AWA Mutual Limited

Financial Report
For the year ended 30 June 2017

CHAIRMAN / CHIEF EXECUTIVE OFFICER'S REPORT

It pleases us to present the Chairman's and CEO's Report for AWA Mutual Ltd / Alliance Bank (AWA) for the financial year ending June 2017. This represents our 48th reporting year as we rapidly approach a significant milestone in our history, this being the anniversary of 50 successful years of operation in the financial services industry.

Our Direction:
As usual, the Board and staff have worked effectively together in pursuing our fundamental goal of providing professional services and competitive financial products which empower our members and communities to improve upon their financial wellbeing.

As stated last year, our revised business strategy is structured around a social enterprise philosophy which enables us to broaden our operation from one of a member focus, to one which also provides wider community benefits. This is achieved through the establishment of partnerships with various community stakeholders, including shared value partnerships where we share our margin with the partner in return for referred business patronage.

Whilst our competitors strive for profits to appease shareholders and regulatory requirements, at AWA we have a unique model. Obviously, we continue to be committed to undertaking responsible business planning towards ensuring business sustainability, including making a profit, however our uniqueness enables us to return the vast majority of profit to our members and communities.

Our competitors frequently offer highly competitive rates which are only available to **new** transactions whilst existing customers are ineligible. At AWA we deliberately choose to offer common competitive rates to all members, not just those fortunate enough to be eligible at a given time.

It seems that not a year goes by without the emergence of new business challenges for AWA. In the past, it's been the GFC, the closure of some Alcoa operations, not to mention a financial environment of volatile interest rates and incredible competition between lenders. For 2017 it's meant completing the final piece in the transition to the Alliance Bank model under the Bendigo and Adelaide Bank Limited (BEN) operating system, which I'm pleased to report was completed according to plan in March 2017. It's also provided the Board with new opportunities in understanding and deploying activities which support our social enterprise goals.

Having now completed all planned stages of the transitioning to the Alliance Bank model, AWA is finally in a strong position to further develop the business and optimize the benefits attained through cost aggregation, and new products as they become available.

Our venturing into the area of shared value partnerships with community partners is proving to be both demanding and exciting. Demanding in the sense of coming to grips with establishing processes for assessing, implementing, promoting and measuring the success of partnership proposals, exciting in the sense of seeing and experiencing the benefits that ventures of this type can realize.

Throughout this period we are indebted to the tireless efforts of our staff, the support from our Alliance Bank partners and of course BEN representatives who continue to provide support and guidance and finally our members who remain patient and understanding throughout.

The Past Year:

<u>New products</u>

Our product range has been enhanced greatly in the past year with the introduction of a VISA Debit Card (incorporating PAYWAVE functionality), a Mobile APP (incorporating all of the latest on-line banking functionality) and for the first time our very own AWA branded VISA Credit Card product.

Additionally, we relaunched our Website during the year and it now incorporates all of the latest functionality including auto-sizing to accommodate the device which is currently accessing it.

<u>Fees Elimination</u>

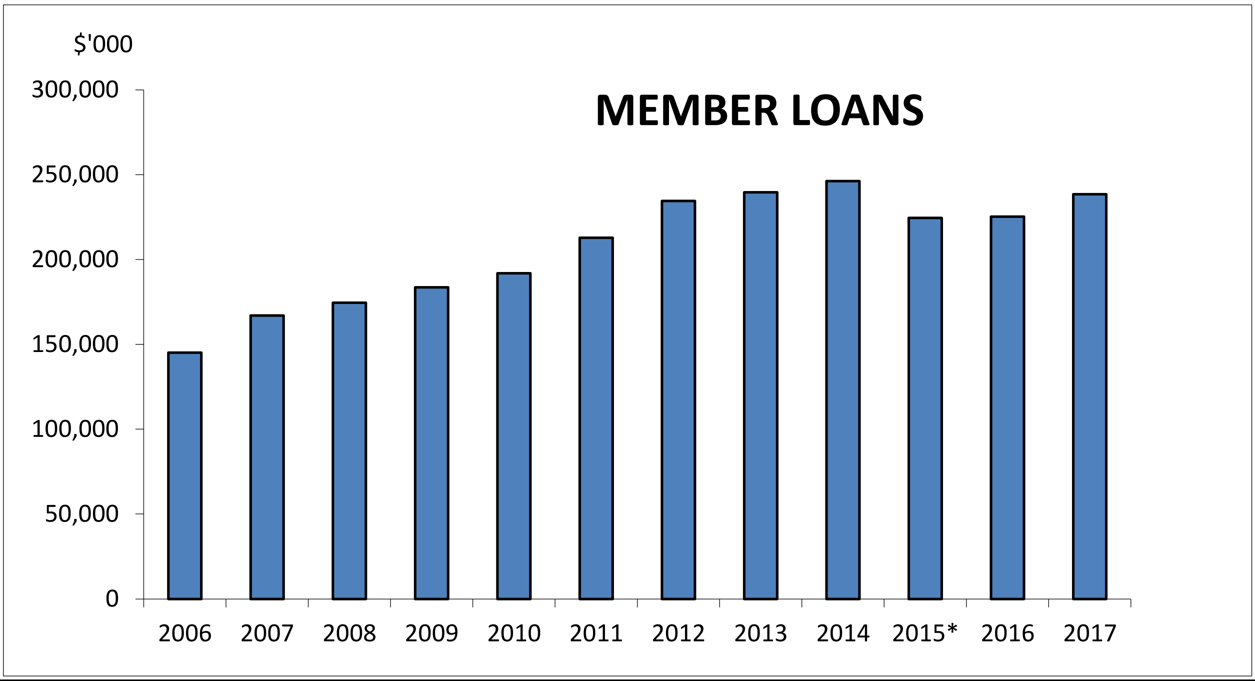
Following the elimination of Mortgage Loan Establishment and Documentation Fees in May 2016, we abolished all Transaction and Account Keeping Fees on Savings Accounts in September 2016.

These initiatives have greatly enhanced AWA's Member Value Proposition, which is the objective of most Board deliberations.

Profitability

Despite the abolition of all Mortgage Loan Establishment and Documentation Fees and Savings Account Transaction and Account Keeping Fees over the past 14 months (generating a significant reduction in AWA's revenue base) it is pleasing to report that we were never-the-less still able to generate a pleasing Net Profit of $389,050 during 2016/17.

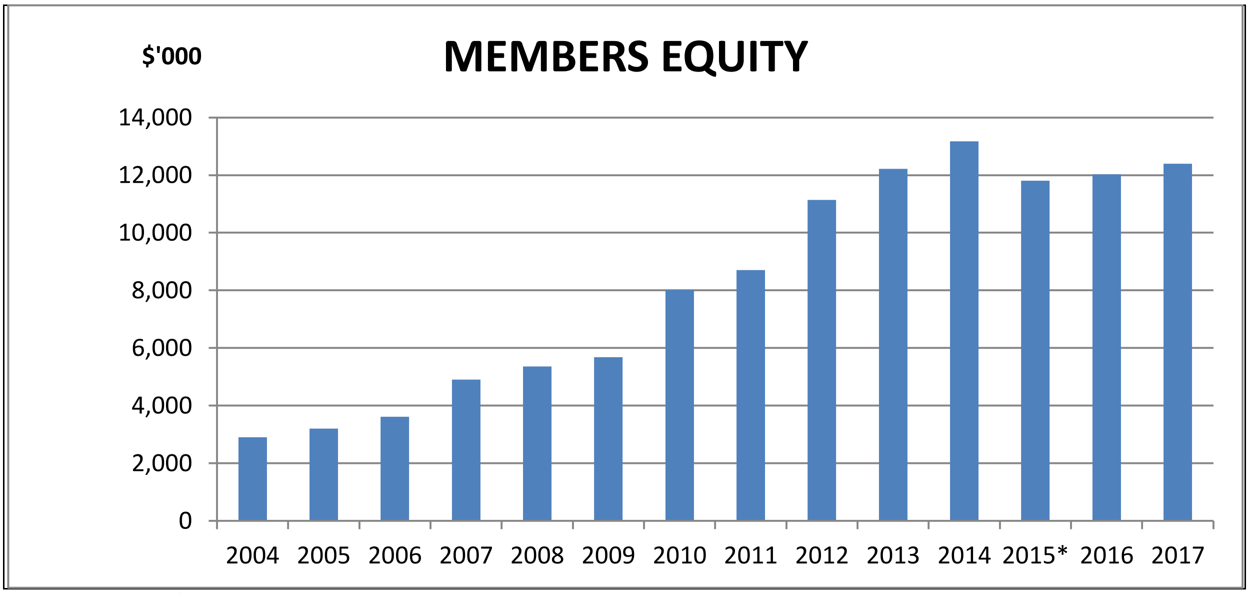
Member Loans



***Closure of Alcoa's Pt Henry, Geelong and Yenorra, Sydney plants.**

Having moved on from the recent closure of two Alcoa plants, AWA's overall Loans Portfolio continues to show a positive growth trend as we quickly begin to challenge the all time high of $246m in 2014. With $23m of Loans in the pipeline at the end of the 2016/17 financial year, we look with confidence towards the coming year.

Members Equity



***AWA repaid $1.6m of Subordinated Debt raised from Members.**

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 Alliance Bank Model.

People:

At the 2016 Annual General Meeting we saw long serving Director Warwick Peel retire from the Board after 24 years of dedicated service to be replaced by Sean O'Neill, a first time Director.

We thank Warwick for his many years of service and wish him well in the future, at the same time welcoming Sean to the Board.

Cara Bongiorno resigned as a staff member from our Geelong Office after 5 years of service and we wish her well in her new career. During the past year we welcomed Mitch Grinter and David Johnson as new staff members in our Geelong Office.

Strategic Partnerships

In last years Report we advised that we had entered into a Strategic Partnership with Basketball Geelong and this will shortly deliver 6 new indoor basketball courts to the Geelong Region. In the past year we also entered into a Strategic Partnership with the East Belmont Cricket Club in Geelong and this will shortly deliver greatly improved facilities for this community organization. We are confident that these partnerships will not only deliver major benefits to these two community organizations, but also for their Members who choose AWA Alliance Bank for their banking needs.

Conclusion

As the Board and Management continue to focus on the delivery of positive outcomes for all of our stakeholders – Members, the Communities in which we operate and Staff, we take this opportunity to thank all Staff and Directors for their on-going efforts as well as our Members who continue to support us in our endeavours.

We look forward confidently to a successful 2018.

Brian Virtue	Graeme Scannell
Chairman	Chief Executive Officer

DIRECTOR'S REPORT

Your directors present their report on AWA for the financial year ended 30 June 2017.
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 :-

Name	Qualifications	Experience
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 Manager of Planning & Systems – Greening Australia	Member of the Board of Directors since 2000 (resigned 2001, re-elected 2005).
Brett J Noonan Director	Grad Dip Bus, MAMI Semi-retired/Contactor	Member of the Board of Directors since 2001.
Sean M O'Neill Director	B Com, MAMI Tax Accountant	Member of the Board of Directors since 2016.
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 J 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, Member of the BARC.

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

Name	Qualification	Experience
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	12	11	-	-	Full Year
Peter Richardson	12	11	5	4	Full Year
Richard P Lyle	12	12	-	-	Full Year
Brett J Noonan	12	11	-	-	Full Year
Stevern J Ward	12	9	-	-	Full Year
Christopher Welsh	12	9	5	3	Full Year
Neville Pearce	12	12	5	5	Full Year
Sean O'Neill	9	9	-	-	Part Year
Warwick Peel	3	2	-	-	Part Year

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 $389,050 (2016 - $329,280).

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

Subequent to the end of the 2016/17 Financial Year AWA entered into a Strategic Partnership Agreement with Basketball Geelong. This agreement entails the provision of a $1.65m Strategic Partnership Loan. It is expected that this loan will be fully drawn down prior to 30 June 2018.

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	Peter Richardson
Chairman	Vice-Chairman

Dated: 21 September 2017

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 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 Melbourne

CROWE HORWATH MELBOURNE

David Munday

DAVID MUNDAY Partner

Melbourne Victoria
21 September 2017

Independent Auditor’s Report to the Members of AWA Mutual Limited

Opinion

We have audited the financial report of AWA Mutual Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in 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 Company 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 2017 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements 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 Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the 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 information included in the Company’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

Responsibilities of the Directors 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 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 Company 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 Company 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 Melbourne

CROWE HORWATH MELBOURNE

David Munday

DAVID MUNDAY
Partner
Melbourne, Victoria
21 September 2017

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Revenue	3	**2,779**	**2,885**
Net gain on sale of available for sale equity investments		**-**	**148**
Employee benefits expense		**(1,290)**	**(1,241)**
Occupancy and related costs		**(188)**	**(228)**
Computer system costs		**(146)**	**(430)**
Depreciation and amortisation expense	4	**(165)**	**(140)**
General administration expense		**(422)**	**(521)**
Profit before income tax expense		**568**	**473**
Income tax (expense) / benefit	5	**(179)**	**(144)**
Net profit/(loss) after tax attributable to Members		**389**	**329**
Total comprehensive income attributable to Members		**389**	**329**

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 2017

	Notes	2017	2016
		$'000	$'000
Current Assets			
Cash and cash equivalents	6	**1,567**	2,948
Financial assets	7	**10,500**	9,000
Trade receivables	8	**366**	238
Tax receivables	9	**-**	33
Prepayments		**8**	4
Loans and advances	10	**20**	20
Total Current Assets		**12,461**	12,243
Non-Current Assets			
Financial assets	7	**500**	-
Loans and advances	10	**60**	80
Plant and equipment	11	**361**	481
Intangibles	12	**8**	23
Deferred tax assets	5	**187**	198
Total Non-Current Assets		**1,116**	782
TOTAL ASSETS		**13,577**	13,025
Current Liabilities			
Member withdrawable shares		**40**	40
Trade and other payables	13	**189**	194
Taxation liability	14	**187**	35
Employee benefits	15	**632**	615
Total Current Liabilities		**1,048**	884
Non-Current Liabilities			
Employee benefits	15	**4**	5
Total Non-Current Liabilities		**4**	5
TOTAL LIABILITIES		**1,052**	889
NET ASSETS		**12,525**	12,136
MEMBERS' EQUITY			
Reserves		**12,461**	12,074
Capital reserve account		**64**	62
TOTAL MEMBERS' EQUITY		**12,525**	12,136

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 2017

	Capital Reserve Account	Reserves	Total
	$'000	**$'000**	**$'000**
Opening - 1 July 2015	57	11,750	11,807
Profit for the year	-	329	329
Transfer to/(from) reserves on redemption of shares	5	(5)	-
Closing – 30 June 2016	62	12,074	12,136
Opening - 1 July 2016	62	12,074	12,136
Profit for the year	-	389	389
Transfer to/(from) reserves on redemption of shares	2	(2)	-
Closing – 30 June 2017	64	12,461	12,525

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 2017

	Notes	2017	2016
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**227**	174
Fees and commissions received		**2,670**	3,173
Payments to suppliers and employees		**(2,200)**	(2,716)
Income tax (paid) / received		**(68)**	21
Net cash flows from/(used in) operating activities		**629**	652
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption of investments		**11,600**	24,000
Purchases of investments		**(13,600)**	(33,000)
Issue of partnership loans		**-**	(100)
Repayment of partnership loans		**20**	-
Payments for property, plant and equipment		**(30)**	(13)
Payments for intangible assets		**-**	(2)
Proceeds from sale of available for sale equity investment		**-**	284
Net cash flows from/(used in) investing activities		**(2,010)**	(8,831)
CASH FLOWS FROM FINANCING ACTIVITIES			
Refund of member shares		**-**	(2)
Net cash flows used in financing activities		**-**	(2)
Net cash increase/(decrease)		**(1,381)**	(8,181)
Cash at beginning of year		**2,948**	11,129
CLOSING CASH AT 30 JUNE	16	**1,567**	2,948

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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 2017 was authorised for issuance in accordance with a resolution of the Board of Directors on 21 September 2017.

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.

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) 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	**7 years**
▪ Office Furniture and Equipment	**7 years**
▪ Motor Vehicles	**5 years**
▪ Computer Hardware	**4 years**

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.

(g) 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(g) Intangible Assets (cont)

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

(h) 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.

(i) 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.

(j) 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.

(k) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(k) Revenue Recognition (cont)

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.

(l) Comparative Figures

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

(m) 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.

(n) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(n) Taxes (cont)

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.

(o) 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.

(p) 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.

(q) 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:

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.

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 Provision

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(q) Significant Accounting Judgements, Estimates, and Assumptions (cont)

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.

(r) 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 2014-4 Acceptable Methods of depreciation anamortisation
- AASB 2015-1 Annual Improvements 2012-2014 Cycle
- AASB 2015-2 Presentation of financial statements (disclosure initiative)

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 2017

3. REVENUE

	2017	2016
	$'000	$'000
Interest on investments	**318**	232
Interest Income on Partnership Loans	**1**	-
Shared margin income	**1,698**	1,527
Other fee income	**762**	1,126
Total revenue	**2,779**	2,885

4. EXPENSES

Depreciation and amortisation

Plant and equipment	**58**	50
Leasehold improvements	**92**	69
Computer system	**15**	21
	165	140

5. INCOME TAX

The major components of income tax are:

Statement of Comprehensive Income

Current income tax		
Current income tax expense – current years profit	**168**	147
Deferred tax expense		
Decrease (increase) in the deferred tax asset account	**11**	(3)
Total income tax expense / benefit reported in the Statement of Comprehensive Income	**179**	144
The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:		
Accounting profit before income tax	**568**	473
Prima facie tax payable on profit before income tax at 27.5% (2016: 30%)	**168**	142
Reduction in opening deferred taxes resulting from reduction in tax rate	**10**	-
Add – Non deductible entertainment expenses	**1**	2
	179	44
Income tax expense reported in the Statement of Comprehensive Income	**179**	144

For the year ending 30 June 2017, AWA has met the requirements to apply for Small Business Entity reduced tax rates and therefore has applied a tax rate of 27.5% for 2017.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	$'000	$'000

Statement of Financial Position

Deferred tax assets comprise of :

Employee provisions	**175**	195
Accrued expenses	**12**	3
	187	198

6. CASH AND CASH EQUIVALENTS

Deposits at call	**1,567**	2,948
	1,567	2,948

7. FINANCIAL ASSETS – HELD TO MATURITY

Term Deposits - current	**10,500**	**9,000**
Term Deposits – non current	**500**	**-**
	11,000	**9,000**

8. TRADE RECEIVABLES

Sundry debtors	**216**	161
Other receivables	**-**	19
Interest receivable	**150**	58
	366	238

9. TAX RECEIVABLE

GST receivable	**-**	33
	-	33

10. LOANS AND ADVANCES

Partnership loan - current	**20**	**20**
Partnership loan – non-current	**60**	**80**
Total loans and advances	**80**	**100**

	2017	2016
	$'000	$'000

11. PLANT AND EQUIPMENT

	2017 $'000	2016 $'000
Leasehold improvements		
At cost	**538**	538
Provision for depreciation	**(259)**	(167)
Total leasehold improvements	**279**	371
Plant and equipment		
At cost	**252**	260
Provision for depreciation	**(170)**	(150)
Total plant and equipment	**82**	110
Total written down value	**361**	481

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

	2017 $'000	2016 $'000
Leasehold improvements		
Carrying amount at beginning of year	**371**	471
Additions	**-**	13
Depreciation	**(92)**	(69)
GST Adjustment	**-**	(44)
Carrying amount at end of year	**279**	371
Plant and equipment		
Carrying amount at beginning of year	**110**	**175**
Additions	**30**	**-**
Depreciation	**(58)**	**(50)**
GST Adjustment	**-**	**(15)**
Carrying amount at end of year	**82**	110

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 in 2016 they were able to claim a refund of GST (referred to above as GST Adjustment) previously capitalised following the acquisition of fixed assets.

	2017	2016
	$'000	$'000

12. INTANGIBLES

Computer software

Computer software at cost	**333**	333
Provision for amortisation	**(325)**	(310)
Total written down value	**8**	23

Reconciliation of carrying amount - computer software for the financial year

Carrying amount at beginning of year	**23**	42
Additions	**-**	2
Disposals	**-**	-
Amortisation	**(15)**	(21)
Carrying amount at end of year	**8**	23

13. TRADE AND OTHER PAYABLES

Trade and other creditors	**189**	194
	189	194

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

14. TAXATION LIABILITY

Provision for Income Tax	**135**	35
GST Payable	**52**	-
	187	35

15. EMPLOYEE BENEFITS

Long service leave - current	**374**	357
Long service leave – non-current	**4**	5
Annual Leave	**258**	258
	636	620

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	$'000	$'000

16. STATEMENT OF CASH FLOWS

Reconciliation of cash

Cash balance comprises:		
Cash	**1,567**	2,948
Closing cash and cash equivalents at end of financial year	**1,567**	2,948

17. EXPENDITURE COMMITMENTS

Lease expenditure commitments		
Operating leases (non-cancellable)		
not later than 1 year	**182**	181
later than 1 and not later than 5 years	**425**	601
later than 5 years	**-**	-
Aggregate lease expenditure contracted for at balance date	**607**	782

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 14% of employees' salaries. Contributions by AWA of 9.50% of employees' wages and salaries are legally enforceable in Australia.

Loan commitments

AWA entered into a Strategic Partnership Agreement with the East Belmont Cricket Club during 2016/17 which entails the provision of a $150,000 Strategic Partnership Loan, none of which had been drawn down prior to 30 June, 2017. It is expected that this loan will be fully drawn down prior to 30 June 2018.

Number of employees

The number of full-time equivalent employees at the end of the year was 13.86 (2016: 12.75).

18. SUBSEQUENT EVENTS

Subequent to the end of the 2016/17 Financial Year AWA entered into a Strategic Partnership Agreement with Basketball Geelong. This agreement entails the provision of a $1.65m Strategic Partnership Loan. It is expected that this loan will be fully drawn down prior to 30 June 2018.

	2017	2016
	$'000	$'000

19. KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel

The Directors of AWA during the year were:

Mr B Virtue (Chairman)
Mr P Richardson (Vice-Chairman)
Mr R Lyle
Mr B Noonan
Mr N Pearce
Mr S O'Neill
Mr S Ward
Mr C Welsh

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)

(b) Key management personnel compensation

Short term and post-employment benefits	**759**	801
	759	801

(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.

20. 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.

21. CONTINGENT LIABILITIES

The company had no contingent liabilities as at 30 June 2017.

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 opinion of the directors:
   a) The financial statements and notes of AWA Mutual Ltd for the financial year ended 30 June 2017 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 2017 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.

Brian Virtue
Chairman

Dated this 21 September 2017