016: $1,040).

(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 2017 (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 2017 (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, as well as the general hedge accounting requirements. It also introduces a new 'expected' credit loss model for calculating impairment on financial assets. This moves away from the current 'incurred' loss model required under AASB139. Under the expected credit loss model, the Credit Union will be required to consider a broader range of information when assessing credit risk and measuring expected credit losses including past experience of historical losses for similar financial instruments. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Notes to the Financial Statements
For the year ended 30 June 2017 (cont'd)

1. Significant accounting policies (cont'd)

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

The Credit Union has conducted a high-level analysis on the impact of AASB 9. This review highlighted that the move to an expected credit loss model for impairment will impact the Credit Union based on earlier recognition of expected credit losses. This is expected to impact the level of the provision for impairment [at Note 11] and the lending risk reserve [at Note 1(o)].

APRA released guidance in July 2017 highlighting the prudential reporting approach with regards to AASB 9. A detailed review of the quantitative impact of the expected credit loss model has not yet been undertaken by the Credit Union; however, based on the nature of the Credit Union's financial assets, the classification and measurement of financial assets under the new standard are not expected to have a material impact. The Credit Union does not conduct any hedge accounting and so changes to the standards in this regard are not currently applicable.

Management is developing an implementation plan which includes a specific project to quantify the impact of AASB 9 during the 2018 financial year. To date, Management has focused on analysing historical credit losses to enable a starting point for further analysis as part of the implementation project referred to above.

- 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 an estimation by the Credit Union of the amount it is expected to be entitled to by performing under the contract. This new standard is effective for annual reporting periods commencing 1 January 2018, with early adoption permitted.

  Based upon a preliminary assessment, the standard is not expected to have a material impact upon the transactions and balances recognised when it is first adopted, as most of the Credit Union's revenue arises from the provision of financial services which will be governed by AASB 9 *Financial Instruments*. AASB 9 continues the effective interest rate method for financial instruments carried at amortised cost. This is the method currently required under AASB 139. There are limited revenue transactions of the Credit Union that are impacted by AASB 15.

- AASB 16 *Leases* requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low-value asset leases. It also provides new guidance on the application of the definition of a lease, as well as sale and lease-back accounting. This new standard requires new and different disclosures about leases. It is effective for annual reporting periods commencing 1 January 2019.

  Based on the Credit Union's preliminary assessments, the likely impact on the transactions and balances recognised will be:
  - an increase in property, plant and equipment and a corresponding increase in financial liabilities;
  - the assets will be depreciated over the life of the leases; and
  - lease payments will be split between interest and principal reduction, rather than being included in operating expenses.

  Currently the Credit Union leases a number of properties. The quantitative impact of this standard has not yet been determined by the Credit Union. Management is developing an implementation plan which is underpinned by a project to quantify the impact of this standard during the 2018 financial year.

Notes to the Financial Statements
For the year ended 30 June 2017 (cont'd)

	2017 $	2016 $
2. Interest revenue and interest expense		
Interest Revenue		
Loans and advances - customers	15,410,016	15,654,007
Investment securities	2,228,847	2,406,816
	17,638,863	18,060,823
Interest Expense		
Deposits - customers	(7,751,186)	(8,401,865)
Short-term borrowings	(9,346)	(18,366)
	(7,760,532)	(8,420,231)
3. Other revenue & other income		
a) Non-Interest Revenue		
Dividends	99,545	98,392
Fees and Commissions		
• Loan fee income	384,935	333,883
• Other fee income	1,360,725	1,323,902
• Commissions	551,480	584,312
Rental received	174,038	169,788
Bad debts recovered	1,852	2,846
Other revenue	10,133	16,139
Total non-interest revenue	2,582,708	2,529,262
b) Other Income		
Gain / (Loss) on sale of property, plant & equipment	(4,473)	15,283
Total other income	(4,473)	15,283

Notes to the Financial Statements
For the year ended 30 June 2017 (cont'd)

4. Other expenses

	2017 $	2016 $
Amortisation		
• Leasehold improvements	59,597	59,597
• Intangible assets – Computer software	173,786	162,367
Depreciation		
• Office furniture, Plant and equipment, Computer hardware and Motor vehicles	228,289	251,438
• Buildings	152,155	159,510
General and administration	3,186,987	3,368,463
Personnel costs		
• Wages and salaries	4,003,719	3,951,522
• Other associated personnel expenses	346,480	352,908
• Contributions to defined contribution superannuation plans	631,491	626,363
• Annual leave	361,686	361,405
• Long service leave	149,708	62,423
Rental on operating leases	265,849	268,829
Total other expenses	9,559,747	9,624,825

5. Income tax

	2017 $	2016 $
Profit before tax	1,912,639	1,684,061
Prima facie income tax expense calculated at 30% on net profit	573,792	505,218
Increase/(Decrease) in income tax due to:		
Non-deductible expenses	2,741	1,608
Imputation credits	(29,863)	(29,518)
Under/(over) provision for income tax in prior year	3	-
Other differences in tax treatment	-	73,803
Change in tax rate for recognition of DTA / DTL	(48,881)	-
Income tax expense	497,792	551,111
Current tax expense	561,013	496,709
Deferred tax expense	(63,224)	54,402
Prior year adjustment	3	-
Income tax expense	497,792	551,111

Notes to the Financial Statements
For the year ended 30 June 2017 (cont'd)

6. Taxation balances

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**	**$**	**$**
Debtors	2,321	12,586	-	-	2,321	12,586
Prepayments	-	-	3,255	5,700	(3,255)	(5,700)
Investments	-	-	4,432	4,835	(4,432)	(4,835)
Property, Plant & Equipment, & Intangibles [1]	-	-	875,200	978,699	(875,200)	(978,699)
Accrued Expenses	45,012	42,571	-	-	45,012	42,571
Employee Benefits	297,870	333,169	-	-	297,870	333,169
	345,203	388,326	882,887	989,234	(537,684)	(600,908)

(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 $152,922 (2016: $111,226 refundable) represents the amount of income taxes receivable or payable in respect of current and prior periods.

	2017	**2016**
	$	**$**
Income tax payable / (receivable)	(152,922)	(111,226)
Movement in taxation provision		
Balance at beginning of year	(111,226)	95,900
Current year's income tax expense on profit before tax	561,013	496,709
Income tax paid – current year	(548,270)	(607,935)
Income tax paid – prior year	(54,439)	(95,900)
Balance at end of year	(152,922)	(111,226)

7. Cash and cash equivalents

Cash on hand and at bank	4,233,724	3,313,507
Deposits at call	3,000,000	100,000
Security deposits	8,370,000	-
Negotiable certificate of deposits	71,528,592	72,958,255
Floating rate note securities	12,000,000	10,000,000
	99,132,316	86,371,762
Remaining maturity analysis		
Not longer than 3 months	87,132,316	76,371,762
Longer than 3 and not longer than 12 months	-	-
Longer than 12 months and not longer than 5 years[2]	12,000,000	10,000,000
	99,132,316	86,371,762

(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 2017 (cont'd)

	2017 $	2016 $
7. Cash and cash equivalents (cont'd)		
Credit rating of cash & cash equivalents		
Cuscal Limited – rated A	27,018,258	14,080,193
Banks – rated AA- and above	12,053,407	10,020,925
Banks – rated below AA-	57,392,107	59,330,861
N/A – cash on hand	2,668,544	2,939,783
	99,132,316	86,371,762
8. Receivables due from other financial institutions		
Term deposits	2,000,000	7,000,000
	2,000,000	7,000,000
Remaining maturity analysis		
Not longer than 3 months	2,000,000	6,000,000
Longer than 3 and not longer than 12 months	-	1,000,000
Longer than 12 months and not longer than 5 years	-	-
	2,000,000	7,000,000
Credit rating of receivables due from other financial institutions		
Banks – rated AA- and above	-	1,000,000
Banks – rated below AA-	2,000,000	6,000,000
	2,000,000	7,000,000
9. Other receivables		
Interest receivable	302,755	317,534
Other	95,897	261,193
	398,652	578,727
10. Loans and advances		
Overdrafts - customers	5,924,665	6,837,292
Term loans - customers	332,149,524	310,881,463
Gross loans and advances – customers	338,074,189	317,718,755
Provision for impairment	(8,440)	(41,954)
Net loans and advances	338,065,749	317,676,801
Maturity analysis		
Overdrafts	5,924,665	6,837,292
Not longer than 3 months	3,556,529	3,314,273
Longer than 3 and not longer than 12 months	10,210,478	9,534,069
Longer than 1 and not longer than 5 years	52,454,889	48,934,451
Longer than 5 years	265,927,628	249,098,670
	338,074,189	317,718,755

Notes to the Financial Statements
For the year ended 30 June 2017 (cont'd)

	2017 $	2016 $
10. Loans and advances (cont'd)		
Security held against loans		
Secured by mortgage over residential property	313,388,782	292,802,668
Secured by mortgage over commercial property	20,854,522	20,052,965
Total loans secured by real estate	334,243,304	312,855,633
Secured by funds	1,687,614	1,873,816
Partly secured by goods mortgage	1,878,132	1,874,675
Fully unsecured	265,139	1,114,631
	338,074,189	317,718,755

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 residential real estate mortgage security on a portfolio basis is as follows:

Loan to Value Ratio of 80% or less	271,748,834	252,014,084
Loan to Value Ratio of more than 80% but mortgage insured	41,639,948	40,788,584
Loan to Value Ratio of more than 80% not mortgage insured	-	-
	313,388,782	292,802,668

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.

The geographical segment details are below:		
- Victoria	240,033,871	223,218,209
- New South Wales	88,162,077	84,488,030
- Other	9,878,241	10,012,516
	338,074,189	317,718,755

11. Impairment of loans and advances

Total provision comprises of:		
Collective provisions	8,440	2,333
Additional specific provisions	-	39,621
Total provision	8,440	41,954
Movement in the provision for impairment – collective provision		
Balance at beginning of year	2,333	5,954
Expensed during the year	7,748	1,815
Bad debts written off from provision	(1,641)	(5,436)
Balance at end of year	8,440	2,333

Notes to the Financial Statements
For the year ended 30 June 2017 (cont'd)

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

	2017 $	2016 $
Movement in the provision for impairment – specific provision		
Balance at beginning of year	39,621	38,908
Expensed / (written back) during the year	(9,536)	713
Bad debts written off from provision	(30,085)	-
Balance at end of year	-	39,621
Impairment charge comprises of:		
Collective provision	7,748	1,815
Specific provision	(9,536)	713
Bad debts recognised directly to profit or loss	-	-
Total bad debts expense	(1,788)	2,528
Ageing analysis of loans and advances past due		
Loans and advances past due and not impaired		
Up to 30 days	2,180,726	2,893,294
More than 30 days, but less than 90 days	492,609	642,470
More than 90 days, but less than 180 days	-	69,922
More than 180 days, but less than 270 days	68,355	-
More than 270 days, but less than 365 days	-	157,332
More than 365 days	-	-
Over limit credit facilities less than 14 days	5,136	5,140
	2,746,826	3,768,158
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
More than 180 days, but less than 270 days	2,687	-
More than 270 days, but less than 365 days	-	-
More than 365 days	-	198,104
Over limit credit facilities more than 14 days	17,743	2,492
	20,430	202,090
Security analysis of loans and advances past due		
Loans and advances past due and not impaired		
Secured by mortgage over real estate	2,712,496	3,715,139
Secured by funds	-	-
Partly secured by goods mortgage	29,194	42,403
Fully unsecured	5,136	10,616
	2,746,826	3,768,158
Loans and advances past due and impaired		
Secured by mortgage over real estate	-	198,104
Secured by funds	-	-
Partly secured by goods mortgage	2,687	-
Fully unsecured	17,743	3,986
	20,430	202,090

Notes to the Financial Statements
For the year ended 30 June 2017 (cont'd)

	2017 $	2016 $

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

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

	2017 $	2016 $
Loans restructured during the financial year	1,498	403,704
Balance at the end of the financial year	546	405,429

As at the end of 30 June 2017, the Credit Union had one restructured loan with a balance of $546 (2016: $405,429).

Sale of asset acquired through enforcement of security
During the year, the Credit Union sold a residential property which as an acquired asset via enforcement of security carried out in the 2015 year.

	2017 $	2016 $
Opening balance of enforcement security	158,483	194,542
Real estate acquired through enforcement of security	-	-
Expenses	7,435	3,562
Proceeds from sale of property & insurance claim	(175,454)	-
Balance of loan written off	(30,085)	-
Specific provision for impairment written back	39,621	(39,621)
Balance at the end of the financial year	-	158,483

12. Other financial assets

	2017 $	2016 $
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	20,000
	629,912	629,912

(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 21. 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.

Notes to the Financial Statements
For the year ended 30 June 2017 (cont'd)

12. Other financial assets (cont'd)

(b) TransAction Solutions Pty Ltd (cont'd)

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.

13. Property, plant and equipment

	2017 $	2016 $
Land		
At fair value	1,488,800	1,488,800
	1,488,800	1,488,800
Buildings on freehold land		
At fair value	6,116,267	6,116,267
Accumulated depreciation	(152,155)	-
	5,964,112	6,116,267
Office furniture, plant and equipment, computer hardware and motor vehicles		
At cost	2,243,983	2,262,167
Accumulated depreciation	(1,583,884)	(1,450,683)
	660,099	811,484
Leasehold improvements		
At cost	497,515	497,515
Accumulated amortisation	(308,599)	(249,002)
	188,916	248,513
Carrying amount of total property, plant and equipment	8,301,927	8,665,064

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 28 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 2017 (cont'd)

13. 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 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
Balance at 1 July 2016	1,488,800	6,116,267	811,484	248,513	8,665,064
Additions	-	-	132,279	-	132,279
Revaluations	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals	-	-	(55,374)	-	(55,374)
Depreciation	-	(152,155)	(228,290)	-	(380,445)
Amortisation	-	-	-	(59,597)	(59,597)
Balance at 30 June 2017	1,488,800	5,964,112	660,099	188,916	8,301,927

Notes to the Financial Statements
For the year ended 30 June 2017 (cont'd)

14. Intangible assets

	2017 $	2016 $
At cost – computer software	1,184,021	1,102,143
Accumulated amortisation	(899,794)	(750,839)
	284,227	351,304

Reconciliations

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

Computer software & licences

	2017 $	2016 $
Balance at beginning of the year	351,304	360,709
Acquisitions	126,378	152,962
Disposals	(19,669)	-
Amortisation	(173,786)	(162,367)
Balance at end of the year	284,227	351,304

15. Customer deposits

	2017 $	2016 $
Deposits at call	191,344,092	171,784,712
Term deposits	225,232,797	217,664,400
	416,576,889	389,449,112

Remaining maturity analysis		
At call	191,344,093	171,784,712
Not longer than 3 months	35,017,830	106,310,331
Longer than 3 and not longer than 12 months	153,099,315	103,179,930
Longer than 1 and not longer than 5 years	37,115,651	8,174,139
	416,576,889	389,449,112

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:

Victoria	286,831,728	276,286,482
New South Wales	119,841,741	103,740,523
Other	9,903,420	9,422,107
	416,576,889	389,449,112

Significant individual customer deposits
As at 30 June 2017, the Credit Union's deposit portfolio did not have any deposit which represented 5% or more of total liabilities (2016: $nil).

Notes to the Financial Statements
For the year ended 30 June 2017 (cont'd)

16. Accounts payable and other liabilities

	2017 $	2016 $
Accrued interest payable	1,942,176	1,827,178
Sundry creditors, accruals and customer clearing accounts	430,990	1,445,479
	2,373,166	3,272,657

17. Employee benefits

	2017 $	2016 $
Current		
Salaries and wages accrued	54,355	36,342
Liability for long service leave	547,907	498,819
Liability for annual leave	387,382	422,176
	989,644	957,337
Non-current		
Liability for long service leave	147,875	189,567
	1,137,519	1,146,904
Movements in long service leave provision		
Opening balance at beginning of year	688,386	639,608
Expensed during the year	149,708	62,423
Long service leave taken	(142,312)	(13,645)
Balance at end of year	695,782	688,386
Movements in annual leave provision		
Opening balance at beginning of year	422,176	426,737
Expensed during the year	361,686	361,405
Annual leave taken	(396,480)	(365,966)
Balance at end of year	387,382	422,176

Notes to the Financial Statements
For the year ended 30 June 2017 (cont'd)

18. Reconciliation of cash flows from Operating activities

(a) Cash flow from operating activities

	2017 $	2016 $
Profit after income tax	1,414,847	1,132,950
Non cash flows in operating surplus/(deficit):		
(Gain)/Loss on sale of non current assets	4,473	(15,283)
Depreciation on property, plant & equipment	380,445	410,947
Amortisation on leasehold improvements	59,597	59,597
Amortisation on intangible assets	173,786	162,367
Impairment charge	(1,789)	2,528
Provision for employee entitlements	(27,398)	44,217
Changes in assets and liabilities:		
(Increase)/Decrease in other receivables	180,075	(135,702)
(Increase)/Decrease in deferred tax asset	43,123	(11,675)
Increase/(Decrease) in other assets	10,385	10,396
Increase/(Decrease) in accounts payable & other liabilities	(899,491)	509,273
Increase/(Decrease) in salaries & wages accrued	18,012	3,361
Increase/(Decrease) in income tax payable	(41,696)	(207,126)
Increase/(Decrease) in deferred tax liability	(106,348)	66,076
Net cash from revenue activities	1,208,021	2,031,926
Add/(deduct) non revenue operations		
Increase in loan and advances	(20,387,159)	(7,577,983)
Increase in deposits and short term borrowings	27,127,777	12,020,880
	7,948,639	6,474,823

(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 (2016: $2,500,000) and incurs an interest rate of 4.50% (2016: 4.75%).This overdraft facility is secured by a Cash Deposit. As at 30 June 2017, this facility was unused (2016: facility was unused).

Notes to the Financial Statements
For the year ended 30 June 2017 (cont'd)

19. Operating leases and commitments

	2017 $	2016 $
Capital expenditure commitments		
Estimated capital expenditure contracted for at balance date but not provided for (payable not later than one year):		
Property, plant & equipment	-	-
Intangibles	88,484	29,050
	88,484	29,050

Expenditure commitments are stated inclusive of Goods and Services Tax.

	2017 $	2016 $
Operating leases payable (non-cancellable)		
Not later than one year	241,793	222,902
Later than 1 and not later than 5 years	570,280	735,415
Later than 5 years	-	13,826
Aggregate lease expenditure contracted for at balance date	812,073	972,143
Aggregate lease receivable (non-cancellable)		
Not later than one year	178,929	191,153
Later than 1 and not later than 5 years	14,832	193,761
Aggregate lease expenditure contracted for at balance date	193,761	384,914

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.

20. 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% (2016: 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.

21. 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 2017 (cont'd)

21. 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.

22. 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 2017 are exclusive of Goods and Services Tax.

	2017 $	2016 $
Credit related commitments		
Approved but undrawn loans, credit limits & loan redraw facilities	56,611,691	56,758,421
Security analysis of credit-related commitments		
Secured by mortgage over real estate	55,650,294	55,606,271
Secured by funds	230,172	248,493
Partly secured by goods mortgage	477,844	618,744
Fully unsecured	253,381	284,913
	56,611,691	56,758,421
Financial guarantees		
Guarantees	763,262	784,090
Security analysis of financial guarantees		
Secured by mortgage over real estate	731,381	737,360
Secured by funds	21,381	21,381
Partly secured by goods mortgage	-	-
Fully unsecured	10,500	25,349
	763,262	784,090

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;
- Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

Notes to the Financial Statements
For the year ended 30 June 2017 (cont'd)

23. Auditors' remuneration

	2017 $	2016 $
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	66,110	63,580
Other regulatory assurance services	17,380	16,720
Other services - taxation	11,275	6,298
Other services	660	20,625
	95,425	107,223

The above amounts exclude out of pocket expenses recovered.

24. 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 2017, 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 2017 totals $27,604,712 (2016: $14,666,647), representing shares of $586,454 (2016: $586,454) and cash and investments of $27,018,258 (2016: $14,080,193).

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:

	2017 $	2016 $
Bank Australia	2,983,709	-
Commonwealth Bank of Australia (BankWest)	2,000,000	3,000,000
ME Bank	10,246,263	17,885,749
P & N Bank	9,947,149	11,429,346
AMP Bank	2,000,000	6,000,000
National Australia Bank	4,053,407	4,020,925
MyState Bank	21,085,917	17,095,197
Defence Bank	3,680,041	3,976,540
Qbank	4,475,563	1,988,039
Qudos Bank	4,973,465	4,969,314
Westpac Bank	4,000,000	2,000,000

Concentration of loans and advances and customer deposits are detailed in Notes 10 and 15 respectively.

Notes to the Financial Statements
For the year ended 30 June 2017 (cont'd)

25. 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	
M P Dixen	
D McGrath	Retired 23 November 2016
B A Munk	Strategy Committee Chair & Risk Management Committee Chair
R J O'Hagan	Retired 4 December 2016
T S Frazer	
C A Judd	Appointed 23 November 2016 - Audit Committee Chair

Executives

M A Mack	Chief Executive Officer / Company Secretary - Appointed 23 September 2016
R P Kearney	Regulatory Services Manager
G A Hutchinson	Treasury & Fraud Manager
J J Kotzur	Finance Manager
P J Gavin	Loans Manager
P K Challis	Chief Executive Officer / Company Secretary - Retired 23 September 2016

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:

	2017 $	**2016 $**
Short-term employee benefits	1,039,338	1,007,642
Other long term benefits	57,607	22,359
Post employment benefits	172,115	212,388
	1,269,060	1,242,389

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 23 November 2016.

Notes to the Financial Statements
For the year ended 30 June 2017 (cont'd)

25. 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:

	2017 $	2016 $
Loans to key management personnel and other related parties	444,098	783,879

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 2017 (2016: one) to non director key management personnel.

Loans (including redraws and overdrafts) totalling $224,237 (2016: $34,000) were made to key management personnel and other related parties during the year including redraws utilised. Overdraft facilities to key management personnel amounting to $19,586 (2016: $25,674) were outstanding as at 30 June 2017.

During the year, repayments of $237,378 (2016: $100,977) 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 4.93% for SVR and 3.25% for staff concessional rates at balance date (2016: 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 $22,309 (2016: $34,573). 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 2017 (2016: Nil) nor were any other loans advanced during the period.

Deposits from key management personnel and other related parties

	2017 $	2016 $
Total value Term and Savings Deposits from key management personnel and other related parties	1,736,779	1,574,831
Total interest paid on deposits to key management personnel and other related parties	38,401	38,878

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 2017 (cont'd)

25. 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.

26. 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 2017 (cont'd)

26. 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 2017 (cont'd)

26. 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 27 below. Note 27 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 2017 and 30 June 2016, the net profit impact for a 2.00% increase in interest rates would be $962,463 increase in profit (2016: $793,307 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 2017 (cont'd)

26. 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 18 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:

	2012	2013	2014	2015	2016	2017
Minimum Liquidity Holdings*	-	-	13.89	15.16%	20.18%	20.36%
High Quality Liquid Assets*	14.64%	14.18%	-	-	-	-
Operational Liquid Assets	2.64	4.88%	5.32%	5.74%	1.63%	0.46%
Total	17.28%	19.06%	19.21%	20.90%	21.81%	22.82%

*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 2017 (cont'd)

26. 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 10.

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 11.

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 2017 (cont'd)

26. 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 11.

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 2017 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 10. 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 2017 (cont'd)

26. 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 24.

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, 3.0% 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 2017 (cont'd)

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

(d) Operational Risk (cont'd)

Capital Adequacy Ratio Calculation

	2017 $	2016 $
Common Equity Tier 1 Capital		
Retained earnings	1,384,844	1,124,737
Capital profits reserve	24,982,790	23,858,053
Asset revaluation reserve – excluding deferred tax impact	2,181,046	2,181,046
	28,548,680	27,163,836
Less prescribed deductions	(914,138)	(981,216)
Net tier 1 capital	27,634,542	26,182,620
Tier 2 Capital		
General reserve for credit losses	516,261	486,258
	516,261	486,258
Less: prescribed deductions	-	-
Net tier 2 capital	516,261	486,258
Total capital	28,150,803	26,668,878
Risk profile		
Credit risk	171,448,307	162,241,682
Operational risk	25,028,361	23,770,475
Total risk weighted assets	196,476,668	186,012,157
Capital adequacy ratio	14.33%	14.34%

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:

2012[1]	2013[1]	2014[2]	2015[2]	2016[2]	2017[2]
13.61%	14.37%	14.06%	13.91%	14.34%	14.33%

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 2017 (cont'd)

26. 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 2017 is $25,028,361 (2016: $23,770,475).

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 2017 (cont'd)

27. 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	10	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 10.
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	12	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	15	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 15.
Accounts payable and other liabilities	16	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 2017 (cont'd)

27. 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 %	2016 %
Financial assets:														
Cash and cash equivalents	4,565	474	91,898	82,958	-	-	-	-	2,669	2,940	99,132	86,372	2.34	2.54
Receivables from other financial institutions	-	-	2,000	7,000	-	-	-	-	-	-	2,000	7,000	2.84	4.44
Other receivables	-	-	-	-	-	-	-	-	399	579	399	579	N/A	N/A
Customer loans and advances (gross)	235,507	218,439	26,928	31,715	74,884	66,723	755	842	-	-	338,074	317,719	4.85	5.39
Other financial assets	-	-	-	-	-	-	-	-	630	630	630	630	N/A	N/A
Total financial assets	240,072	218,913	120,826	121,673	74,884	66,723	755	842	3,698	4,149	440,235	412,300	N/A	N/A
Financial liabilities:														
Customer deposits	191,324	171,765	188,117	209,490	37,116	8,174	-	-	20	20	416,577	389,449	1.93	2.20
Accounts payable and other liabilities	-	-	-	-	-	-	-	-	2,373	3,273	2,373	3,273	N/A	N/A
Total financial liabilities	191,324	171,765	188,117	209,490	37,116	8,174	-	-	2,393	3,293	418,950	392,722	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 2017 (cont'd)

27. 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Financial assets:														
Cash and cash equivalents	84,882	73,875	-	-	12,083	10,076	-	-	2,669	2,940	99,634	86,891	99,132	86,372
Receivables from other financial institutions	2,004	6,011	-	1,012	-	-	-	-	-	-	2,004	7,023	2,000	7,000
Other receivables	-	-	-	-	-	-	-	-	96	261	96	261	399	579
Customer loans and advances	13,413	13,952	21,611	20,554	107,053	101,708	378,046	356,401	-	-	520,123	492,615	338,074	317,719
Other financial assets	-	-	-	-	-	-	-	-	630	630	630	630	630	630
Total financial assets	112,382	103,914	21,611	21,566	107,053	101,708	378,046	356,401	3,395	3,831	622,487	587,420	440,235	412,300
Financial liabilities:														
Customer deposits	227,689	279,445	156,008	105,352	37,120	8,174	-	-	19	20	420,836	392,991	416,577	389,449
Accounts payable and other liabilities	-	-	-	-	-	-	-	-	431	1,445	431	1,445	2,373	3,273
Total financial liabilities	227,689	279,445	156,008	105,352	37,120	8,174	-	-	450	1,465	421,267	394,436	418,950	392,722

Notes to the financial statements
For the year ended 30 June 2017 (cont'd)

27. 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 2017 (cont'd)

27. Financial instruments (cont'd)

(e) Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

	2017 $	2016 $
Financial assets		
Loans and receivables – carried at amortised cost		
Cash and cash equivalents	99,132,316	86,371,762
Other receivables	398,652	578,727
Customer loans and advances (gross)	338,074,189	317,718,755
	437,605,157	404,669,244
Held-to-maturity investments – carried at amortised cost		
Receivables due from other financial institutions	2,000,000	7,000,000
	2,000,000	7,000,000
Available for sale investments – carried at cost		
Other financial assets	629,912	629,912
	629,912	629,912
Total financial assets	440,235,069	412,299,156
Financial liabilities		
Carried at amortised cost		
Accounts payable and other liabilities	2,373,166	3,272,657
Customer deposits (Including customer shares)	416,576,889	389,449,112
Total financial liabilities	418,950,055	392,721,769

28. 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.

2017 **Assets measured at fair value**	Level 1 $	Level 2 $	Level 3 $	Total $
Land and buildings	-	7,452,912	-	7,452,912
Investment properties	-	-	-	-
Total assets	-	7,452,912	-	7,452,912

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

Notes to the financial statements
For the year ended 30 June 2017 (cont'd)

28. 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 13 and 27(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.

29. Subsequent events

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.

30. 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 2017 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 26th day of September 2017.

Signed in accordance with a resolution of the Directors:

Richard A. Power

Richard A Power - Director
Chair, Board of Directors

Carol A Judd - Director
Chair, Audit Committee

Crowe Horwath Albury
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WAW Credit Union Co-Operative Ltd

Independent Auditor's Report to the Shareholders of WAW Credit Union Co-Operative Ltd

Opinion

We have audited the financial report of WAW Credit Union Co-Operative Ltd (the Credit Union), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in members' equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Credit Union is 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 2017 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

Other Information

The directors are responsible for the other information. The other information comprises the directors' report included in the Credit Union's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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

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

Crowe Horwath
PART OF FINDEX

Responsibilities of the Directors for the Financial Report

The directors of the Credit Union 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

CROWE HORWATH ALBURY

DAVID MUNDAY

Partner

Dated at Melbourne this 26th day of September 2017.

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

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