

# **AWA Mutual Limited**

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Financial Report  
For the year ended 30 June 2016

## CHAIRMAN / CHIEF EXECUTIVE OFFICER'S REPORT

The 2016 Financial Year represents our 47<sup>th</sup> reporting year as well as our first full year of operation under the Alliance Bank Model, whereby we partner with Bendigo and Adelaide Bank Limited (BEN).

### **Our Direction:**

Throughout the past year, the Board and Senior Management have worked hard together in undertaking a complete review of AWA's Strategic Plan to deliver on our objective of providing professional services and competitive financial products which empower our members and communities to improve upon their financial wellbeing.

Our revised business model embraces a social enterprise business direction which enables us to broaden our operation from one of a member/customer focus, to one which also provides wider community benefits with shared value outcomes. This is a philosophy shared with each of our Alliance Bank partners as well as our host partner BEN.

One of the most critical factors for our success thus far has been the quality of the relationship that we have established with BEN. The ethics and collaborative style they exhibited during the long process of validating the Alliance Bank Model has continued through this post-transfer period. Along with the other Alliance Bank partners we are now working closely with BEN to deliver the final piece of the Alliance Bank model – the conversion of our banking system to a common platform, which we expect to be completed by March 2017. Once this is delivered we will not only be in a position to divest ourselves of most of the major costs that are associated with this area of our business, but will also be able to take advantage of some major new product capabilities which have thus far been absent from our product range.

During this transitional period our capacity to fully achieve our performance goals continues to be somewhat limited. However, upon completion of the common platform banking system, we anticipate being in a vastly improved position to reduce our operating costs and deliver improved outcomes associated with member and community benefits.

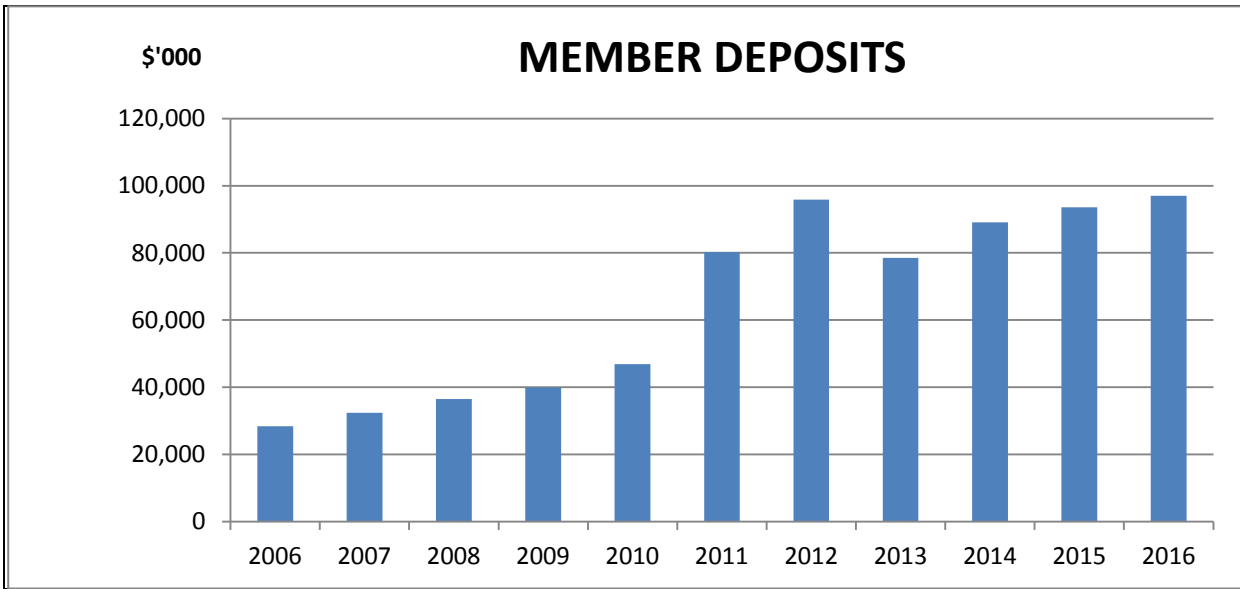
### **The Past Year:**

Despite still being in the early stages of our new business model we are pleased to be able report the following major achievements to date:

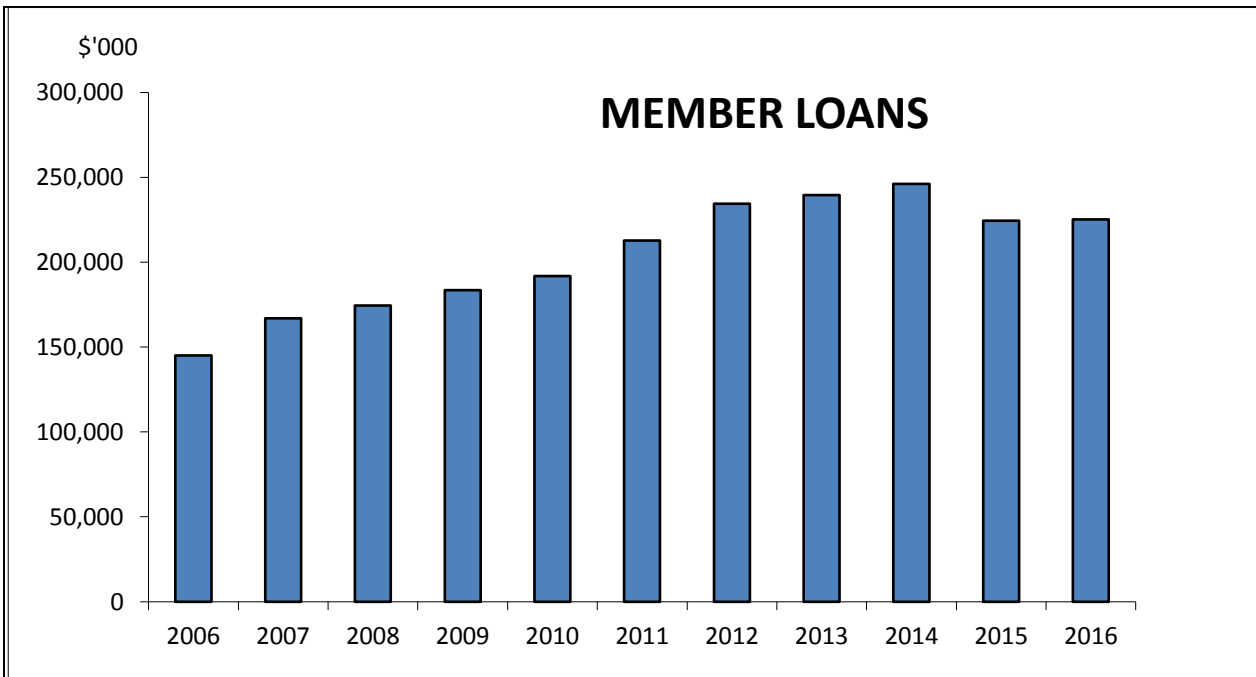
- The payment of a Patronage Reward Bonus to a large proportion of our Members immediately upon entering the Alliance Bank Model (reported in the 2015 Annual Report)
- The announcement of a Shared Value Partnership with a significant Community Group in the Geelong region – Basketball Geelong
- Loan Interest Rate reductions
- Loan Fees abolished

As all members would be aware AWA has recently taken the decision to abolish all Account Keeping and Transaction Fees with effect from 1 September, 2016. This represents another major commitment by the Board to deliver on its member benefits promise, only possible as a result of AWA moving into the Alliance Bank model – where profits are no longer our main focus.

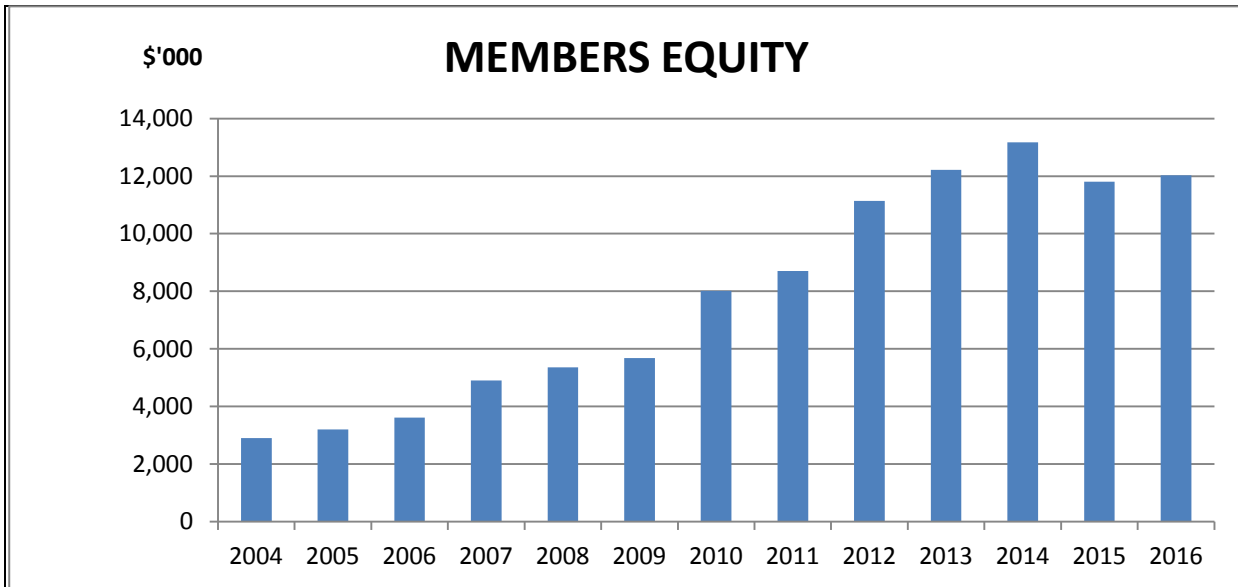
Sadly, we saw the closure of Alcoa's final Geelong based site, the Anglesea Power Station. As with the Point Henry and Yennora plant closures AWA actively provided guidance and support to members affected by the closure. I'm pleased to report that almost all of these members and those previously employed by Alcoa in Geelong and Sydney still show their support and confidence in us by continuing to conduct their banking business through AWA as reflected in the following deposits graph.



Despite the significant volume of redundancy payments received by our members in the last 18 months and the resultant loan balance reductions, the loans portfolio has once again begun to show a positive growth trend. Although this is modest growth up until 30 June 2016 we can report that significant volumes of loans are now held within our pipeline and strong growth is expected in the first half of 2016/17.



Following the repayment of \$1.6m of Subordinated Debt during 2014/15 AWA's Members Equity continues to increase albeit at a slower rate as our focus has moved more towards member and community benefits under our new model, compared to the profit focus that we were required to pursue to meet prudential capital requirements under our old model as an Approved Deposit Taking Institution.



**People:**

Our Sydney office also closed last year following the closure of the Yennora plant. Jacki Jacob and Dani Dastoli began a new phase of their life after a total 25 years of service between them. We wish them both well for the future and thank them for their dedicated service.

During the past year we welcomed Nola Edwards to our Mandurah Office and Kirby Falcone to our Portland Office and are pleased to have them as part of the AWA team.

We also farewelled Mary Roberts who retired from our Mandurah Office and Jenny Farrell from our Portland Office and wish them both well in the future.

In conclusion, we look forward to continuing to deliver benefits and to achieving positive outcomes for all of our stakeholders including the communities in which we operate.

On behalf of the Board, we thank you for your continued support and our staff for their on-going commitment.

We look forward confidently to a successful 2017.

Brian Virtue  
Chairman

Graeme Scannell  
Chief Executive Officer

## DIRECTOR'S REPORT

Your directors present their report on AWA for the financial year ended 30 June 2016.  
The Company is a company registered under the Corporations Act 2001.

### INFORMATION ON DIRECTORS

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

<b>Name</b>	<b>Qualifications</b>	<b>Experience</b>
Brian R Virtue Chairman	MAMI Retired HR Consultant	Member of the Board of Directors since 1971 (resigned 1973, re-elected 1982), Chairman since 1983.
Peter Richardson Vice-Chairman	B Com, CPA, Dip Tm, Grad Dip Tax, MAMI Self-employed Consultant	Member of the Board of Directors since 1996, Vice-Chairman since 2002, Chairman of the BARC.
Richard P Lyle Director	B Com, CPA, MAMI Self-employed Consultant	Member of the Board of Directors since 2000 (resigned 2001, re-elected 2005). Member of the BARC.
Brett J Noonan Director	Grad Dip Bus, MAMI Semi-retired/Contractor	Member of the Board of Directors since 2001.
Warwick J Peel Director	MAMI, Dip Mgnt Self Employed/Bus Driver	Member of the Board of Directors since 1992.
Stevern J Ward Director	MAMI Retired	Member of the Board of Directors since 2006.
Christopher Welsh Director	B Com, CPA, FAMI, Dip Fin Services Retired	Member of the Board of Directors since 2003, Member of the BARC.
Neville Pearce Director	Bachelor of Engineering (Civil & Structural), MBA, GAICD, Fellow Engineers of Aust., AFAIM, MAMI, CPEng, NER, RPEng, MASC Chief Operating Officer – Coliban Water	Member of the Board of Directors since 2013.

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

<b>Name</b>	<b>Qualification</b>	<b>Experience</b>
Graeme N Scannell Secretary/CEO	B Com, CPA, FAMI	Chief Executive Officer of AWA Mutual Ltd /AWA Credit Union Ltd since 1991, Secretary of AWA Mutual Ltd/AWA Credit Union Ltd since 1992.

## **Directors' Meeting Attendance**

H = Meetings held in the period of appointment A=Attended

Director	Board		BARC		Period of Appointment
	H	A	H	A	
Brian R Virtue	14	13	-	-	Full Year
Peter Richardson	14	13	3	3	Full Year
Richard P Lyle	14	13	1	1	Full Year – Board Part Year - BARC
Brett J Noonan	14	12	-	-	Full Year
Warwick J Peel	14	14	-	-	Full Year
Stevern J Ward	14	10	-	-	Full Year
Christopher Welsh	14	10	3	3	Full Year
Neville Pearce	14	14	2	2	Full Year – Board Part Year - BARC

## **DIRECTORS' BENEFITS**

No director has received or become entitled to receive during, or since the end of the financial year, a benefit because of a contract made by the Company with a body corporate related to a director, a firm of which a director is a member or in which a director has a substantial financial interest.

## **INDEMNIFYING OFFICER OR AUDITOR**

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

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

## **PRINCIPAL ACTIVITIES**

The principal activities of the Company are to act as an Agent for BEN to provide retail financial services on behalf of BEN to AWA members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution.

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

## **OPERATING RESULTS**

The total comprehensive income of AWA for the year after providing for income tax was \$329,280 (2015 - \$238,080).

## **DIVIDENDS**

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for by the directors of the Company.

## **REVIEW OF OPERATIONS**

The results of AWA's activities did not change significantly from those of the previous year.

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

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

## **ENVIRONMENTAL REGULATION**

The entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

## **EVENTS OCCURRING AFTER BALANCE DATE**

No matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the operations, or state of affairs of the Company in subsequent financial years.

## **LIKELY DEVELOPMENTS AND RESULTS**

No matter, circumstance or likely development in the operations has arisen since the end of the financial year that has significantly affected or may significantly affect :-

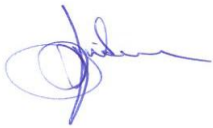
- (i) The operations of the Company;
- (ii) The results of those operations; or
- (iii) The state of affairs of the Company

in the financial year subsequent to this financial year.

## **AUDITORS' INDEPENDENCE**

The auditors have provided the declaration of independence to the Board as prescribed by the Corporations Act 2001.

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



Brian Virtue  
Chairman



Peter Richardson  
Vice-Chairman

Dated: 21 September 2016



# Auditor Independence Declaration Under S307C of the *Corporations Act 2001* to the Directors of AWA Mutual Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been:

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

A handwritten signature in blue ink that reads "Crowe Horwath Melbourne".

**CROWE HORWATH MELBOURNE**

A handwritten signature in blue ink that reads "David Munday".

**DAVID MUNDAY**  
Partner

**Melbourne, Victoria**  
**21 September 2016**

Crowe Horwath Melbourne is a member of Crowe Horwath International, a Swiss Verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omission of financial services licensees.



# Independent Auditor's Report to the Members of AWA Mutual Limited

## Report on the financial report

We have audited the accompanying financial report of AWA Mutual Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

## Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – *Reduced Disclosure Requirements* and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



## Independence

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

## Auditor's opinion

In our opinion the financial report of AWA Mutual Limited is in accordance with the *Corporations Act 2001*, including

- a) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards – *Reduced Disclosure Requirements* (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

A handwritten signature in blue ink that reads "Crowe Horwath Melbourne".

**CROWE HORWATH MELBOURNE**

A handwritten signature in blue ink that reads "David Munday".

**DAVID MUNDAY**  
Partner

**Melbourne, Victoria**  
**21 September 2016**

The relationship you can count on

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>CONTINUING OPERATIONS</b>			
Revenue	3	<b>2,885</b>	997
Net gain on sale of available for sale equity investments		<b>148</b>	28
Financing Costs		-	(54)
Employee benefits expense		<b>(1,241)</b>	(407)
Occupancy and related costs		<b>(228)</b>	(72)
Computer system costs		<b>(430)</b>	(143)
Depreciation and amortisation expense	4	<b>(140)</b>	(52)
General administration expense		<b>(521)</b>	(466)
Profit from continuing operations before income tax expense		<b>473</b>	(169)
Income tax (expense) / benefit	5	<b>(144)</b>	(18)
Net profit/(loss) from continuing operations after tax attributable to Members		<b>329</b>	(187)
<b>DISCONTINUED OPERATIONS</b>			
(Loss) / Profit after tax for the year from discontinued operations	6	-	425
Total comprehensive income attributable to Members		<b>329</b>	238

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	7	2,948	11,129
Financial Assets	8	9,000	-
Trade receivables	9	238	411
Tax receivables	10	33	133
Prepayments		4	10
Loans and advances	11	20	-
Available-for-sale equity investments	12	-	136
<b>Total Current Assets</b>		<b>12,243</b>	11,819
<b>Non-Current Assets</b>			
Loans and advances	11	80	-
Plant and equipment	13	481	646
Intangibles	14	23	42
Deferred tax assets	5	198	195
<b>Total Non-Current Assets</b>		<b>782</b>	883
<b>TOTAL ASSETS</b>		<b>13,025</b>	12,702
<b>Current Liabilities</b>			
Member withdrawable shares		40	42
Trade and other payables	15	194	271
Taxation liability		35	-
Employee benefits	16	615	580
<b>Total Current Liabilities</b>		<b>884</b>	893
<b>Non-Current Liabilities</b>			
Employee Benefits	16	5	2
<b>Total Non-Current Liabilities</b>		<b>5</b>	2
<b>TOTAL LIABILITIES</b>		<b>889</b>	895
<b>NET ASSETS</b>		<b>12,136</b>	11,807
<b>MEMBERS' EQUITY</b>			
Reserves		12,074	11,750
Capital reserve account		62	57
<b>TOTAL MEMBERS' EQUITY</b>		<b>12,136</b>	11,807

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Capital Reserve Account	General Reserve for Credit Losses	Reserves	Sub-debt	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Opening - 1 July 2014</u>	<u>52</u>	<u>317</u>	<u>11,200</u>	<u>1,600</u>	<u>13,169</u>
Profit for the year	-	-	238	-	238
Transfer to/(from) general reserve for credit losses in year	-	24	(24)	-	-
Transfer to/(from) reserves on transfer of business	-	(341)	341	-	-
Transfer to/(from) reserves on redemption of shares	5	-	(5)	-	-
Repayment of Sub-debt on maturity	-	-	-	(1,600)	(1,600)
<u>Closing – 30 June 2015</u>	<u>57</u>	<u>-</u>	<u>11,750</u>	<u>-</u>	<u>11,807</u>
<u>Opening - 1 July 2015</u>	<u>57</u>	<u>-</u>	<u>11,750</u>	<u>-</u>	<u>11,807</u>
Profit for the year	-	-	329	-	329
Transfer to/(from) general reserve for credit losses in year	-	-	-	-	-
Transfer to/(from) reserves on transfer of business	-	-	-	-	-
Transfer to/(from) reserves on redemption of shares	5	-	(5)	-	-
<u>Closing – 30 June 2016</u>	<u>62</u>	<u>-</u>	<u>12,074</u>	<u>-</u>	<u>12,136</u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# STATEMENT OF CASH FLOWS

**For the year ended 30 June 2016**

Notes	2016	2015
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	174	4,718
Interest paid	-	(3,335)
Fees and commissions received	3,173	1,662
Payments to suppliers and employees	(2,716)	(3,565)
Dividends received	-	19
Income tax (paid) / received	21	(441)
Other Income	-	94
Net cash flows from/(used in) operating activities	652	(848)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (increase)/decrease in investments	(9,000)	24,460
Net (increase) / decrease in loans to Members / Partners	(100)	(8,131)
Net increase / (decrease) in deposits from Members	-	9,773
Net cash flow from partial transfer of business	-	14,988
Payments for property, plant and equipment	(13)	(655)
Payments for intangible assets	(2)	(41)
Proceeds from sale of available for sale equity investment	284	-
Net cash flows from/(used in) investing activities	(8,831)	40,394
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Refund of member shares	(2)	-
Wholesale borrowings – Increase/(Decrease)	-	(27,492)
Subordinated Debt – Increase/(Decrease)	-	(1,600)
Net cash flows used in financing activities	(2)	(29,092)
Net cash increase/(decrease)	(8,181)	10,454
Cash at beginning of year	11,129	675
<b>CLOSING CASH AT 30 JUNE</b>	<b>2,948</b>	<b>11,129</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

## 1. CORPORATE INFORMATION

AWA is a company incorporated and domiciled in Australia. The Members are the owners of the company.

AWA is a for-profit entity and the nature of the operations and principal activities of AWA are described in the Directors' Report.

The registered office is at 49-51 Malop Street, Geelong, VIC.

The financial report of AWA for the year ended 30 June 2016 was authorised for issuance in accordance with a resolution of the Board of Directors on 21 September 2016.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The general purpose financial report has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards – Reduced Disclosure Requirements and other mandatory professional reporting requirements. The financial report has also been prepared on an historical cost basis.

The accounting policies adopted are consistent with industry standards.

The financial report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars (\$'000), unless otherwise stated, under the option available to AWA under ASIC Corporation Instrument 2016/191.

### (b) Statement of Compliance

AWA has adopted AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* for financial years commencing from 1 July 2014.

AWA is a for-profit, private sector entity which is not publically accountable. Therefore the financial statements are tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDR's) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The adoption of AASB 1053 and AASB 2010-2 allow AWA to remove a number of disclosures. There were no other impacts on the current or prior year financial statements.

### (c) Changes in Accounting Policy and Disclosure

The accounting policies adopted are consistent with those of the previous financial year.

### (d) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand. For the purposes of the Statement of Cash Flows, cash and cash equivalents consists of cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

### (e) Investments

Investments are financial assets and are classified as loans and receivables, held-to-maturity investments, or available-for-sale equity investments, as appropriate. AWA determines the classification of financial assets at initial recognition and, when appropriate, re-evaluates the classification at the end of each year.

AWA does not run a trading book with the intention to profit from trading on the money market. Consequently, it does not classify debt instruments as financial assets at fair value through profit or loss.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Interest is accrued on a monthly basis and recognised when earned. The EIR amortisation is included in interest income in the Statement of Comprehensive Income. The losses arising from impairment are recognised in the income statement in impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and are classified as held to maturity when AWA has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Interest is accrued on a monthly basis and recognised when earned. The EIR amortisation is included in interest income in the Statement of Comprehensive Income. The losses arising from impairment are recognised in the income statement in impairment losses.

### Available-for-sale equity investments

Available-for-sale equity investments 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.

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

### (f) Loans and Advances

Loans and advances are financial assets with fixed and determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate.

### (g) Plant and Equipment

Plant and equipment is stated at cost less, where applicable, accumulated depreciation and any accumulated impairment losses. Where lease agreements include a requirement to restore the site to its original condition, an estimate of those costs is included in leasehold improvements and depreciated over the lease term.

### Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment.

Major depreciation periods are:

▪ Leasehold Improvements	<b>7 years</b>
▪ Office Furniture and Equipment	<b>7 years</b>
▪ Motor Vehicles	<b>5 years</b>
▪ Computer Hardware	<b>4 years</b>

### Impairment

The carrying values of plant and equipment is reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of plant and equipment is the higher of fair value less costs to sell 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, unless the asset's value in use can be estimated to be close to its fair value. Impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the Statement of Comprehensive Income.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

### (h) Intangible Assets

Intangible assets are initially recognised at cost and following initial recognition, at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets include the value of computer software.

Intangible assets are amortised over their useful life on a straight-line basis.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimates.

All recognised intangible assets have been assessed as having a finite useful life and the major amortisation periods are:

- Computer software **3 years**

### (i) Employee Benefits

#### Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. Where annual leave liability is expected to be settled over more than one year expected future payments are discounted using market yields at the reporting date on corporate bond rates with terms to maturity that match, as closely as possible, the estimated future cash outflows.

#### Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using a probability based assessment method. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on corporate bond rates with terms to maturity that match, as closely as possible, the estimated future cash outflows.

#### Superannuation

Contributions are made by AWA to an employee's superannuation fund and are charged to the Statement of Comprehensive Income as incurred.

### (j) Trade and Other Payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to AWA prior to the end of the financial year that are unpaid and arise when AWA becomes obligated to make future payments in respect of the purchase of these goods and services. Trade liabilities are normally settled on 30 day terms.

### (k) Provisions

Provisions are recognised when AWA has a present obligation (legal, equitable or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When AWA expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

### (l) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### Fees and Commissions

Loan fees are brought to account as income in the year of receipt. No loan fees were in excess of costs. Fee and commission income is recognised as revenue on an accrual basis.

#### Interest

For all financial instruments measured at amortised cost, interest income or expense is recorded in the Statement of Comprehensive Income at the effective rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

#### Dividend Income

Dividend income is recorded in non-interest income when AWA's right to receive the payment is established.

#### Shared Margin Revenue

The relationship agreement held by AWA with BEN provides for a share of interest, fee and commission revenue earned by AWA. Interest margin share is based on a funds transfer methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on AWA's current fee schedule and commission revenue is based on the agreements in place with third parties. All margin revenue is recorded as non-interest income when AWA's right to receive the payment is established.

### (m) Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes presented in these financial statements.

### (n) Operating Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

### (o) Taxes

#### Income Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Australian Taxation Office (ATO). The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or subsequently enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

### (o) Taxes (cont)

#### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and
- 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 part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a net basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

### (p) Nature and Purpose of Members' Funds

#### Reserves

Any unappropriated profit/loss from AWA's operations is transferred to/from the Reserves. The Reserves contain amounts of retained profits that have been set aside by the Directors for the purpose of funding future operations of AWA.

#### Capital

Under the *Corporations Act 2001* redeemable preference shares (Member shares) may only be redeemed out of profits or from a new share issue for the purposes of redemption. The Capital Reserve Account represents the shares redeemed by Members. Member shares for existing and new Members of AWA are shown as liabilities.

### (q) Derecognition of Financial Assets and Liabilities

A financial asset is derecognised where:

- the rights to receive cash flows from the asset have expired, or
- AWA has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party unless under a 'pass-through' arrangement, and
- either (a) AWA has transferred substantially all the risks and rewards of the asset, or (b) AWA has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### (r) Significant Accounting Judgements, Estimates, and Assumptions

In the process of applying AWA's accounting policies, management has used its judgement and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

#### Classification of and Valuation of Investments

AWA has decided to classify investments in unlisted securities as available-for-sale investments. The fair values of unlisted securities not traded in an active market are recorded at historical cost.

#### Recovery of Deferred Tax Assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

### (r) Significant Accounting Judgements, Estimates, and Assumptions (cont)

#### Impairment of Non-Financial Assets

AWA assesses impairment of all assets at each reporting date by evaluating conditions specific to AWA and to the particular asset that may lead to impairment. These include product performance, technology, economic and political environments and future product expectations. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

#### Long Service Leave Position

Liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at reporting date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

#### Estimation of Useful Lives of Assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing the financial report are reasonable. Actual results in the future may differ from those reported.

### (s) New, revised or amending Accounting Standards and Interpretations adopted

The entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the entity.

The following Accounting Standards and Interpretations are most relevant to the Company:

- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part C: Financial Instruments)
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## 3. REVENUE

	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Interest on investments	<b>232</b>	22
Shared margin income	<b>1,527</b>	544
Other fee income	<b>1,126</b>	431
Total revenue from continuing operations	<b>2,885</b>	997

## 4. EXPENSES

### Depreciation and amortisation

Plant and equipment	<b>50</b>	5
Leasehold improvements	<b>69</b>	25
Computer system	<b>21</b>	22
	<b>140</b>	52

## 5. INCOME TAX

The major components of income tax are:

### Statement of Comprehensive Income

#### Current income tax

Current income tax expense – current years profit	<b>147</b>	127
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#### Deferred tax expense

Decrease (increase) in the deferred tax asset account	<b>(3)</b>	73
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Total income tax expense / benefit reported in the Statement of Comprehensive Income	<b>144</b>	200
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The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:

Accounting (loss)/ profit before tax from continuing operations	<b>473</b>	(169)
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Accounting (loss) / profit before tax from discontinued operations	<b>-</b>	607
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Accounting profit before income tax	<b>473</b>	438
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Prima facie tax payable on profit before income tax at 30%	<b>142</b>	131
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Adjustment to recognise reversal of deferred tax assets	<b>-</b>	73
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Less - Franking rebate	<b>-</b>	8
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Add – Non deductible entertainment expenses	<b>2</b>	-
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	<b>144</b>	200
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Income tax expense from continuing operations reported in the Statement of Comprehensive Income	144	18
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Income tax expense from discontinued operations reported in the Statement of Comprehensive Income	-	182
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	144	200
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# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	<b>2016</b>	2015
	<b>\$'000</b>	\$'000

## Statement of Financial Position

Deferred tax assets comprise of :

Employee provisions	<b>195</b>	182
Accrued expenses	<b>3</b>	13
	<b>198</b>	195

## 6. DISCONTINUED OPERATIONS

Refer to Note 2 (c) for further information regarding discontinued operations.

Interest income	-	4,347
Interest expense	-	(2,467)
Net interest income	-	1,880
<b>Other operating income and expense</b>		
Fees, Commissions & Other Income	-	915
Gross profit	-	2,795
Impairment losses	-	(49)
Other operating costs	-	(2,139)
(Loss) / profit before tax from discontinued operations	-	607
Income tax expense from discontinued operations	-	(182)
Total comprehensive (loss) / profit from discontinued operations attributable to Members	-	425

The net cash flows from discontinued operations are as follows:

Operating	-	2,940
Investing	-	32,140
Financing	-	16,600
Net cash outflows	-	18,480

## 7. CASH AND CASH EQUIVALENTS

Deposits at call	<b>2,948</b>	11,129
	<b>2,948</b>	11,129

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	<b>2016</b>	2015
	<b>\$'000</b>	\$'000

## 8. FINANCIAL ASSETS – HELD TO MATURITY

Term Deposits with terms > 90 days	<b>9,000</b>	-
	<b>9,000</b>	-

## 9. TRADE RECEIVABLES

Sundry debtors	<b>161</b>	231
Other receivables	<b>19</b>	180
Interest receivable	<b>58</b>	-
	<b>238</b>	411

## 10. TAX RECEIVABLE

Income tax receivable	-	133
GST receivable	<b>33</b>	-
	<b>33</b>	133

## 11. LOANS AND ADVANCES

Partnership loan - current	<b>20</b>	-
Partnership loan – non-current	<b>80</b>	-
Total Loans and advances	<b>100</b>	-

### (a) Provision for impairment

#### Specific provision

Opening balance		
Overdrafts	-	-
Other loans	-	90
Total opening balance	-	90
Bad debts previously provided for written off during the year		
Overdrafts	-	-
Other loans	-	(49)
Total bad debts previously provided for written off during the year	-	(49)
Bad and doubtful debts provided for during the year for overdrafts and other loans	-	56
Partial transfer to Bendigo and Adelaide Bank	-	(97)
Total closing balance	-	-

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	<b>2016</b>	2015
	<b>\$'000</b>	\$'000

## 12. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

Shares in CUSCAL – at cost	-	136
	-	136

## 13. PLANT AND EQUIPMENT

### Leasehold improvements

At cost	<b>538</b>	570
Provision for depreciation	<b>(167)</b>	(99)
Total leasehold improvements	<b>371</b>	471

### Plant and equipment

At cost	<b>260</b>	336
Provision for depreciation	<b>(150)</b>	(161)
Total plant and equipment	<b>110</b>	175
Total written down value	<b>481</b>	646

### Reconciliation of carrying amount plant and equipment for the financial year

#### Leasehold improvements

Carrying amount at beginning of year	<b>471</b>	112
Additions	<b>13</b>	496
Disposals	-	-
Depreciation	<b>(69)</b>	(137)
GST Adjustment	<b>(44)</b>	-
Carrying amount at end of year	<b>371</b>	471

#### Plant and equipment

Carrying amount at beginning of year	<b>175</b>	48
Additions	-	159
Disposals	-	-
Depreciation	<b>(50)</b>	(32)
GST Adjustment	<b>(15)</b>	-
Carrying amount at end of year	<b>110</b>	175

AWA believes that the fair value of items of the plant and equipment is not materially different to the carrying amount.

As a result of AWA ceasing to operate as an Approved Deposit Taking Institution they were able to claim a refund of GST (referred to above as GST Adjustment) previously capitalised following the acquisition of fixed assets.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	<b>2016</b>	2015
	<b>\$'000</b>	\$'000

## 14. INTANGIBLES

### Computer software

Computer software at cost	<b>333</b>	386
Provision for amortisation	<b>(310)</b>	(344)
Total written down value	<b>23</b>	42

### Reconciliation of carrying amount of computer software for the financial year

Carrying amount at beginning of year	<b>42</b>	24
Additions	<b>2</b>	41
Disposals	<b>-</b>	-
Amortisation	<b>(21)</b>	(23)
Carrying amount at end of year	<b>23</b>	42

## 15. TRADE AND OTHER PAYABLES

Trade and other creditors	<b>194</b>	271
	<b>194</b>	271

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

## 16. EMPLOYEE BENEFITS

Long service leave - current	<b>357</b>	321
Long service leave – non-current	<b>5</b>	2
Annual Leave	<b>258</b>	259
	<b>620</b>	582

## 17. STATEMENT OF CASH FLOWS

### Reconciliation of cash

Cash balance comprises:		
Cash	<b>2,948</b>	11,129
Closing cash and cash equivalents at end of financial year	<b>2,948</b>	11,129

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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	<b>2016</b>	2015
	<b>\$'000</b>	\$'000

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## 18. EXPENDITURE COMMITMENTS

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Lease expenditure commitments		
Operating leases (non-cancellable)		
not later than 1 year	<b>181</b>	220
later than 1 and not later than 5 years	<b>601</b>	543
later than 5 years	-	77
Aggregate lease expenditure contracted for at balance date	<b>782</b>	840

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Non-cancellable operating leases are for Branch and Head Office premises with original lease terms for up to 7 years. The leases have an allowance for CPI increments and options for renewal ranging from 5 to 7 years.

### Superannuation commitments

All employees are entitled to varying levels of benefits on retirement, disability or death. Employees contribute to the plans at various percentages of their wages and salaries. AWA also contributes to the plans, at the rate of 13.5% of employees' salaries. Contributions by AWA of up to 9.50% of employees' wages and salaries are legally enforceable in Australia.

### Number of employees

The number of full-time equivalent employees at the end of the year was 12.75 (2015: 12).

## 19. SUBSEQUENT EVENTS

There has been no transaction or event of a material or unusual nature likely to affect the operation of AWA, the results of those operations or the state of affairs of AWA.

## 20. KEY MANAGEMENT PERSONNEL

### (a) Details of key management personnel

The Directors of AWA during the year were:

Mr B Virtue (Chair)  
Mr P Richardson (Vice-Chair)  
Mr R Lyle  
Mr B Noonan  
Mr N Pearce  
Mr W Peel  
Mr S Ward  
Mr C Welsh

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The Senior Management of AWA during the year were:

Mr G Scannell (Chief Executive Officer)  
Ms L Jones (Finance & Compliance Manager)  
Ms E Stepins (Loans Manager)  
Mr P Brennan (Marketing & Operations Manager)  
Mrs A Keiller (Special Projects Manager)

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	<b>2016</b>	2015
	<b>\$'000</b>	\$'000

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## 21. KEY MANAGEMENT PERSONNEL (cont)

### (b) Key management personnel compensation

Short term and post-employment benefits	<b>801</b>	752
	<b>801</b>	752

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### (c) Transactions with Other Related Parties

Other transactions between related parties include deposits from and loans to directors and other KMP related entities or close family members of directors and other KMP. The policy for receiving deposits from or approving loans to related parties is that all transactions are carried out on the same terms and conditions which applied to ordinary members.

## 22. RELATED PARTY DISCLOSURES

See Note 19 (b) for disclosure on compensation payments made to key management personnel. There have been no other transactions with related parties.

### Shareholding

Each key management personnel holds one \$10 redeemable preference share in AWA.

## 23. CONTINGENT LIABILITIES

The company had no contingent liabilities as at 30 June 2016.

## DIRECTORS' DECLARATION

**AWA Mutual Limited**  
**ABN 31 087 651 652**

In accordance with a resolution of the directors of AWA Mutual Ltd, we state that:

- 1) In the option of the directors:
  - a) The financial statements and notes of AWA Mutual Ltd for the financial year ended 30 June 2016 are in accordance with the *Corporations Act 2001*, including:
    - i) Giving a true and fair view of the entity's financial position as at 30 June 2016 and of its performance for the year ended on that date.
    - ii) Complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.
  - b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.

A handwritten signature in blue ink, appearing to read 'Peter Richardson'.

Peter Richardson  
Vice-Chairman

Dated this 21 September 2016