

AWA Mutual Limited

Financial Report

For the Year ended 30 June 2018



Chairman / Chief Executive Officer's Report

We are once again proud to present the Chairman's and CEO's Report for AWA Mutual Ltd / Alliance Bank (AWA) for the financial year ending June 2018. This Annual Report represents our 49th reporting year as we rapidly approach a significant milestone in our history, this being the anniversary of 50 successful years of operation in the financial services industry.

Our Direction

AWA will always pursue our fundamental goal of providing professional services and competitive financial products which empower our members and communities to improve upon their financial wellbeing. We continue to use this strategy as the basis of all of our endeavors to grow the business.

Our business strategy now heavily revolves around a social enterprise philosophy which enables us to broaden our operation from one of a member focus, to one which is also providing wider community benefits. The establishment of partnerships with community stakeholders ensures growth for the business combined with the potential for shared value partnerships where we share our margin with the partner in return for referred business patronage. The partnership provides the potential for partners to deliver infrastructure to benefit their communities whilst being supported by AWA.

Following our most recent strategic planning session the Board has challenged the business in relation to its growth targets and set some very aggressive goals that we hope to achieve over the next 5 years. The business strategy to achieve these goals revolves around broadening our reach in the community sector across many new partners and across each region of our operations.

To date we have piloted our partnership model primarily within the Geelong region which has proven to be very successful to date. As a result we now have plans to expand this model into Western Australia and Western Victoria in the near future.

AWA continue to be committed to undertaking responsible business planning towards ensuring business sustainability, including making a profit but still returning the vast majority of profit to our members and communities.

New Products

As we continue to strive to provide the latest products and technology to our members, we are pleased to advise that 2018/19 will see the introduction of the National Payments Platform (NPP) and Apple and Google Pay.

NPP will provide the functionality for members to send and receive real time payments.

Apple and Google Pay work with your Apple/ios or Android devices you use every day. You can make secure purchases in stores, in selected apps and on participating websites without using your physical card.



The Past Year

Fees Elimination

Following the elimination of Mortgage Loan Establishment and Documentation Fees in May 2016, Transaction and Account Keeping Fees on Savings Accounts in September 2016 and now during 2017/18 we have abolished all Personal Loan Establishment Fees. Additionally, all Bank Cheque and Personal Cheque Fees were also abolished during July 2018.

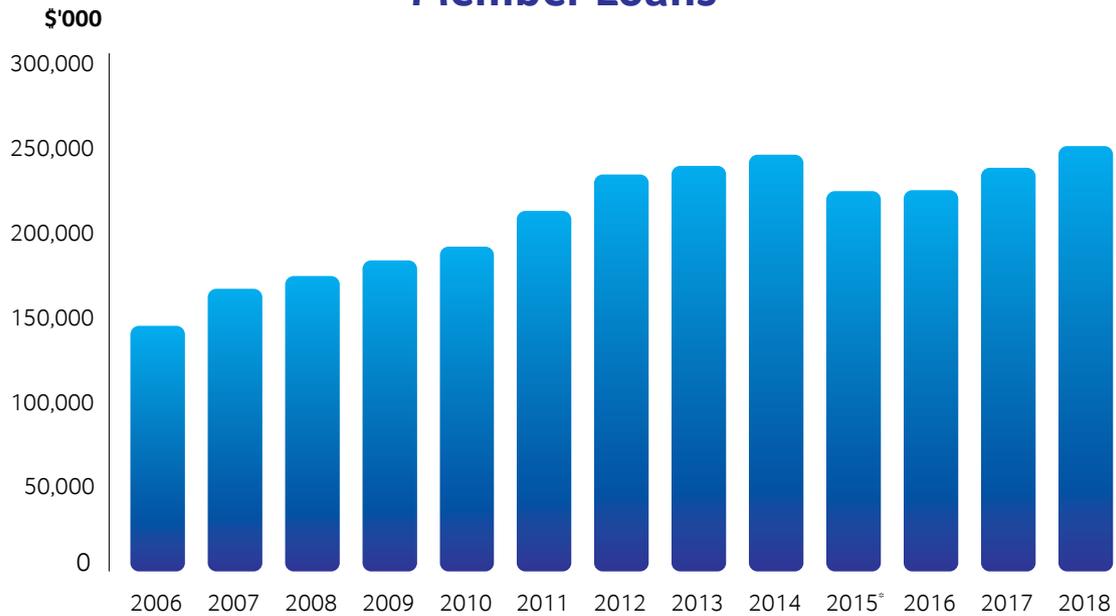
These initiatives have greatly enhanced AWA's Member Value Proposition, which is the objective of most Board deliberations.

Profitability

Despite the abolition of more fees during recent times (generating a significant reduction in AWA's revenue base) it is pleasing to report that we were still able to generate a Comprehensive Income result of \$264,000 during 2017/18.

Although Net Profit is far from being our primary focus under the Alliance Bank operating model, it is never-the-less very satisfying to not only deliver on our Member Value proposition, but to also be able to deliver a sound profit result which enables us to continue to focus on our other primary objective – supporting our communities.

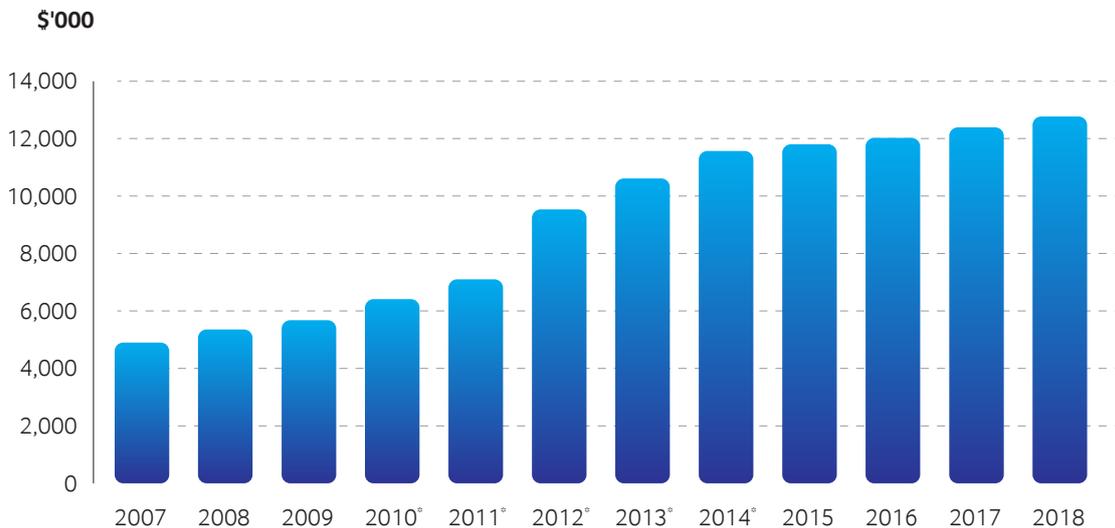
Member Loans



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

AWA's overall Loans Portfolio continues to show a positive growth trend as we have now surpassed the previous all time high of \$246m in 2014 with a new record of \$251m in 2018.

Member's Equity



*Members 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.

AWA's Members Equity continues to increase albeit at a slower rate as our focus has moved more towards Member and Community Benefits under our Alliance Bank Model.

People

At the 2017 Annual General Meeting we saw long serving Directors Chris Welsh and Brett Noonan retire from the Board after many years of dedicated service to be replaced by Andrew Dwyer and Adrian Hart.

We thank Chris and Brett for their many years of service and wish them well in the future, at the same time welcoming Andrew and Adrian to the Board.

Following the 2017 Annual General Meeting Brian Virtue stood down as Chairman of the Board having served in that role for the past 34 years. Although Brian continues as a Director we take this opportunity to acknowledge his outstanding service to AWA in the role of Chairman. Brian's leadership and foresight over such a long period of time is one of the very reasons that AWA finds itself in such a strong position today.

During the past year we welcomed new staff members, Sally Carn to our Portland Office and Hannah Willder to our Geelong Office, and two new babies to the AWA family for Vikki Schilt (Geelong Office) and Kirby Falcone (Portland Office).

Community Engagement

Community Support

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 Give Where You Live (GWYL) in the Geelong Region and Personnel Employed at Alcoa Charity Help (PEACH) in the Peel Region of Western Australia.

AWA's contributions assisted GWYL's support of the following community organisations:-

- Back to Back Theatre
- Barwon Disability Resource Council
- Community Hub
- Delta Society
- Geelong Mums
- Lazarus Community Centre
- OnceCare Geelong
- Riding for the Disabled – Barwon Centre
- Solve Disability Solutions

PEACH distributed AWA's contributions to the following community organisations:-

- Mums Cottage
- Mandurah Muscateers (Charity Computers) Inc.
- Mandurah Street Chaplains
- Quambie Park Aged Care Services

For further information on our Community Engagement activities refer page 6.

Strategic Partnerships

During the last financial year we were very pleased to see the opening of AWA Alliance Bank Stadium which now provides a new home for one of our Strategic Partners - Basketball Geelong. This has delivered 6 new indoor basketball courts to the Geelong Region to help satisfy the growing demand for new facilities.



New change room facilities and upgraded practice facilities are very close to completion for another of our Strategic Partners in the Geelong Region - East Belmont Cricket Club. Our support for these projects enables the club to satisfy the growing demand for sporting facilities in the region.



Graeme Scannell – Secretary, East Belmont Cricket Club, Sarah Henderson – Federal MP, Christine Couzens – Victorian MP, Bruce Harwood - Mayor COGG, George Baker- President BLSC

We welcome on board our newest Strategic Partner – Sail and Adventure Limited who are working towards the refurbishment of the Alma Doepel, a 115 year old tall ship which will be returned to the water in early 2019 to recommence the great work that it does in providing training facilities for disadvantaged youth. We look forward to seeing the Alma Doepel sailing in Corio Bay in the foreseeable future.



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.

Conclusion

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

We look forward confidently knowing that we can continue to deliver on our objectives to our key stakeholders.

Peter Richardson
Chairman

Graeme Scannell
Chief Executive Officer

AWA Community Engagement Report

AWA's business model provides the opportunity to support and engage with a number of worthy organisations who provide a variety of community services and assistance to those in need.

We wish to acknowledge the recipients of AWA's Community Support and focus on the great work they do within the communities in which we operate. AWA is proud to have supported the following organisations during 2017/18 and thank our partners GWYL and PEACH for their assistance.

Community Connections Grants - GWYL



GWYL instigated the Community Connections Grants program in an aim to reduce social isolation and support social participation of vulnerable community members to build resilience.

Supported by AWA Alliance Bank, the following grants were awarded and the goal of each organisation is listed below:

Back to Back Theatre

To help prevent social isolation and encourage people with disabilities to explore their personal and professional potential through community programs.

Barwon Disability Resource Council

To decrease social isolation and increase social participation of people with disabilities by providing individual and systemic advocacy support to allow each individual to fully participate in our community and gain resilience through using self-advocacy support.

Community Hub

To provide the opportunity for employment and social participation of disadvantaged young people ages 16 to 20 years, through the L2P program by assisting learner drivers with access to a supervising driver and vehicle to gain driving experience and acquire mandatory driving hours required for a probationary licence.

Delta Society

To reduce social isolation and improve the health and wellbeing of the elderly, the disabled and socially disadvantaged in our region by bringing the joys of animal companionship to those who need it most through the Delta Therapy Dogs program. Through the program volunteers and their dogs spend time with patients offering a chat, a floppy ear to listen or a paw to shake.

Geelong Mums

To reduce isolation and increase safety for every vulnerable baby, child and family in the G21 region through the provision of essential material aid including car seats, cots, high chairs, prams and clothing.

Lazarus Community Centre

To decrease isolation and increase connection for those who are homeless by providing a safe and welcoming place, food, activities and cleaning facilities.

OneCare Geelong

To provide avenues of relational support and community participation through the delivery of the C.O.A.C.H. Community Mentoring Program. C.O.A.C.H. is described as a "friendship with a purpose" offering targeted support to people at risk of disadvantage and social isolation.

Riding for the Disabled - Barwon Centre

To support social participation for disabled young people through therapeutic horse riding activities.

Solve Disability Solutions

To reduce isolation experienced by people living with disabilities across our community by enabling them to participate more fully at home, school, work and in their community through the provision of highly customised equipment that meets their individual needs.

PEACH

AWA joined forces with PEACH to enable the distribution of much needed support to the following recipients in WA:-

WA Mums Cottage

WA Mums Cottage offers companionship, guidance, education and assistance to all members of the family unit. It is a charitable community service that bases its foundation on empowering and improving the potential in the lives of families.

Mandurah Muscateers (Charity Computers) Inc.

The Mandurah Muscateers is run by volunteers who believe that technology should be available to everyone. Donations of unwanted or surplus computers are refurbished by the Mandurah Muscateers. These are then made available at heavily discounted prices for community support organisations and low income people.

Mandurah Street Chaplains



Comprising of volunteers from a variety of different churches in the Mandurah area, the Mandurah Street Chaplains make themselves available on a Friday or Saturday night in the Mandurah CBD.

Their main focus is to make the CBD a safer place by looking after vulnerable people whether they are intoxicated, drug affected or traumatised by some life event and to dispense First Aid in a physical or emotional sense depending on the situation.

Quambie Park Aged Care Services

Central to the South West, Peel and Murray regions of WA, Quambie's rich heritage and strong country values enables them to provide genuine services to the people of their much valued communities.

In addition to these worthy recipients, AWA has also supported The Kidney Foundation, St John Ambulance, World Vision, Heart Kids, Teen Challenge, Lifeline (Lock up Your Boss 2018) and St Vincent De Paul Society (CEO Sleep out 2018).

Alliance Bank Do Good Awards

2017/18 saw the commencement of the Alliance Bank Do Good Awards. The Awards acknowledge the wonderful work our members and the community do everyday to make a real difference to people's lives and the wider community. This saw each of the 4 Alliance Banks put forward nominations for the award in various categories.

AWA were thrilled to discover their nominee, Jacqui Bennett was announced the inaugural Do Good Community Award winner for 2017.



Jacqui from Geelong has dedicated her life to supporting others. Among many other things, Jacqui founded Humans in Geelong, an organisation that celebrates the people in the community that are making a difference to the lives of others. Humans in Geelong focuses on the positive, from sustainability ideas to providing opportunities for others in the community.

The benefit Jacqui is delivering to her community has many layers and she along with a team of volunteers is making Geelong a more caring and connected community.

It was great to see Jacqui's tireless work acknowledged by the Alliance Bank Do Good Awards selection committee.

AWA has committed to continue to support community organisations throughout the upcoming 2018/19 year and welcomes input from members.

Director's Report

Director's Report

Your directors present their report on AWA for the financial year ended 30 June 2018.

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, Vice-Chairman 2002-2017, Chairman 2017 - current. Member of the People & Performance Committee.
Richard P Lyle Director	B Com, CPA, MAMI, MAICD Self-employed Consultant	Member of the Board of Directors since 2000 (resigned 2001, re-elected 2005). Vice-Chairman of the Board 2017-current. Chairman of the Partnerships & Community Committee.
Brian R Virtue Director	MAMI Retired HR Consultant	Member of the Board of Directors since 1971 (resigned 1973, re-elected 1982), Chairman 1983- 2017, Member of the Partnerships & Community Committee.
Stevern J Ward Director	MAMI Retired Work Execution Co-ordinator	Member of the Board of Directors since 2006. Chairman of the People and Performance Committee.
Neville J Pearce Director	Bachelor of Engineering (Civil & Structural), MBA, GAICD, Fellow Engineers of Aust., AFAIM, MAMI, GAICD, CPEng, NER, RPEng, MASC Chief Operating Officer – Coliban Water	Member of the Board of Directors since 2013, Chairman of the BARC. Member of the People & Performance Committee.
Sean M O'Neill Director	B Com, MAMI, ASA, Tax Accountant	Member of the Board of Directors since 2016, Member of the BARC.
Andrew Dwyer Director	Diploma of Financial Planning & Mortgage Broking Self-employed Financial Planner	Member of the Board of Directors since 2017, Member of the BARC .
Adrian Hart Director	MBA, MAICD, Member – Project Management Insitute, Director – Leisure Networks, Self-employed consultant	Member of the Board of Directors since 2017, Member of the Partnerships & Community Committee.
Brett J Noonan Director	Grad Dip Bus, MAMI Semi-retired/Contactor	Member of the Board of Directors since 2001, retired September 2017.
Christopher Welsh Director	B Com, CPA, FAMI, Dip Fin Services Retired	Member of the Board of Directors since 2003, Member of the BARC, retired September 2017.

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

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

Directors' Meeting Attendance

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

Director	Board		BARC*		PPC*		PCC*		Period of Appointment On the Board
	H	A	H	A	H	A	H	A	
Peter Richardson	13	12	4	4	8	8	-	-	Full Year
Richard P Lyle	13	12	-	-	-	-	5	5	Full Year
Brian R Virtue	13	12	-	-	1	1	4	4	Full Year
Brett J Noonan	3	1	-	-	-	-	1	1	Part Year
Stevern J Ward	13	12	-	-	9	9	-	-	Full Year
Christopher Welsh	3	2	1	0	-	-	-	-	Part Year
Neville Pearce	13	13	4	4	9	9	-	-	Full Year
Sean O'Neill	13	13	3	3	-	-	2	2	Full Year
Andrew Dwyer	10	8	3	3	-	-	-	-	Part Year
Adrian Hart	10	8	-	-	-	-	3	3	Part Year

*BARC - Board Audit and Risk Committee, PPC - People and Performance Committee, PCC - Partnerships and Community 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 \$264,000 (2017 - \$389,050).

Dividends

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

Review of Operations

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

Significant Changes in State of Affairs

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

Environmental Regulation

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

Events Occurring after Balance Date

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

Likely Developments and Results

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

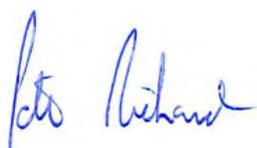
- i. The operations of the Company;
- ii. The results of those operations; or
- iii. The state of affairs of the Company

in the financial year subsequent to this financial year.

Auditors' Independence

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

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



Peter Richardson
Chairman



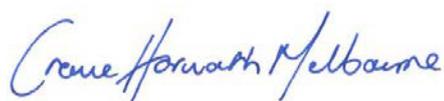
Richard Lyle
Vice-Chairman

Dated: 12 October 2018

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been no contraventions of:

- 1) The auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- 2) Any applicable code of professional conduct in relation to the audit.



CROWE HORWATH MELBOURNE



DAVID MUNDAY Partner

**Melbourne Victoria
12 October 2018**

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

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Horwath external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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

Opinion

We have audited the financial report of AWA Mutual Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, 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.

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Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Crowe Horwath Melbourne

CROWE HORWATH MELBOURNE

David Munday

DAVID MUNDAY
Partner
Melbourne, Victoria
12 October 2018

The relationship you can count on

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Revenue	3	3,021	2,779
Employee benefits expense		(1,395)	(1,290)
Occupancy and related costs		(192)	(188)
Computer system costs		(58)	(146)
Depreciation and amortisation expense	4	(122)	(165)
Concessional loan discount on partnership loans		(226)	-
General administration expense		(681)	(422)
Profit before income tax expense		347	568
Income tax (expense) / benefit	5	(96)	(179)
Net profit/(loss) after tax attributable to Members		251	389
Items that may be reclassified subsequently to profit and loss:			
Revaluation of available for sale assets		13	-
Total comprehensive income attributable to Members		264	389

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

STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Current Assets			
Cash and cash equivalents	6	2,488	1,567
Financial assets	7	8,884	10,500
Trade receivables	8	268	366
Prepayments		13	8
Loans and advances	9	-	20
Total Current Assets		11,653	12,461
Non-Current Assets			
Financial assets	7	-	500
Loans and advances	9	1,620	60
Plant and equipment	10	251	361
Intangibles	11	-	8
Deferred tax assets	5	245	187
Total Non-Current Assets		2,116	1,116
TOTAL ASSETS		13,769	13,577
Current Liabilities			
Member withdrawable shares		41	40
Trade and other payables	12	176	189
Taxation liability	13	73	187
Employee benefits	14	684	632
Total Current Liabilities		974	1,048
Non-Current Liabilities			
Employee benefits	14	6	4
Total Non-Current Liabilities		6	4
TOTAL LIABILITIES		980	1,052
NET ASSETS		12,789	12,525
MEMBERS' EQUITY			
Reserves		12,710	12,461
Capital reserve account		66	64
Asset revaluation reserve		13	-
TOTAL MEMBERS' EQUITY		12,789	12,525

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Capital Reserve Account	Reserves	Asset Revaluation Reserve	Total
	\$'000	\$'000		\$'000
<u>Opening - 1 July 2016</u>	<u>62</u>	<u>12,074</u>	-	<u>12,136</u>
Profit for the year	-	389	-	389
Transfer to/(from) reserves on redemption of shares	2	(2)	-	-
<u>Closing - 30 June 2017</u>	<u>64</u>	<u>12,461</u>	-	<u>12,525</u>
<u>Opening - 1 July 2017</u>	<u>64</u>	<u>12,461</u>	-	<u>12,525</u>
Profit for the year	-	251	-	251
Transfer to/(from) reserves on redemption of shares	2	(2)	-	-
Transfer to/(from) reserves on asset revaluation	-	-	13	13
<u>Closing - 30 June 2018</u>	<u>66</u>	<u>12,710</u>	<u>13</u>	<u>12,789</u>

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Notes	2018	2017
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		299	227
Fees and commissions received		3,043	2,670
Payments to suppliers and employees		(2,772)	(2,200)
Income tax (paid) / received		(53)	(68)
Net cash flows from/(used in) operating activities		517	629
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption of investments		14,500	11,600
Purchases of investments		(12,371)	(13,600)
Issue of partnership loans		(1,750)	-
Interest received on partnership loans		29	-
Repayment of partnership loans		-	20
Payments for property, plant and equipment		(4)	(30)
Net cash flows from/(used in) investing activities		404	(2,010)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flows used in financing activities		-	-
Net cash increase/(decrease)		921	(1,381)
Cash at beginning of year		1,567	2,948
CLOSING CASH AT 30 JUNE	15	2,488	1,567

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. CORPORATE INFORMATION

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

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

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

The financial report of AWA for the year ended 30 June 2018 was authorised for issuance in accordance with a resolution of the Board of Directors on 12 October 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

The accounting policies adopted are consistent with industry standards.

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

(b) Statement of Compliance

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

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

(c) Changes in Accounting Policy and Disclosure

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

(d) Cash and Cash Equivalents

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

(e) Investments and Other Financial Assets

Investments

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

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

Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(e) Investments and Other Financial Assets (cont)

Strategic Partnership Loans

Financial assets - Strategic Partnership are loans whereby the interest rate incurred is less than market rate, and have been recognised at fair value in the financial statements on initial recognition.

At initial recognition, the loan has been discounted using a rate based on the rate the borrower would pay to an unrelated lender for a loan with similar conditions. The benefit granted to strategic partners of the below-market rate of interest or other non-commercial terms is measured as the difference between the initial carrying value of the loan determined in accordance with AASB 9 and the proceeds received.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or (ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Fair value movements are recognised in profit or loss.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market. Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

Held-to-maturity investments

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

Available-for-sale equity investments

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(f) Plant and Equipment

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

Depreciation

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

Major depreciation periods are:

▪ Leasehold Improvements	7 years
▪ Office Furniture and Equipment	7 years
▪ Motor Vehicles	5 years
▪ Computer Hardware	4 years

Impairment

The carrying values of plant and equipment is reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. Impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

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

(g) Intangible Assets

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

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

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

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

▪ Computer software	3 years
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(h) Employee Benefits

Wages,Salaries,Annual Leave and Sick Leave

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(h) Employee Benefits (cont)

Long Service Leave

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

Superannuation

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

(i) Trade and Other Payables

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

(j) Provisions

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

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

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

(k) Revenue Recognition

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

Fees and Commissions

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

Interest

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

Dividend Income

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

Shared Margin Revenue

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

(l) Comparative Figures

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(m) Operating Leases

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

(n) Taxes

Income Taxes

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

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

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

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

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

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

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

Goods and Services Tax (GST)

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

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

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

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

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

(o) Nature and Purpose of Members' Funds

Reserves

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

Capital

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(p) Derecognition of Financial Assets and Liabilities

A financial asset is derecognised where:

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

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

(q) Significant Accounting Judgements, Estimates, and Assumptions

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

Recovery of Deferred Tax Assets

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

Impairment of Non-Financial Assets

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

Long Service Leave Provision

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

Estimation of Useful Lives of Assets

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

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

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

There are no new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by AWA for the annual reporting period ended 30 June 2018. AWA's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to AWA, are set out below.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(r) New, revised or amending Accounting Standards and Interpretations adopted (cont)

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. AWA will adopt this standard from 1 July 2018 but the initial impact of its adoption is not expected to have a material impact upon transactions or balances.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. AWA will adopt this standard from 1 July 2018 but the initial impact of its adoption is not expected to have a material impact upon transactions or balances.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. AWA will adopt this standard from 1 July 2019 but the impact of its adoption is not expected to have a material impact upon transactions or balances.

The following Accounting Standards and Interpretations are most relevant to AWA:

AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses

AWA has adopted AASB 2016-1 from 1 July 2017. The amendments to AASB 112 'Income Taxes' clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107

AWA has adopted AASB 2016-2 from 1 July 2017. The amendments to AASB 107 'Statement of Cash Flows' require the disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

3. REVENUE

	2018	2017
	\$'000	\$'000
Interest on investments	264	318
Interest income on partnership loans	35	1
Shared margin income	2,049	1,698
Concessional loan discount on partnership loans	45	-
Other fee income	628	762
Total revenue	3,021	2,779

4. EXPENSES

Depreciation and amortisation

Plant and equipment	13	58
Leasehold improvements	70	92
Computer system	39	15
	122	165

5. INCOME TAX

The major components of income tax are:

Statement of Comprehensive Income

Current income tax

Current income tax expense – current years profit	154	168
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Deferred tax expense

Decrease (increase) in the deferred tax asset account	(58)	11
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Total income tax expense / benefit reported in the Statement of Comprehensive Income	96	179
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The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:

Accounting profit before income tax	347	568
Prima facie tax payable on profit before income tax at 27.5%	154	168
Decrease (increase) in the deferred tax asset account	(58)	10
Add – Non deductible entertainment expenses	-	1
	96	179
Income tax expense reported in the Statement of Comprehensive Income	96	179

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$'000	\$'000
Statement of Financial Position		
Deferred tax assets comprise of :		
Employee provisions	190	175
Unamortised loan discount	50	-
Accrued expenses	5	12
	245	187

6. CASH AND CASH EQUIVALENTS

Deposits at call	2,488	1,567
	2,488	1,567

7. FINANCIAL ASSETS – HELD TO MATURITY

Term Deposits - current	8,884	10,500
Term Deposits – non current	-	500
	8,884	11,000

8. TRADE RECEIVABLES

Sundry debtors	183	216
Interest receivable	85	150
	268	366

9. LOANS AND ADVANCES

Partnership loans - current	-	20
Partnership loans – non-current	1,620	60
Total loans and advances	1,620	80

At the end of the Financial Year, AWA had loans outstanding to Strategic Partners totalling \$1.801m (\$0.08 in 2017), which have been recorded at fair value on initial recognition for the purpose of the financial statements.

These loans meet the definition of a financial instrument and therefore are within the scope of AASB 139 like any other loan.

Strategic Partners have the ability to repay their loan by way of revenue earned on business referrals. This is calculated 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.

These Strategic Partnership Loans carry a floating base rate based on the Australian 90 Day Bank Bill Swap Reference Rate + 1% per annum, which is updated on a quarterly basis. The average interest rate during 2018 was 2.747%. The fair value of the strategic partnership loans has been calculated using a market rate of 5% based on market knowledge of an unrelated lender.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$'000	\$'000

10. PLANT AND EQUIPMENT

Leasehold improvements

At cost	538	538
Provision for depreciation	(329)	(259)
Total leasehold improvements	209	279

Plant and equipment

At cost	229	252
Provision for depreciation	(187)	(170)
Total plant and equipment	42	82
Total written down value	251	361

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

Leasehold improvements

Carrying amount at beginning of year	279	371
Additions	-	-
Depreciation	(70)	(92)
Carrying amount at end of year	209	279

Plant and equipment

Carrying amount at beginning of year	82	110
Additions	7	30
Depreciation	(44)	(58)
Carrying amount at end of year	45	82

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$'000	\$'000

11. INTANGIBLES

Computer software

Computer software at cost	20	333
Provision for amortisation	(20)	(325)
Total written down value	0	8

Reconciliation of carrying amount - computer software for the financial year

Carrying amount at beginning of year	8	23
Additions	-	-
Disposals	-	-
Amortisation	(8)	(15)
Carrying amount at end of year	0	8

12. TRADE AND OTHER PAYABLES

Trade and other creditors	176	189
	176	189

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

13. TAXATION LIABILITY

Provision for Income Tax	23	135
GST Payable	50	52
	73	187

14. EMPLOYEE BENEFITS

Long service leave - current	403	374
Long service leave – non-current	6	4
Annual Leave	281	258
	690	636

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$'000	\$'000

15. STATEMENT OF CASH FLOWS

Reconciliation of cash

Cash balance comprises:

Cash	2,488	1,567
Closing cash and cash equivalents at end of financial year	2,488	1,567

16. EXPENDITURE COMMITMENTS

Lease expenditure commitments

Operating leases (non-cancellable)

not later than 1 year	188	182
later than 1 and not later than 5 years	248	425
later than 5 years	-	-
Aggregate lease expenditure contracted for at balance date	436	607

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

Superannuation commitments

All employees are entitled to varying levels of benefits on retirement, disability or death. Employees contribute to the plans at various percentages of their wages and salaries. AWA also contributes to the plans, at the rate of 14.5% of employees' salaries. Contributions by AWA of 9.50% of employees' wages and salaries are legally enforceable in Australia.

Loan commitments

AWA entered into a Strategic Partnership Agreement with the East Belmont Cricket Club during 2016/17 which entails the provision of a \$150,000 Strategic Partnership Loan. Only \$100,000 of this loan had been drawn down prior to 30 June 2018. It is expected that this loan will be fully drawn down prior to 30 June 2019.

AWA entered into a Strategic Partnership Agreement with Basketball Geelong during 2017/18 which entails the provision of a \$1.73m Strategic Partnership Loan. This loan was fully drawn down prior to 30 June 2018.

Number of employees

The number of full-time equivalent employees at the end of the year was 15.33 (2017: 13.86).

17. SUBSEQUENT EVENTS

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2018	2017
\$'000	\$'000

18. KEY MANAGEMENT PERSONNEL

(a) 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

The Senior Management of AWA during the year were:

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

(b) Key management personnel compensation

Short term and post-employment benefits	1,352	759
	1,352	759

(c) Transactions with Other Related Parties

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

19. RELATED PARTY DISCLOSURES

See Note 18 (b) for disclosure on compensation payments made to key management personnel. There have been no other transactions with related parties.

Shareholding

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

20. CONTINGENT LIABILITIES

The company had no contingent liabilities as at 30 June 2018.

DIRECTORS' DECLARATION

AWA Mutual Limited
ABN 31 087 651 652

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

- 1) In the opinion of the directors:
 - a) The financial statements and notes of AWA Mutual Ltd for the financial year ended 30 June 2018 are in accordance with the *Corporations Act 2001*, including:
 - i) Giving a true and fair view of the entity's financial position as at 30 June 2018 and of its performance for the year ended on that date.
 - ii) Complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.
 - b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.



Peter Richardson
Chairman

Dated this 12 October 2018

