
Financial Report
2019/20

Chairman / Chief Executive Officer's Report

What an extraordinary year it has been! We began with the fanfare and excitement that accompanied our 50th Anniversary celebrations at a Gala event (coinciding with our 2019 Annual General Meeting) on 18 October 2019 and ended in the midst of the greatest health crisis the world has ever seen. Covid-19 has certainly brought significant challenges in relation to how we operate and how people work, but the impact on AWA has been significantly less than for many of our individual and business Members as well as for many in our communities.

Our day-to-day activities have evolved throughout the Pandemic as Government and health requirements have continued to change. Through the journey our focus has remained on providing the safest possible environment for our Staff and Members, whilst also ensuring the continuation of our operations, which are classified as an essential service.

50th Anniversary

On 18 October 2019 120 of our Members, Directors (past and present) and Staff (past and present) as well as a number of invited Guests gathered in the Captains Room at the Geelong Football Club to celebrate AWA's 50 years of operation. We took the time to recognize those individuals who have contributed so much to our success and to reflect on our achievements, but we also looked into the future and shared our aspirations.

Although time marches on very quickly we will be careful to retain recognition and respect for those who have served AWA so well over the long journey since 1969. During this time we transitioned from humble beginnings – firstly as Point Henry Credit Co-operative, then as AWA Credit Union and now as AWA Alliance Bank, an organisation that can be rightly proud of its position in the local communities in which we operate.

Community Engagement

During the past year and in particular during the final months leading up to the end of the financial year the Board of AWA identified a heightened demand from our philanthropic partners for additional support. Although this demand is always present the impact of Covid-19 on the most needy in our communities has created more demand than ever before.

In addition to these increased needs much of the traditional support that these partners rely upon (both financial and volunteer) has evaporated as a result of the pandemic.

In keeping with our social values and in recognition of these unprecedented demands AWA worked closely with these partners to provide financial support totalling \$290,000 throughout 2019/20.



The beneficiaries of these funds were:

Geelong

Give Where You Live Foundation (GWYL)
Geelong Connected Communities (GCC)

Mandurah

People Employed by Alcoa Charity Help (PEACH)

Portland

United Way Glenelg (UWG)

A more detailed summary of these initiatives has been provided within the following Community Engagement Report.

Strategic Partnerships

We are very pleased to announce three new Partnerships that we have recently entered into within the Geelong and Mandurah Regions:

East Geelong Golf Club

To assist them with the installation of the MIClub Operational Golf System, which will greatly enhance their operational efficiency.

Mandurah City Football Club

To assist them with the purchase of new scoring equipment.

Pinjarra Golf Club

To assist them with the purchase of new mowing equipment.



We now have Partnerships in place with the following Community organisations:

- East Belmont Cricket Club
- Geelong United Basketball
- Give Where You Live Foundation
- Ocean Grove Surf Life Saving Club
- East Geelong Golf Club
- Mandurah City Football Club
- Pinjarra Golf Club

We are confident that these partnerships will not only deliver major benefits to our communities, but also to our partners and their supporters who choose AWA Alliance Bank for their banking needs.

Financial

Profitability

In the past year the Board has focused heavily on supporting our communities through the pandemic - as set out above. The pandemic itself also had a negative impact on the value of our funds under management and these two factors together with the impact of the adoption of the new AASB 16 Lease Accounting Standard have resulted in a significantly lower Total Comprehensive Income result in 2019/20 than in previous years, being a Total Comprehensive Loss of \$33,133 (\$398,508 Total Comprehensive Income during 2018/19).

Whilst our philanthropic support resulting in a significant increase in costs was a conscious decision of the Board it is understood by the Board that the valuation of our investment portfolio is subject to market movements and will vary from year to year more especially because of the volatility in the current environment.

Loans and Deposits

The current pandemic certainly changed the manner in which we operate, reducing significantly our face-to-face contact with borrowers and also impacting the borrowing capacity of some Members due to changes in their circumstances. Initially this negatively impacted our loans growth, but it's pleasing to say that as we have begun to emerge from the pandemic and Members have regained some confidence about their own circumstances, combined with some Government assistance initiatives (designed to stimulate the economy), it is pleasing to report that we have built up a strong pipeline of loans that provides a sound base for future growth.

During 2019/20 AWA's overall loans portfolio grew to \$295m – an increase of 6% over the course of the year.

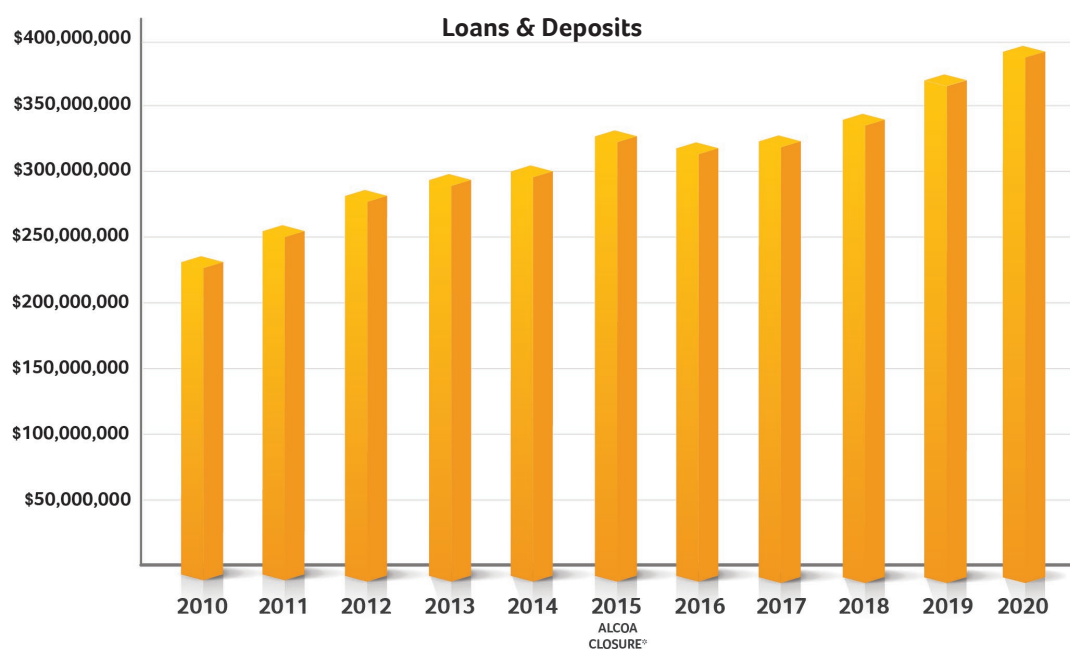
This is a pleasing result during a period of subdued credit growth and within a highly competitive market, combined with great uncertainty due to the pandemic.

During the year AWA's deposit portfolio grew to \$103m - an increase of 4% over the course of the year.

Our Total Footings now stand at \$398m.

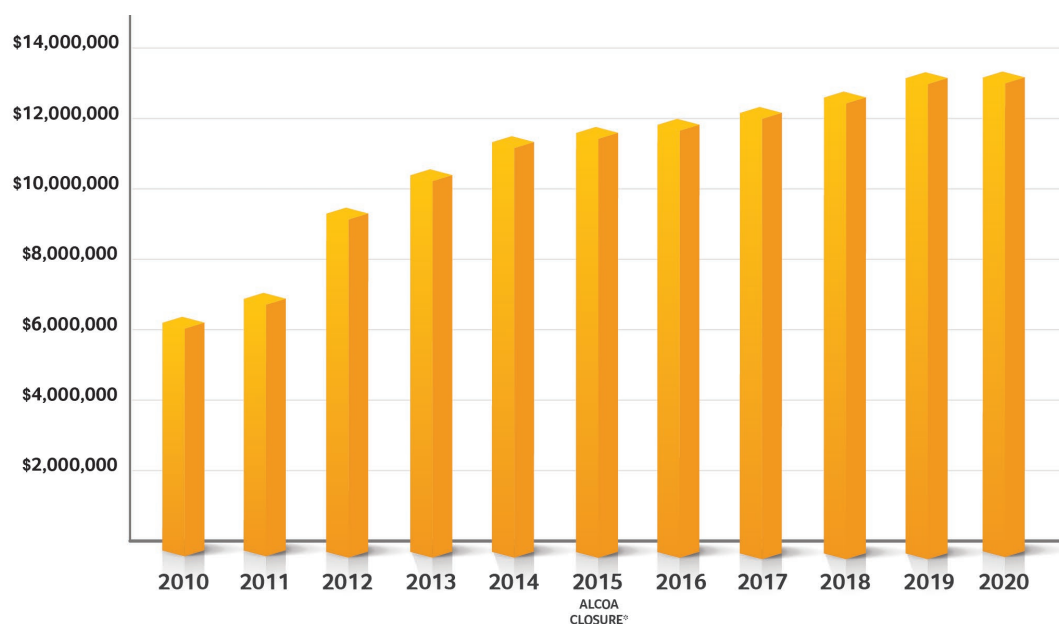


Footings



*Closure of Alcoa's plants in Geelong and Sydney.

Equity



*Equity reflects the Retained Earnings of AWA. In addition to these Retained Earnings between 2010 and 2014 AWA sourced additional equity of \$1.6m in the form of Subordinated Debt raised from Members.

People

At the 2020 AGM Andrew Dwyer's term as a Director will expire and he has not sought re-election. We take this opportunity to thank Andrew for his contribution as a Director and also as a member of the Board Audit and Risk Committee.

During the past financial year we welcomed Matt Schuyler as a new staff member to our Geelong office and we saw Melanie Cooper depart our Mandurah office and Gary Tilley depart our Geelong office. We wish them both well in the future.

Conclusion

In closing we take this opportunity to thank all Staff and Directors for their on-going and past efforts and our Members who continue to support us.

We still have a way to go to navigate the current pandemic, but are confident that we are well positioned to manage this risk and then to continue to support our Members and communities into the future.



Peter Richardson
Chairman



Graeme Scannell
Chief Executive Officer



Community Engagement Report

Community Support \$140,000

As spelt out earlier in this Report we were very pleased to be able to provide significant support to a number of extremely worthy beneficiaries during the past year, with the majority of this support being channeled through GWYL in the Geelong Region, UWG in the Portland Region and PEACH in Western Australia.

The Give Where You Live Foundation \$80,000

As part of the Foundation's 2020 Grant Round in October 2019 the Foundation awarded 13 Community Connections grants to the following organisations:

- Back to Back Theatre Inc
- Barwon Disability Resource Council
- Bellarine Training and Community Hub
- Bluebird Foundation
- Foundation 61
- Geelong Mums
- OneCare Geelong Ltd
- Orange Sky Australia
- Riding for the Disabled-Barwon Centre
- Solve Disability Solutions
- Uniting (Victoria and Tasmania) Ltd
- Very Special Kids
- Wellways Australia

Geelong Connected Communities \$10,000

As a Program Partner, we have aligned ourselves with the Health & Wellbeing Pillar to provide grants to the following not-for-profit organisations.

- Geelong Nepalese Association Inc.
- Bellarine Living & Learning Centre
- Juvenile Diabetes Research Foundation (JDRF)
- Northern Bay College Hendy St. Campus
- Barwon Health
- Lockdown Buddies
- Geelong Food Relief Centre Inc.
- Anam Cara House Geelong Ltd.

People Employed by Alcoa Charity Help \$34,550

- Homestead for Youth
- Squared Away
- TCF Mandurah (Inc.)
- Quambie Park
- St John Amb. Waroona
- Fairbridge

United Way Glenelg \$14,000

The second annual Shark Pitch event proved just as successful as the first raising \$45,814 for three organisations; Leadership Great South Coast, Beats Cycle for Hope & Kyeema Support Services. AWA provided \$12,000 of matched funding (plus operational costs) which combined with the generosity of the Glenelg region produced an event that will make a significant difference for the community.

Miscellaneous Contributions \$1,450

Short Term Covid Relief \$150,000

To help with immediate short term relief to those affected by COVID-19, AWA Alliance Bank significantly increased support to its Philanthropic Partners by \$150,000. At a time when every need is amplified, our community partners are continually providing and developing essential services in challenging circumstances. Below are some of their impacts.

Give Where You Live Foundation

The Foundation is currently working on a program in conjunction with Donkey Wheel and the State Government to address the increasing issue of food insecurity. The initiative aims to utilise and boost the spare working capacity of the hospitality industry since COVID restrictions depleted their trade. The program is designed to allocate weekly vouchers to people disadvantaged by current circumstances and provide meals through approved venues.

Geelong Connected Communities

At a time when the most vulnerable in our community are in trouble, the Geelong Food Relief Centre provides an essential service to those experiencing food insecurity. Keeping food banks in operation was highlighted early as a high priority. GCC helped coordinate additional human resources for the Food Relief Centre while their usual volunteer army - most of whom are in the 'high-risk' categories with this virus – allowing them to take care of themselves.

United Way Glenelg

AWA Alliance Bank is donating over \$14,000 to support emergency response support for vulnerable residents in the Glenelg Shire Community. Working directly with its partner UWG, basic needs, food vouchers, face masks, mental health assistance and other support is flowing into local communities, reaching nearly 1,000 people.

People Employed by Alcoa Charity Help

- Halo
- Safe Women Safe Family
- Pinjarra Community Kitchen
- Daily Bread R Us
- The Compassionate Friends
- St Vincent de Paul Society
- Salvation Army, Mandurah
- Peel Community Legal Services
- OVIS
- Peel Youth Services
- WorkPower
- Diversity South
- WestAus Crisis / Peel Connect
- Foster Share Shed
- Fairbridge

National Bushfire Disaster Appeal

In response to one of the worst bushfire seasons on record, AWA responded by matching donations to provide relief and recovery in the fire affected areas. Together with our generous members, we raised \$24,565.80 for the National Bushfire Disaster Appeal.

Director's Report

Your directors present their report on AWA for the financial year ended 30 June 2020.
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
Peter Richardson Chairman	B Com, CPA, Dip Tm, Grad Dip Tax, MAMI Self-employed Consultant	Member of the Board of Directors since 1996, Deputy Chair - AWA 2002-2017, Chair - AWA 2017 - current. Member of the People Committee.
Richard P Lyle Director	B Com, CPA, MAMI, MAICD Financial Reporting and Analytics Manager - Treasury Wine Estates	Member of the Board of Directors since 2000 (resigned 2001, re-elected 2005). Deputy Chair - AWA 2017-current. Chair of the Partnerships Committee.
Brian R Virtue Director	MAMI Retired HR Consultant	Member of the Board of Directors since 1971 (resigned 1973, re-elected 1982), Chair - AWA 1983-2017. Member of the People Committee.
Stevern J Ward Director	MAMI Retired Work Execution Co-ordinator	Member of the Board of Directors since 2006. Chair of the People Committee.
Neville J Pearce Director	BEng (Civil & Structural), MBA, GAICD, Fellow Engineers of Aust., AFAIM, MAMI, CPEng, NER, RPEng, MASC, Fellow Institute Managers & Leaders (FIML) General Manager of Infrastructure & Water Resources - Western Water	Member of the Board of Directors since 2013. Chair of the Board Audit & Risk Committee.
Sean M O'Neill Director	B Com, MAMI, ASA Tax Accountant - Kelly & Associates	Member of the Board of Directors since 2016. Member of the Board Audit & Risk Committee.
Andrew J Dwyer Director	Diploma of Financial Planning & Mortgage Broking Self-employed Financial Planner	Member of the Board of Directors since 2017. Member of the Board Audit & Risk Committee.
Adrian J Hart Director	MBA, MAICD, Member - Project Management Institute Director - Leisure Networks Self-employed Consultant	Member of the Board of Directors since 2017. Member of the Partnerships Committee.
Elaine C Carbines AM Director	BA, Dip Ed, GAICD, FIPAA(Vic) Deputy Chair - Barwon Water & G-Force Chief Executive Officer - G21 Geelong Regional Alliance	Member of the Board of Directors since 2019. Member of the Partnerships Committee.

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

Name	Qualification	Experience
Graeme N Scannell Secretary/Chief Executive Officer	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		PC*		PC**		Period of Appointment			
	H	A	H	A	H	A	H	A	Board	BARC	PC*	PC**
Peter Richardson	12	11	-	-	4	4	-	-	Full Year		Full Year	
Richard Lyle	12	11	-	-	-	-	4	4	Full Year			Full Year
Brian Virtue	12	11	-	-	4	4	4	3	Full Year		Part Year	Part Year
Stevern Ward	12	12	-	-	4	4	-	-	Full Year		Full Year	
Neville Pearce	12	10	4	4	4	1	-	-	Full Year	Full Year		Part Year
Sean O'Neill	12	10	4	3	-	-	-	-	Full Year	Full Year		
Andrew Dwyer	12	11	4	4	-	-	-	-	Full Year	Full Year		
Adrian Hart	12	12	-	-	-	-	4	4	Full Year			Full Year
Elaine Carbines	12	11					4	2	Full Year			Part Year

BARC – Board Audit and Risk Committee

PC* – People Committee

PC** – Partnerships Committee

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 a loss of \$33,133 (2019 – profit of \$398,508).

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

The spread of the novel COVID-19 Coronavirus was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by Governments, regulators and industry sectors.

The Australian Commonwealth Government enacted its emergency plan on 29 February 2020 which has seen the closure of Australian borders from 20 March, an increasing level of restrictions on corporate Australia's ability to operate, significant volatility and instability in financial markets and the release of a number of government stimulus packages to support individuals and businesses as the Australian and global economies face a greater level of uncertainty.

Whilst this has impacted the Company's operations, the Company is an essential service and has continued to provide services to members throughout this period of time whilst complying with social distancing and isolation requirements introduced by the Commonwealth and State Government.

There were no other 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

Subsequent to year-end, the State Government has revised social isolation measures as appropriate based on the level of community transmission of the COVID-19 Coronavirus. As an essential business, the Company has continued to operate whilst complying with such isolation measures.

No other 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 :-



Peter Richardson
Chairman



Richard Lyle
Vice-Chairman

Dated: 15 October 2020

Lead auditor's independence declaration under *section 307C of the Corporations Act 2001* to the directors of AWA Mutual Limited

As lead auditor for the audit of AWA Mutual Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated this 15th day of October 2020



Adrian Downing
Lead Auditor

Independent auditor's report to the members of AWA Mutual Limited

Report on the audit of the financial statements

Our opinion

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

- i. giving a true and fair view of the company's financial position as at 30 June 2020 and of its performance for the year ended on that date and
- ii. complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001*.

What we have audited

The company's financial report comprises the:

- ✓ Statement of financial position as at 30 June 2020
- ✓ Statement of profit or loss and other comprehensive income for the year then ended
- ✓ Statement of changes in equity for the year then ended
- ✓ Statement of cash flows for the year then ended
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the entity.

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

Other Matter

The financial report of the company for the year ended 30 June 2019 was audited by another auditor who expressed an unmodified opinion on that report on 15 October 2019.

Other information

The directors are responsible for the other information. The other information comprises the Chairman/Chief Executive Officer's Report and the Community Engagement Report, which is included in the company's annual report for the year ended 30 June 2020, 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.

Independence

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

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 the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability 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 cease operations, or have no realistic alternative but to do so.

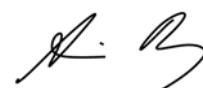
Auditor's responsibility for the audit of the financial report

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. Misstatement can arise from fraud or error and are considered material if, individually or in 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/home.aspx>. This description forms part of our auditor's report.



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated this 15th day of October 2020



Adrian Downing
Lead Auditor

AWA Mutual Limited

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	2020 \$	2019 \$
Revenue from contracts with customers	4.1	2,461,001	2,228,789
Other income	4.2	606,182	462,296
Finance income	4.3	277,053	278,249
Salaries and employee benefits expense		(1,627,165)	(1,488,996)
Occupancy and associated costs		(60,166)	(190,696)
Computer system costs		(106,448)	(110,687)
Depreciation and amortisation expense	5.1	(298,903)	(89,103)
Finance costs	5.2	(139,226)	(4,570)
Community contributions and donations		(290,822)	(104,892)
General administration expense	5.3	(339,279)	(290,950)
Other expenses	5.4	(459,558)	(365,564)
Profit before income tax		22,669	323,876
Income tax expense	6	(10,822)	(62,726)
Profit after income tax		11,847	261,150
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Unrealised net gain/(loss) on financial assets at fair value through OCI		(44,980)	137,358
Other comprehensive income for the year		(44,980)	137,358
Total comprehensive income for the year		(33,133)	398,508

AWA Mutual Limited

Statement of Financial Position

As at 30 June 2020

	Note	2020 \$	2019 \$
Current assets			
Cash and short-term deposits	7	3,239,068	2,788,967
Trade and other receivables	8	291,383	355,555
Loans and advances	9	739,003	-
Current tax assets	10	61,762	67,651
Investments	11	2,000,000	5,000,000
Prepaid expenses		13,100	16,796
Total current assets		6,344,316	8,228,969
Non-current assets			
Loans and advances	9	3,503,489	1,718,436
Deferred tax assets	10	249,980	236,817
Investments	11	3,918,039	3,702,286
Property, plant and equipment	12	348,738	252,923
Investment property	13	22,865	-
Right of use assets	14	1,527,732	-
Intangible assets	15	4,500	3,021
Total non-current assets		9,575,343	5,913,483
Total assets		15,919,659	14,142,452
Current liabilities			
Trade and other payables	16	319,126	222,471
Member withdrawable shares		40,940	40,280
Employee benefit liabilities	17	750,360	677,691
Lease liability	18	113,869	-
Total current liabilities		1,224,295	940,442
Non-current liabilities			
Employee benefit liabilities	17	40,580	15,136
Lease liability	18	1,472,943	-
Provisions	19	28,100	-
Total non-current liabilities		1,541,623	15,136
Total liabilities		2,765,918	955,578
Net assets		13,153,741	13,186,874
Members' funds			
Capital redemption reserve		69,220	67,600
General reserve		12,991,250	12,969,367
Fair value reserve of financial assets at FVOCI		93,271	149,907
Total members' funds		13,153,741	13,186,874

AWA Mutual Limited

Statement of Changes in Equity

For the year ended 30 June 2020

	Capital redemption reserve	General reserve	Fair value reserve of financial assets at FVOCI	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2018	65,540	12,710,277	12,549	12,788,366
Profit for the year	-	261,150	-	261,150
Other comprehensive income	-	-	137,358	137,358
Total comprehensive income	-	261,150	137,358	398,508
Transfer (from)/to capital redemption reserve	2,060	(2,060)	-	-
Transfer (from)/to general reserve	-	-	-	-
Balance at 30 June 2019	67,600	12,969,367	149,907	13,186,874
Loss for the year	-	11,847	-	11,847
Other comprehensive income	-	-	(44,980)	(44,980)
Total comprehensive income/(loss)	-	11,847	(44,980)	(33,133)
Transfer (from)/to capital redemption reserve	1,620	(1,620)	-	-
Transfer (from)/to general reserve	-	11,656	(11,656)	-
Balance at 30 June 2020	69,220	12,991,250	93,271	13,153,741

AWA Mutual Limited

Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Interest received		239,498	279,574
Receipts from fees and commission revenue		3,348,626	2,787,517
Payments to suppliers and employees		(2,950,938)	(2,826,271)
Finance costs		(57,608)	-
Income taxes paid		(18,096)	(146,224)
Net cash provided by operating activities		561,482	94,596
Cash flows from investing activities			
Purchase of property, plant and equipment		(221,433)	(91,230)
Proceeds from redemption of investments at amortised cost		5,500,000	5,000,000
Purchase of investments at amortised cost		(2,500,000)	(1,500,000)
Proceeds from sale of investments at fair value through OCI		1,158,228	2,904,734
Purchase of investments at fair value through OCI		(1,418,961)	(6,084,682)
Purchase of intangible assets		(3,323)	(3,021)
Net cash provided by investing activities		2,514,511	225,801
Cash flows from financing activities			
Proceeds from repayment of loans and advances		1,620,105	77,248
Payments of loans and advances		(4,138,566)	(95,000)
Proceeds from member withdrawable shares		930	590
Payments of member withdrawable shares		(270)	(530)
Payment of principal elements of lease payments		(108,091)	-
Net cash used in financing activities		(2,625,892)	(17,692)
Net increase in cash held		450,101	302,705
Cash and cash equivalents at the beginning of the financial year		2,788,967	2,486,262
Cash and cash equivalents at the end of the financial year	7	3,239,068	2,788,967

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

1. Corporate information

The financial statements of AWA Mutual Limited ("AWA") for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 15 October 2020.

AWA Mutual Limited is a for-profit company incorporated and domiciled in Australia. The members are the owners of AWA.

The registered office and principal place of business of AWA is 4-51 Malop Street, Geelong, Victoria.

2. Significant accounting policies

2.1 Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards - Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. AWA is a for-profit, private sector entity which is not publicly accountable. Therefore, these financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements (AASB - RDRs).

The financial report has also been prepared on a historical cost basis, except for debt and equity financial assets which have been measured at fair value.

2.2 Changes in accounting policies, standards and interpretations

(a) New and amended standards and interpretations

AWA applied AASB 16: *Leases* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Initial application

AWA has adopted AASB 16: *Leases* retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16, the comparatives for the 2019 reporting period have not been restated.

Prior to 1 July 2019, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by AWA.

AWA has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: *Leases* where AWA is the lessee.

The lease liabilities are measured at the present value of the lease payments. AWA's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets for building premises were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019.

AWA holds an operating lease arrangement in the capacity of lessor for a portion of a leased building which is not utilised. AWA measured the underlying leased asset in accordance with AASB 16 *Leases*, before applying judgement to separately identify the sub-leased portion of the asset as an investment property under AASB 140 *Investment Property*.

AWA's lease agreements also includes terms and conditions which require AWA to restore leased premises to their original condition at the conclusion of the lease term. A provision for such make-good obligations has been recognised following the transition to AASB 16. Whilst a provision had not been recorded prior to transition, it was not considered material to the financial statements.

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

2. Significant accounting policies (continued)

2.2 Changes in accounting policies, standards and interpretations (continued)

(a) New and amended standards and interpretations (continued)

Practical expedients applied

The following practical expedients have been used by AWA in applying AASB 16 for the first time:

- for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied.
- leases that have a remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate
- applying AASB 16 to leases previously identified as leases under AASB 117 and Interpretation 4: *Determining whether an arrangement contains a lease* without reassessing whether they are, or contain, a lease at the date of initial application.
- not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

Measurement of lease liabilities at 1 July 2019

AWA measured lease liabilities at 1 July 2019 as follows:

Description	\$
Operating lease commitments disclosed as at 30 June 2019	505,000
Add:	
- adjustments as a result of a different treatment of extension and termination options	1,217,038
Lease liability recognised as at 1 July 2019	<u>1,722,038</u>
Of which are:	
- current lease liabilities	108,092
- non-current lease liabilities	1,613,946
	<u>1,722,038</u>

AWA's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 3.5%.

Measurement of right-of-use assets at 1 July 2019

Description	
Right-of-use assets	1,659,975
Investment property	62,063
Lease liabilities	(1,694,903)
Provisions	(27,135)
Net adjustment recorded to retained earnings on 1 July 2019	<u>-</u>

Impact on the statement of financial position for the year ended 30 June 2020

Right-of-use assets

Initial recognition on adoption	1,659,975
Less:	
- depreciation expense	(132,243)
Right-of-use assets as at 30 June 2020	<u>1,527,732</u>

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

2. Significant accounting policies (continued)	
2.2 Changes in accounting policies, standards and interpretations (continued)	
(a) New and amended standards and interpretations (continued)	
Investment property	\$
Initial recognition on adoption	62,063
Less:	
- depreciation expense	(39,198)
Right-of-use assets as at 30 June 2020	<u>22,865</u>
Lease liabilities	
Initial recognition on adoption	1,694,903
Add:	
- finance costs	57,608
Less:	
- lease repayments	(165,699)
Lease liabilities as at 30 June 2020	<u>1,586,812</u>
Provisions	
Initial recognition on adoption	27,135
Add:	
- finance costs	965
Provisions as at 30 June 2020	<u>28,100</u>
<i>Impact on the statement of profit or loss and other comprehensive income for the year ended 30 June 2020</i>	
Revenue and expenditure:	
Decrease in operating lease expense	(165,699)
Increase in borrowing costs on lease liabilities	57,608
Increase in right-of-use asset depreciation expense	132,243
Increase in investment property depreciation expense	39,198
Profit and loss:	
Increase in loss before income tax expense	<u>63,350</u>

2.3 Summary of significant accounting policies

(a) 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.

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

(b) Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and AWA's business model for managing them. AWA initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

AWA's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that AWA commits to purchase or sell the asset.

Subsequent measurement

For the purposes of subsequent measurement, financial assets of AWA are classified into one of three categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

Financial assets at amortised cost (debt instruments)

AWA measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

(b) Financial instruments - initial recognition and subsequent measurement (continued)

AWA's financial assets at amortised cost includes cash and short-term deposits, trade and other receivables and loans and advances.

AWA's loans and advances include concessional (partnership) loans, which are provided on more favourable terms than the borrower could obtain in the market place. AWA's concessional loans has two components; a 'market-based loan' as well as a 'concessional loan' component. The concessional component represents the opportunity cost AWA has forgone by providing the loan at a discounted rate. The discount component of the concessional loan is immediately recognised as an expense when AWA has a contractual commitment to provide the loan at a below-market interest rate. The loan discount component, which was expensed on initial recognition, is unwound over the life of the loan, which is recorded as finance income.

Financial assets at fair value through OCI (debt instruments)

AWA measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and other comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, AWA can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, except when AWA benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from AWA's statement of financial position) when:

- 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 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.

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

(b) Financial instruments - initial recognition and subsequent measurement (continued)

When AWA has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, AWA continues to recognise the transferred asset to the extent of its continuing involvement. In that case, AWA also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that AWA has retained.

Impairment of financial assets

AWA recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that AWA expects to receive, discounted at an approximation of the original effective interest rate (EIR). The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

AWA's financial liabilities include trade and other payables and lease liabilities.

Subsequent measurement

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost. Due to their short-term nature they are not discounted. They 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 obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

(c) Plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

(c) Plant and equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Computer equipment	4 years
Office equipment	7 years
Furniture and fittings	7 years
Motor vehicles	5 years

The useful lives of plant and equipment are consistent with the previous reporting period.

An item of property, plant and equipment is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(d) Investment property

Investment property comprises a sub-leased portion of a building which AWA leases in accordance with AASB 16. The sub-lease is held to generate long-term rental yields, with the tenant lease being held on an arm's length basis.

AWA initially measures the underlying leased asset in accordance with AASB 16 *Leases* before applying judgement in separately identifying the investment property recognised under AASB 140: *Investment Property*. The investment property is initially measured at cost under AASB 16 *Leases* and is subsequent measured at cost less accumulated depreciation under AASB 140 and is assessed for impairment under AASB 136.

(e) Leases

Lease recognition

AWA has applied AASB 16: *Leases* using the cumulative effective method of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019.

Therefore, the comparative information has not been restated and continues to be presented under AASB 117: *Leases*. The details of accounting policies under AASB 117 are disclosed separately since they are different from those under AASB 16. Refer to Note 2.2(a) for further information regarding the impact of the change in accounting policy.

In the current reporting period

AWA as lessee

At inception of a contract, AWA assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by AWA where AWA is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets (ie fair value less than \$5,000 - \$10,000) are recognised as an operating expense on a straight-line basis over the term of the lease.

AWA's lease portfolio includes leased buildings, which have lease terms ranging from 16 to 17 years.

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

(e) Leases (continued)

Initially, the lease liability is measured at the present value of the lease payments still to be paid at lease commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, AWA uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- the amount expected to be payable by the lessee under residual value guarantees
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- lease payments under extension options, if the lessee is reasonably certain to exercise the options
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

AWA is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date, as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses. Where lease agreements include a requirement to restore the site to its original condition, an estimate of those costs is included in the right-of-use asset and is depreciated over the lease term.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that AWA anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

Each of AWA's lease arrangements are for use in the production of supply of goods or services, or for administrative purposes.

AWA as lessor

AWA sub-leases excess capacity in one of its leased building premises. Upon entering into each contract as a lessor, AWA assesses if the lease is a finance or operating lease.

The contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases. AWA has concluded its sub-lease arrangements meet the definition of an operating lease. AWA applies judgement to separately identify the investment property from the right-of-use asset.

Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Initial direct costs incurred in entering into an operating lease (for example legal cost, cost to setup) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

(e) Leases (continued)

In the comparative reporting period

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if 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 (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to AWA is classified as a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

(f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic 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 are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the intangible asset (calculated as the difference between the net disposal proceeds and the carrying amount of the intangible asset) is included in the statement of profit or loss and other comprehensive income.

A summary of the policies applied to AWA's intangible assets is, as follows:

Computer software	3 years
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Intangible assets are amortised on a straight-line basis.

(g) Impairment of non-financial assets

AWA assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, AWA estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the statement of profit or loss and other comprehensive income as an expense.

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

(g) Impairment of non-financial assets (continued)

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, AWA estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(h) Borrowing costs

Borrowing costs are expensed in the period in which they occur.

(i) Provisions and employee benefits liabilities

General

Provisions are recognised when AWA has a present obligation (legal 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 a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Wages, salaries and sick leave

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave which are expected to be settled within 12 months of the reporting date are recognised 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. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave and annual leave

AWA does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. AWA recognises a liability for long service leave and annual leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies 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 profit or loss and other comprehensive income as incurred.

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

(i) Provisions and employee benefits liabilities (continued)

Make-good provision

AWA is required to restore the leased branches to their original condition before the end of the lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements.

(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) Revenue from contracts with customers

Revenue from contracts with customers are recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which AWA expects to be entitled in exchange for those services.

Shared margin revenue

The relationship agreement held by AWA with Bendigo and Adelaide Bank Ltd 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 Alliance Banks current fee schedule and commission are based on the agreements in place. All margin revenue is recorded as non-interest income when AWA's right to receive the payment is established.

(l) Interest income

For all financial instruments measured at amortised cost, interest income or expense is recorded in the statement of profit or loss and other comprehensive income at the EIR, 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.

(m) Dividend income

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

(n) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in Australia.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

(n) Taxes (continued)

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred 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 tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

AWA offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Goods and services tax (GST)

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

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated with the amount of GST included.

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

(o) Taxes (continued)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(o) Nature and purpose of members' funds

Capital redemption reserve

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. During the reporting period, AWA establishes the number of members that resigned during the reporting period and transfers the equivalent monetary amount to the capital redemption reserve from the general reserve. The capital redemption reserve represents the shares redeemed by members. Member shares for existing and new members of AWA are disclosed as a current liability.

General reserve

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

Fair value reserve of financial assets at FVOCI

Changes in the fair value arising on translation of investments that are classified as financial assets at fair value through OCI are recognised in other comprehensive income and accumulated in the fair value reserve of financial assets at FVOCI within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired, unless the amount relates to an equity instrument which AWA has irrevocably classified at fair value through OCI.

(p) Fair value measurement

AWA measures financial instruments at fair value at each reporting date. Fair value related disclosures for financial instruments that are measured at fair value are disclosed in Note 9.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by AWA.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

AWA uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

(p) Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(q) Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

When AWA retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period, in addition to the minimum comparative financial statements, must be disclosed.

In the preparation of the 30 June 2020 financial report, AWA has presented the financial report with values rounded to the nearest dollar (previously rounded to the nearest thousand dollar (\$'000)).

3. Significant accounting judgements, estimates and assumptions

The preparation of AWA's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(a) Judgements

In the process of applying AWA's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Classification of and valuation of investments

AWA has decided to classify investments in listed and unlisted securities as fair value through OCI investments and movements in fair value are recognised directly in equity. 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 and tax losses to the extent that management considers that it is probable that future taxable profits will be available to utilise those temporary differences and tax losses. In completing this assessment, management have considered board approved budgets and short to medium term forecasts, prevailing market conditions, and the period over which recognised tax losses are expected to be utilised.

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

3. Significant accounting judgements, estimates and assumptions (continued)

(a) Judgements (continued)

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.

Classification of lease arrangements as lessor

As lessor, AWA is required to classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the tenant. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. AWA has classified its sublease arrangement as an operating lease on the basis that:

- the lease does not transfer ownership of the underlying asset to the lessee by the end of the lease term
- the lease term is not for the major part of the economic life of the underlying asset
- the underlying asset is not of a specialised nature
- at inception date, the present value of the lease amounts were substantially less than the fair value of the underlying asset.

(b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. AWA based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of AWA. Such changes are reflected in the assumptions when they occur.

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.

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.

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

3. Significant accounting judgements, estimates and assumptions (continued)

(b) Estimates and assumptions (continued)

Lease term and option to extend under AASB 16

The lease term is defined as the non-cancellable period of a lease together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The options that are reasonably going to be exercised is a key management judgement that AWA will make.

AWA determines the likelihood to exercise the options on a lease-by-lease basis, looking at various factors such as which assets are strategic and which are key to future strategy of AWA, in addition to the following:

- If there are significant penalties to terminate (or not to extend), AWA is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, AWA is typically reasonably certain to extend (or not terminate).
- Otherwise, AWA considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

As at 30 June 2020, all options for additional periods were included in the measurement of the lease liability as AWA is reasonably certain that such lease arrangements will be extended. The lease term is reassessed if an option is actually exercised (or not exercised) or if AWA becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Borrowing rate under AASB 16

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for AWA's leases, AWA's incremental borrowing rate is used, being the rate that AWA would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, AWA:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- makes adjustments specific to the lease, eg term, country, currency and security.

Make-good provision

A provision has been made for the present value of anticipated costs of future restoration of leased branch premises. The provision includes future cost estimates associated with dismantling furniture and fittings. The calculation of this provision requires assumptions which may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each building is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for branches are recognised in the statement of financial position by adjusting both the expense or asset (if applicable) and provision.

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

3. Significant accounting judgements, estimates and assumptions (continued)

(b) Estimates and assumptions (continued)

Concessional (partnership) loans

Included in loans and advances are concessional (partnership) loans, which are provided on more favourable terms than the borrower could obtain in the market place. AWA holds strategic partnership agreements with various community groups, which allow strategic partners to repay their loan balance by way of revenues earned on business referrals. This is calculated based on the volume of business referrals and the nature of the product and is used to offset interest and/or principal repayments on their loan. When a contractual commitment to provide the loan at a below-market interest rate is entered into, AWA estimates the 'concessional loan' discount by comparing the discounted rate to an estimated market rate applicable to the borrower's circumstances. The concessional loan discount is expensed as a finance cost at the commencement of the loan, before being unwound over the term of the loan as finance income.

	2020	2019
	\$	\$
4. Revenue		
4.1 Revenue from contracts with customers		
<i>Disaggregated revenue information</i>		
Set out below is the disaggregation of AWA's revenue from contracts with customers:		
Type of service:		
- Shared margin income	2,461,001	2,228,789
Total revenue from contracts with customers	2,461,001	2,228,789
Timing of revenue recognition:		
- Services transferred over time	2,461,001	2,228,789
Total revenue from contracts with customers	2,461,001	2,228,789
4.2 Other income		
- Dividend income	150,233	126,317
- Fee income	34,218	46,785
- Rental income	24,000	32,000
- Commission revenue	344,838	257,194
- Government subsidies	50,000	-
- Other sources of revenue	2,893	-
	606,182	462,296
4.3 Finance income		
- Interest on term deposits	67,212	196,842
- Interest on partnership loans	123,593	55,614
- Unwinding of concessional loan discount on partnership loans	86,248	25,793
	277,053	278,249

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

	2020	2019
5. Expenses	\$	\$
5.1 Depreciation and amortisation expense		
Property, plant and equipment:		
- Computer equipment	286	9,429
- Office equipment	5,715	3,869
- Leasehold improvements	109,698	69,896
- Motor vehicles	9,919	5,909
	125,618	89,103
Investment property	39,198	-
Right-of-use assets:		
- Leased branch premises	132,243	-
Intangible assets:		
- Computer software	1,844	-
Total depreciation and amortisation expense	298,903	89,103
5.2 Finance costs		
- Lease liabilities	57,608	-
- Make-good on lease premises (unwinding of present value discount)	965	-
- Concessional loan discount	80,653	4,570
	139,226	4,570
5.3 General administration expense		
- Marketing and promotional costs	72,861	66,715
- Board and governance costs	181,075	134,738
- Member communication costs	47,562	43,249
- Travel and accommodation costs	37,781	46,248
	339,279	290,950
5.4 Other expenses		
- Document storage costs	25,839	28,452
- Subscription costs	8,701	7,444
- Insurance, legal and audit costs	77,480	55,695
- Partner revenue share	121,361	79,696
- Bank fees and charges	226,177	194,277
	459,558	365,564

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

		2020	2019
6.	Income tax expense	Note	
			\$
	Accounting profit before income tax		22,669
	Prima facie tax payable on profit before income tax at 27.5%		6,234
	Add/(Less) tax effect of:		
	- Other assessable income		1,684
	- Non-deductible expenses		302
	- Non-assessable income		(13,750)
			(5,530)
	Adjustment to deferred tax to reflect change of tax rate in future periods		16,352
	Income tax expense attributable to the company		10,822
7.	Cash and short-term deposits		
	<i>CURRENT</i>		
	Deposits at call		3,239,068
		21	3,239,068
8.	Trade and other receivables		
	<i>CURRENT</i>		
	Accrued shared margin revenue		211,330
	Accrued interest and other revenue		52,263
	Accrued commission revenue		27,790
		21	291,383
9.	Loans and advances		
	<i>CURRENT</i>		
	Concessional (partnership) loans		208,031
	Commercial loans		530,972
			739,003
	<i>NON-CURRENT</i>		
	Concessional (partnership) loans		2,581,608
	Commercial loans		921,881
			3,503,489
	Total loans and advances	21	4,242,492

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

9. Loans and advances (continued)

Concessional (partnership) loans comprise loans and advances provided to strategic partners on more favourable terms than the borrower could obtain in the market place. AWA holds strategic partnership agreements with various community groups, which allow strategic partners to repay their loan balance by way of revenues earned on business referrals.

Commercial loans comprise loans and advances provided to customers on market terms. The terms and conditions of commercial loans are negotiated between AWA and the customer within each loan agreement. AWA seeks to obtain collateral for loans and advances or where impractical will secure such loans and advances with a guarantor. All loans and advances are reviewed and approved by the board.

At 30 June 2020, AWA has not recorded a provision for expected credit losses on the basis that there has been no historical credit losses recorded by the company. The directors have assessed all loans and advances recorded at 30 June 2020 and are satisfied there are no such indicators of impairment.

10. Tax	2020 \$	2019 \$
ASSETS		
<i>CURRENT</i>		
Current tax asset	61,762	67,651
<i>NON-CURRENT</i>		
Deferred tax asset comprises:		
- Unamortised loan discount	40,120	43,974
- Accrued expenses	20,944	2,316
- Employee provisions	205,644	190,527
- Lease liability	412,571	-
- Provisions	7,306	-
	686,585	236,817
Deferred tax liability comprises:		
- Net unrealised gains on financial assets at fair value through OCI	(33,449)	-
- Right-of-use asset	(397,211)	-
- Investment property	(5,945)	-
	(436,605)	-
Net deferred tax asset/(liability)	249,980	236,817

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

		2020	2019
11. Investments	Note	\$	\$
<i>CURRENT</i>			
<i>Financial assets at amortised cost</i>			
- Term deposits	21	2,000,000	5,000,000
<i>NON-CURRENT</i>			
<i>Financial assets at fair value through OCI</i>			
- Equity instruments		2,198,033	2,084,069
- Interest bearing securities		1,720,006	1,618,217
Total non-current financial assets at fair value through OCI	21	3,918,039	3,702,286
Total investments		5,918,039	8,702,286
12. Plant and equipment			
<i>NON-CURRENT</i>			
<i>Computer equipment</i>			
At cost		140,413	140,413
Accumulated depreciation		(139,555)	(139,269)
Net carrying amount		858	1,144
<i>Office equipment</i>			
At cost		80,595	69,293
Accumulated depreciation		(56,578)	(50,864)
Net carrying amount		24,017	18,429
<i>Leasehold improvements</i>			
At cost		805,314	619,243
Accumulated depreciation		(508,773)	(399,075)
Net carrying amount		296,541	220,168
<i>Motor vehicles</i>			
At cost		53,604	29,545
Accumulated depreciation		(26,282)	(16,363)
Net carrying amount		27,322	13,182
<i>Total plant and equipment</i>			
At cost		1,079,926	858,494
Accumulated depreciation		(731,188)	(605,571)
Net carrying amount		348,738	252,923

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

12. Plant and equipment (continued)

Movements in carrying amounts

	Computer equipment \$	Office equipment \$	Leasehold improvement \$	Motor vehicles \$	Total \$
Opening net book value	1,144	18,429	220,168	13,182	252,923
Additions	-	11,303	186,071	24,059	221,433
Depreciation expense	(286)	(5,715)	(109,698)	(9,919)	(125,618)
Net book value at 30 June	858	24,017	296,541	27,322	348,738

	2020 \$	2019 \$
13. Investment property		
<i>NON-CURRENT</i>		
<i>Sub-leased investment property</i>		
At cost	62,063	-
Accumulated depreciation	(39,198)	-
Net carrying amount	22,865	-
<i>Maturity analysis</i>		
The future minimum undiscounted lease payments receivable under non-cancellable operating leases in aggregate and for each of the following periods is as follows:		
- not later than 12 months	18,451	-
	18,451	-

Movements in carrying amounts

	Sub-leased investment \$	Total \$
Additions	62,063	62,063
Depreciation expense	(39,198)	(39,198)
Net book value at 30 June	22,865	22,865

AWA has sub-leased a portion of its leased premises, with a sub-lease term of 3.33 years. AWA has classified the sub-lease arrangement as an operating lease as the sub-lease does not transfer substantially all the risks and rewards incidental to ownership of the underlying asset.

Rental income recognised by the company during the year is \$24,000 (2019: \$32,000).

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

	2020	2019
14. Right-of-use assets	\$	\$
<i>NON-CURRENT</i>		
Leased building premises		
Right-of-use asset	1,659,975	-
Accumulated depreciation	(132,243)	-
Net carrying amount	1,527,732	-
<i>Amounts recorded in profit or loss</i>		
Amounts recorded in profit or loss relating to the company's right-of-use assets include:		
- Depreciation charge related to right-of-use assets	132,243	-
- Finance costs on lease liability	57,608	-
	189,851	-

Movements in carrying amounts

Movements in carrying amounts for each class of right-of-use asset between the beginning and the end of the current financial year.

	Leased building premises	Total
	\$	\$
Recognised on initial application of AASB 16	1,659,975	1,659,975
Depreciation expense	(132,243)	(132,243)
Net book value at end of year	1,527,732	1,527,732

AWA's lease portfolio consists of branch premises, which have lease terms ranging from 16 to 17 years.

Options to extend

The options to extend are contained in a number of AWA's lease agreements. The extension options which were probable to be exercised have been included in the calculation of the right-of-use asset.

Make good provision

All lease agreements contain a provision for make good requiring AWA to return leased buildings into their original condition prior to the commencement of the lease. All make good provisions have been estimated and have been separately disclosed from the lease liability.

	2020	2019
15. Intangible assets	\$	\$
<i>Computer software</i>		
At cost	25,924	22,601
Accumulated depreciation	(21,424)	(19,580)
Net carrying amount	4,500	3,021

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

15. Intangible assets (continued)

Movements in carrying amounts

Movements in carrying amounts for each class of intangible asset between the beginning and the end of the current financial year.

	Computer Software \$	Total \$
Opening net book value	3,021	3,021
Amortisation expense	(1,844)	(1,844)
Net book value at 30 June	1,177	1,177

	Note	2020 \$	2019 \$
16. Trade and other payables			
Sundry creditors and other accrued expenses		245,698	149,750
Amounts payable to the Australian Taxation Office		73,428	72,721
		319,126	222,471
<i>Financial liabilities at amortised cost classified as trade and other payables:</i>			
Trade and other payables:			
- total current		319,126	222,471
Less amounts payable to the Australian Taxation Office		(73,428)	(72,721)
Financial liabilities as trade and other payables	21	245,698	149,750

17. Employee benefit liabilities

CURRENT

Employee benefits - annual leave	323,840	283,755
Employee benefits - long service leave	426,520	393,936
	750,360	677,691

NON-CURRENT

Employee benefits - long service leave	40,580	15,136
Total employee benefit liabilities	790,940	692,827

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

18. Lease liabilities	Note	2020 \$	2019 \$
<i>CURRENT</i>			
Lease liability		167,592	-
Unexpired interest		(53,723)	-
		113,869	-
<i>NON-CURRENT</i>			
Lease liability		1,769,967	-
Unexpired interest		(297,024)	-
		1,472,943	-
Total lease liabilities	21	1,586,812	-

The leases relate to building premises which have lease terms ranging from 16 to 17 years. The lease agreements each contain two five-year options, which AWA is reasonably certain to exercise, with such optional terms included in the measurement of the lease liability. Payments are made monthly in advance. There are no purchase options contained in lease agreements.

19. Provisions	2020 \$	2019 \$
<i>NON-CURRENT</i>		
Make-good on lease premises	28,100	-
<i>Movements in carrying amounts</i>		
	Make-good on lease premises	Total
	\$	\$
Arising during the year	27,135	27,135
Discount rate adjustments	965	965
Net book value at 30 June	28,100	28,100

20. Commitments	2020 \$	2019 \$
20.1 Lease commitments		
Future minimum rentals payable under non-cancellable operating leases which are not recognised as liabilities on the statement of financial position are as follows:		
- Within one year	-	191,000
- After one year but not more than five years	-	283,000
- Greater than 5 years	-	31,000
	-	505,000

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

20. Commitments (continued)

20.1 Lease commitments (continued)

Non-cancellable operating leases are for branch premises with lease terms for between three to five years. The leases have an allowance for CPI increments and options for renewal ranging from three to five years.

On 1 July 2019, AWA adopted AASB 16: *Leases* which required a lease liability and right-of-use asset to be recognised on the statement of financial position for all leases (with the exception of short-term and low-value leases). AWA has no lease commitments which have not been recognised as lease liabilities per Note 18.

20.2 Capital commitments

AWA has no material capital commitments contracted for at 30 June 2020 but not yet capitalised in the financial statements.

		2020 \$	2019 \$
21. Financial risk management			
AWA's financial instruments consist mainly of deposits with banks, investments, accounts receivable and payable, loans and advances, and lease liabilities.			
The carrying amounts of each category of financial instruments, measured in accordance with the accounting policies disclosed at Note 1, are as follows:			
<i>Financial assets</i>			
Financial assets at amortised cost:			
- cash and short-term deposits	7	3,239,068	2,788,967
- trade and other receivables	8	291,383	355,555
- loans and advances	9	4,242,492	1,718,436
- investments	11	2,000,000	5,000,000
		<u>6,533,875</u>	<u>7,073,991</u>
Financial assets at fair value through other comprehensive income:			
- investments	11	3,918,039	3,702,286
Total financial assets		<u>10,451,914</u>	<u>10,776,277</u>
<i>Financial liabilities</i>			
Financial liabilities at amortised cost:			
- trade and other payables	16	245,698	149,750
- lease liabilities	18	1,586,812	-
Financial liabilities at amortised cost		<u>1,832,510</u>	<u>149,750</u>

AWA has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk (including currency, price, cash flow and fair value interest rate).

AWA's senior management oversees the management of risks arising from financial instruments. The board of directors reviews and sets policies for managing such risks.

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

21. Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss to AWA if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from AWA receivables from customers.

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history.

Liquidity risk

Liquidity risk is the risk that AWA will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. AWA's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to AWA's reputation.

AWA believes its sound relationship with Bendigo and Adelaide Bank Limited mitigates liquidity risk significantly.

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect AWA's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The primary goal of AWA's investment in equity and interest bearing securities is to hold the investments for the long term for strategic purposes.

22. Related party disclosures

22.1 Details of key management personnel

The directors of AWA during the year were:

- Mr P Richardson (Chairman)
- Mr R Lyle (Vice-Chairman)
- Mr B Virtue
- Mr N Pearce
- Mr S O'Neill
- Mr S Ward
- Mr A Dwyer
- Mr A Hart
- Ms E Carbines

The senior management team 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 (Operations Manager)
- Mrs A Keiller (Special Projects Manager)

22.2 Transactions with related parties

Refer to Note 22.3 for disclosure on compensation payments made to key management personnel. Other transactions between related parties include deposits from and loans to directors and other key management personnel related entities or close family members of directors and other key management personnel.

AWA Mutual Limited

Notes to the Financial Statements

For the year ended 30 June 2020

22. Related party disclosures (continued)

22.2 Transactions with related parties (continued)

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 apply to ordinary members. Each key management personnel holds one \$10 redeemable preference share in AWA.

22.3 Compensation of key management personnel of the company

	2020 \$	2019 \$
Total compensation paid to key management personnel	766,123	763,624

23. Contingent liabilities and assets

The directors are not aware of any contingent liabilities or assets as at the date of signing this financial report.

24. Subsequent events

Subsequent to year-end, the State Government has revised social isolation measures as appropriate based on the level of community transmission of the COVID-19 Coronavirus. As an essential business, AWA has continued to operate whilst complying with such isolation measures.

The directors are not aware of any other significant events occurring after the reporting period which may affect either AWA's operations or results of those operations or AWA's state of affairs.

AWA Mutual Limited

Directors' Declaration

In accordance with a resolution of the directors of AWA Mutual Limited, the directors declare that:

1. The financial statements and notes are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the company's financial position as at 30 June 2020 and of its performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Peter Richardson
Chairman



Richard Lyle
Vice Chairman

Dated: 15 October 2020

