

Nova Mutual Limited

ABN: 40 087 650 440

Financial Statements

For the Year Ended 30 June 2019

Nova Mutual Limited

ABN: 40 087 650 440

Contents

30 June 2019

	Page
Directors' Report	1
Auditor's Independence Declaration	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Directors' Declaration	25
Independent Auditor's Report	26

Nova Mutual Limited

ABN: 40 087 650 440

Directors' Report **30 June 2019**

The Directors present their report on Nova Mutual Limited for the financial year ended 30 June 2019.

Directors

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

Martin Cushing	Chairperson
Stephen Pyke	Deputy Chairperson
Ron Brooks	
Karen Keegan	
Rosalie Taggart	
Nicholas Bell	

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

- David Franklin (Chief Executive Officer) has been the company secretary since 20 February 2001.

Principal Activities

The principal activity of the Company during the financial year was the provision of retail financial products and services to members as an agent of Bendigo and Adelaide Bank Limited.

No significant changes in the nature of the Company's principal activities occurred during the financial year.

Operating Results

The profit of the Company after providing for income tax amounted to \$ 72,413 (2018: loss of \$ 483,785).

Significant Changes in State of Affairs

No significant changes in the Company's state of affairs occurred during the financial year.

Events Subsequent to the End of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Nova Mutual Limited

ABN: 40 087 650 440

Directors' Report

30 June 2019

Likely Developments and Expected Results of Operations

No matter, or circumstance or likely development in the operations has arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the financial year subsequent to this financial year.

Environmental matters

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

Auditor's independence declaration

A copy of the Lead Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* has been received and is included in this financial report.

Indemnification and Insurance of Officers and Auditors

During the financial year, a premium was paid in respect of a contract insuring Directors and Officers of the Company against liability. The officers of the Company covered by the insurance contract include the Directors, executive officers, company secretary and employees.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contracts as such disclosure is prohibited under the terms of the contract.

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

Meetings of Directors

During the financial year, 12 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Martin Cushing	12	11
Stephen Pyke	12	10
Ron Brooks	12	11
Karen Keegan	12	9
Rosalie Taggart	12	9
Nicholas Bell	12	9

Nova Mutual Limited

ABN: 40 087 650 440

Directors' Report

30 June 2019

Information on Current Directors

Martin Cushing

Qualifications	BA, CA, Grad Dip Computing
Experience	Board member since 2004
Special Responsibilities	Chairperson

Stephen Pyke

Qualifications	FCA, CTA, RCA
Experience	Board member since 2013
Special Responsibilities	Deputy Chairperson

Ron Brooks

Qualifications	BCom
Experience	Board member since 1992

Karen Keegan

Qualifications	Cert IV OHS, Dip HRM, Dip Quality Auditing (IMS, QM, EM, OH&S)
Experience	Board member since 2005

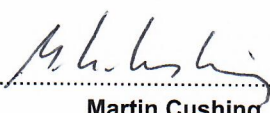
Rosalie Taggart

Qualifications	Over 40 years experience in marketing/advertising in the media
Experience	Board member since 2008

Nicholas Bell

Qualifications	BLaws/BBus-Accountancy, Grad Dip Applied Corporate Governance, Grad Dip In Financial Planning, Grad Dip In Applied Finance and Investment
Experience	Board member since 2017

Signed in accordance with a resolution of the Board of Directors:

Director: 
Martin Cushing

Dated: 25 September 2019

PARTNERS

Robert Magnussen B Bus FCA
Paul Fahey B Bus CA
Rodney Smith B Fin Admin FCA
Bart Lawler B Com CA
Patrick Brennan B Com CA
Alison McKinnon B Bus CA

Auditor's Independence Declaration

Under Section 307C of the *Corporations Act 2001*

To the Directors of Nova Mutual Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Nova Mutual Limited. As the lead auditor for the audit of Nova Mutual Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

NorthCorp Accountants



Jodie Thomas
Lead Auditor

Suites 1 -3, Bourne House
10-12 Short Street
Port Macquarie NSW 2444

Dated: 25 September 2019

Nova Mutual Limited

ABN: 40 087 650 440

Statement of Comprehensive Income
For the Year Ended 30 June 2019

	Note	2019 \$	2018 \$
CONTINUING OPERATIONS			
Revenue	2	<u>777,167</u>	122,187
Employee benefits expense		(440,497)	(73,033)
Occupancy and related costs		(17,123)	(1,939)
Computer system costs		(4,425)	(290)
Depreciation and amortisation expenses	3(a)	(32,056)	(5,338)
General administration expense		(189,936)	(32,145)
Financing costs		(23)	-
Loss on disposal of property, plant and equipment	3(a)	<u>(1,108)</u>	-
		<u>(685,168)</u>	(112,745)
Profit / (loss) from continuing operations before income tax		91,999	9,442
Income tax (expense) / benefit	5	<u>(19,586)</u>	12,208
Net profit / (loss) from continuing operations after tax attributable to members		<u>72,413</u>	21,650
DISCONTINUED OPERATIONS			
Profit/(Loss) after tax for the year from discontinued operations	4	<u>-</u>	(505,435)
Total profit / (loss) for the year		<u>72,413</u>	<u>(483,785)</u>
Other comprehensive income			
Revaluation changes for land and buildings		55,327	-
Increase in net fair value gain on investments in equity instruments designated as fair value through other comprehensive income		<u>53,570</u>	-
Total other comprehensive income for the year		<u>108,897</u>	-
Total comprehensive income for the year		<u>181,310</u>	<u>(483,785)</u>

The accompanying notes form part of these financial statements.

Nova Mutual Limited

ABN: 40 087 650 440

Statement of Financial Position
As at 30 June 2019

	Note	2019 \$	2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	334,140	2,039,832
Trade receivables	7	95,042	110,551
Other financial assets	8	1,306,178	65,216
Other assets	9	4,626	4,741
TOTAL CURRENT ASSETS		1,739,986	2,220,340
NON-CURRENT ASSETS			
Property, plant and equipment	10	657,455	591,543
Deferred tax assets	11	239,297	259,395
TOTAL NON-CURRENT ASSETS		896,752	850,938
TOTAL ASSETS		2,636,738	3,071,278
LIABILITIES			
CURRENT LIABILITIES			
Member withdrawable shares	12	3,396	3,178
Trade and other payables	13	48,969	703,289
Provisions	14	128,136	110,358
TOTAL CURRENT LIABILITIES		180,501	816,825
NON-CURRENT LIABILITIES			
Deferred tax liabilities	11	20,474	-
TOTAL NON-CURRENT LIABILITIES		20,474	-
TOTAL LIABILITIES		200,975	816,825
NET ASSETS		2,435,763	2,254,453
EQUITY			
Reserves	15	108,897	-
Retained earnings		2,326,866	2,254,453
TOTAL EQUITY		2,435,763	2,254,453

The accompanying notes form part of these financial statements.

Nova Mutual Limited

ABN: 40 087 650 440

Statement of Changes in Equity
For the Year Ended 30 June 2019

2019

	Retained Earnings	Asset Revaluation Reserve	Financial Asset Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2018	2,254,453	-	-	2,254,453
Profit / (loss) attributable to members of the Company	72,413	-	-	72,413
Other comprehensive income	-	55,327	53,570	108,897
Total comprehensive income for the year	72,413	55,327	53,570	181,310
Balance as at 30 June 2019	2,326,866	55,327	53,570	2,435,763

2018

	Retained Earnings	General Reserve for Credit Losses	Financial Asset Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2017	2,663,399	74,839	-	2,738,238
Profit / (loss) attributable to members of the Company	(483,785)	-	-	(483,785)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	(483,785)	-	-	(483,785)
Transfer to / (from) reserves	74,839	(74,839)	-	-
Balance as at 30 June 2018	2,254,453	-	-	2,254,453

The accompanying notes form part of these financial statements.

Nova Mutual Limited

ABN: 40 087 650 440

Statement of Cash Flows
For the Year Ended 30 June 2019

	Note	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		8,513	1,061,586
Dividends received		26,950	5,435
Receipts from customers		838,372	269,322
Payments to suppliers and employees		(1,369,373)	(1,040,915)
Interest paid		-	(408,217)
Net (increase) / decrease in loans and advances to members		-	(4,162,068)
Net (increase) / decrease in receivables due from other financial institutions		-	2,884,975
Net increase / (decrease) in deposits from members		-	6,586,314
Net cash provided by/(used in) operating activities		(495,538)	5,196,432
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(40,035)	-
Proceeds from sale of property, plant and equipment		17,273	-
Net cash flow from partial transfer of business		-	(3,194,748)
Net cash provided by/(used in) investing activities		(22,762)	(3,194,748)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Increase) / decrease in other financial assets		(1,187,392)	-
Net increase / (decrease) in deposits from other financial institutions		-	(2,000,000)
Net cash provided by/(used in) financing activities		(1,187,392)	(2,000,000)
Net increase/(decrease) in cash and cash equivalents held		(1,705,692)	1,684
Cash and cash equivalents at beginning of year		2,039,832	2,038,148
Cash and cash equivalents at end of financial year	6	334,140	2,039,832

The accompanying notes form part of these financial statements.

Nova Mutual Limited

ABN: 40 087 650 440

Notes to the Financial Statements For the Year Ended 30 June 2019

The financial report covers Nova Mutual Limited (Nova) as an individual entity. Nova is a Company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue by the Directors on 25 September 2019.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The amounts presented in the financial statements have been rounded to the nearest dollar.

(a) Income Tax

The income tax expense / (income) for the year comprises current income tax expense / (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income for the current period. Current tax liabilities / (assets) are measured at the amounts expected to be paid to (recovered from) the Australian Taxation Office (ATO) using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense / (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside of profit or loss.

No deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that a future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Nova Mutual Limited

ABN: 40 087 650 440

Notes to the Financial Statements
For the Year Ended 30 June 2019

Note 1 Summary of Significant Accounting Policies (Continued)

(b) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, deposits held at call with banks and other financial institutions, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the statement of financial position.

(c) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment.

Buildings

Buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation.

Increases in the carrying amount arising on revaluation of buildings are credited to a revaluation reserve in other comprehensive income. Decreases that offset previous increases of the same asset are recognised against the revaluation surplus directly in other comprehensive income; all other decreases are recognised in profit or loss.

Any accumulation depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses.

In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1 (e) for details of impairment).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, including buildings, is depreciated on a straight-line basis over the asset's useful life to the Company, commencing from the time the asset is held ready for use. Depreciation is recognised in profit or loss.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Note 1 Summary of Significant Accounting Policies (Continued)

(c) Property, plant and equipment (Continued)

The depreciation rates used for each class of depreciable assets are:

<i>Fixed asset class</i>	<i>Depreciation rate</i>
Buildings	2.5%
Plant and Equipment	12.5% to 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(d) Financial instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset.

Financial instruments (except of trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified at "fair value through profit or loss" in which case transaction costs are expensed to profit or loss immediately.

Trade receivables are initially measured at the transaction price.

Classification and Subsequent Measurement

Financial Liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or financial liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Financial Assets

Financial assets are subsequently measured at:

- amortised cost; or
- fair value through other comprehensive income.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Note 1 Summary of Significant Accounting Policies (Continued)

(d) Financial instruments (Continued)

Financial assets comprising cash and cash equivalents, trade and other receivables and interest bearing deposits are subsequently measured at amortised cost as they meet the following conditions:

- the financial assets are managed solely to collect contractual cash flows; and
- the contractual terms within the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding on specified dates.

Other financial assets comprising shares in listed corporations, diversified income investments and listed property trust investments are subsequently measured at fair value through other comprehensive income, as long as those financial assets are not held for trading. The dividend revenue received on the underlying investments continues to be recognised in profit and loss.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the Company's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Company no longer controls the asset.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the financial assets reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Note 1 Summary of Significant Accounting Policies (Continued)

(d) Financial instruments (Continued)

Impairment

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost.

A loss allowance is not recognised for investments measured at fair value through other comprehensive income.

Recognition of expected credit losses in financial statements

At each reporting date, the Company recognises the movement in the loss allowance as an impairment gain or loss in the statement of comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Financial assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair values recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at the end of the reporting period.

(e) Impairment of Non-Financial Assets

At the end of each reporting period the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard (eg. in accordance with the revaluation model in AASB 16: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivable are initially recognised at fair valued and subsequently measured at cost using the effective interest method, less any provision for impairment.

(g) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Company that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability. Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Note 1 Summary of Significant Accounting Policies (Continued)

(h) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Contributions are made by the Company to an employee superannuation fund and are charged as expenses when incurred.

(i) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(j) Revenue Recognition

The Company has applied AASB 15: *Revenue from Contracts with Customers* using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be presented under AASB 118: *Revenue*. No impact is shown in relation to the initial adoption of AASB 15 as the Directors have assessed that there is no material difference in the result of the Company between applying AASB 118 and AASB 115.

In accordance with AASB 15, revenue continues to be recognised when control of the goods and services has transferred to the customers. For such transactions, this is the point in time when the goods are delivered to customers or the services are received by customers.

Interest revenue

Interest revenue is recognised using the effective interest method.

Fees and commissions

Fee and commission income is recognised as revenue on an accrual basis.

Shared margin income

The franchise agreement held by Nova with Bendigo and Adelaide Bank Limited provides for a share of interest, fee and commission revenue earned by Nova. 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 Nova'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 Nova's right to receive the payment is established.

All revenue is stated net of the amount of goods and services tax (GST).

Nova Mutual Limited

ABN: 40 087 650 440

Notes to the Financial Statements
For the Year Ended 30 June 2019

Note 1 Summary of Significant Accounting Policies (Continued)

(k) Adoption of new and revised accounting standards

The Company has adopted AASB 9: Financial Instruments with a date of initial application of 1 July 2018. As a result the Company has changed its financial instruments accounting policies as detailed in the significant accounting policies note.

There were no material adjustments to the financial statements for the current financial year or the previous financial year as a result of the initial application of AASB 9. The following table represents the classification of financial assets and financial liabilities under AASB 9 and AASB 139 at the date of initial application, 1 July 2018. There was no impact on the cash flows of the Company as a result of the initial adoption of AASB 9.

Financial Assets	AASB 139 Original Classification	AASB 9 New Classification
Cash and Cash Equivalents	Loans and Receivables (Amortised Cost)	Financial Assets at Amortised Cost
Trade and Other Receivables	Loans and Receivables (Amortised Cost)	Financial Assets at Amortised Cost
Interest Bearing Deposits	Held-to-Maturity Financial Assets	Financial Assets at Amortised Cost
Shares in Listed Corporations	Available-for-Sale Financial Assets	Financial Assets at Fair Value through Other Comprehensive Income
Managed Investments	Available-for-Sale Financial Assets	Financial Assets at Fair Value through Other Comprehensive Income

Financial Liabilities	AASB 139 Original Classification	AASB 9 New Classification
Trade and Other Payables	Amortised Cost	Financial Liabilities at Amortised Cost

The Company has adopted AASB 15: *Revenue from Contracts with Customers* with a date of initial application of 1 July 2018. As a result, the Company has changed its revenue recognition accounting policy as detailed in Note 1(j).

No impact is shown in relation to the initial adoption of AASB 15 as the Directors have assessed that there is no material difference in the results of the Company between applying AASB 118: *Revenue* and AASB 15.

Nova Mutual Limited

ABN: 40 087 650 440

Notes to the Financial Statements
For the Year Ended 30 June 2019

Note 1 Summary of Significant Accounting Policies (Continued)

(l) New accounting standards for application in future periods

The AASB has issued new, revised and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of the following Standards which are applicable to the Company but are not yet effective:

Title of Standard	Future Reporting Requirements	Operative Date
AASB 16: Leases	This Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.	1 January 2019

The abovementioned Accounting Standards are applicable for annual reporting periods commencing on the operative date. Although the adoption of these Accounting Standards may have an impact on the Company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(m) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(n) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(o) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

The significant estimates and judgements made have been described below.

Nova Mutual Limited

ABN: 40 087 650 440

Notes to the Financial Statements
For the Year Ended 30 June 2019

Note 1 Summary of Significant Accounting Policies (Continued)

Impairment

The Company assesses impairment at the end of each reporting period by evaluating conditions specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Note 2 Revenue and Other Income

The Company has recognised the following amounts relating to revenue in the statement of comprehensive income.

Continued operations

		2019	2018
		\$	\$
Revenue from contracts with customers	2(a)	702,337	111,039
Other sources of income	2(b)	74,830	11,148
		777,167	122,187

(a) Revenue Disaggregation

The revenue is disaggregated by income type:

Shared margin income	613,783	94,143
Fee income	88,554	16,896
	702,337	111,039

Timing of revenue recognition

Productions and services transferred to customers

- at a point in time	702,337	111,039
----------------------	----------------	---------

(b) Other sources of revenue

Interest received	8,513	8,644
Dividends received	51,311	-
Commissions and other revenue	15,006	2,504
Total other sources of revenue	74,830	11,148

Note 3 Result for the Year

(a) Expenses

Depreciation and amortisation expense

Buildings	11,684	1,947
Plant and equipment	20,372	3,391
Total depreciation relating to continuing operations	32,056	5,338

Net loss on disposal of property, plant and equipment	1,108	-
---	--------------	---

Nova Mutual Limited

ABN: 40 087 650 440

Notes to the Financial Statements For the Year Ended 30 June 2019

Note 3 Result for the Year (Continued)

(b) Significant Revenue and Expenses

	2019	2018
	\$	\$
The following significant expense item is relevant in explaining the financial performance for the year:		
Business transfer expenses	-	676,576

Note 4 Discontinued Operations

During the 2018 financial year, Nova conducted a partial transfer of business where members' loans and deposits, along with a balancing cash amount were transferred to Bendigo and Adelaide Bank Limited. As a result of this partial transfer of business Nova is no longer an Authorised Deposit-Taking Institution (ADI) and as such is not entitled to use "Credit Union" as part of the Company name. The Company does remain a mutual organisation.

Interest revenue	-	1,073,548
Interest expense	-	(426,963)
Net interest income	-	646,585
Other operating income and expenditure		
Fees, commissions and other income	-	246,274
Bad and doubtful debts expense	-	(6,543)
Depreciation and amortisation	-	(32,641)
Employee benefits expense	-	(349,265)
Business transfer expense	-	(676,576)
Other expenses	-	(506,895)
Profit / (Loss) before income tax from discontinued operations	-	(679,061)
Income tax (expense) / benefit from discontinued operations	-	173,626
Total profit after tax attributable to the discontinued operation	-	(505,435)

The net cash flows from discontinued operations are as follows:

Net cash inflow/(outflow) from operating activities	-	4,199,379
Net cash inflow/(outflow) from investing activities	-	(3,194,748)
Net cash inflow/(outflow) from financing activities	-	(2,000,000)
Net cash flows from discontinued operations	-	(995,369)

Nova Mutual Limited

ABN: 40 087 650 440

Notes to the Financial Statements
For the Year Ended 30 June 2019

Note 5 Income Tax Expense

(a) The major components of tax expense (benefit) comprise:

	Note	2019 \$	2018 \$
Current tax		-	-
Deferred tax		19,586	(185,834)
		<u>19,586</u>	<u>(185,834)</u>

(b) The prima facie tax on profit from ordinary activities is reconciled to the income tax expense (benefit) as follows:

Accounting (loss) / profit before tax from continuing operations		91,999	9,442
Accounting (loss) / profit before tax from discontinued operations		-	(679,061)
Accounting profit before income tax		<u>91,999</u>	<u>(669,619)</u>
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2018: 27.5%)		25,300	(184,145)
Add / Less) tax effect of:			
- Other assessable items		2,468	640
- Rebateable fully franked dividends		(8,182)	(2,329)
Income tax attributable to profit from ordinary activities		<u>19,586</u>	<u>(185,834)</u>
Income tax expense from continuing operations reported in the Statement of Comprehensive Income		19,586	(12,208)
Income tax expense from discontinued operations reported in the Statement of Comprehensive Income		-	(173,626)
		<u>19,586</u>	<u>(185,834)</u>

Note 6 Cash and Cash Equivalents

Cash at bank and in hand		<u>334,140</u>	<u>2,039,832</u>
--------------------------	--	----------------	------------------

Note 7 Trade and Other Receivables

Trade receivables		95,042	60,382
GST receivable		-	50,169
		<u>95,042</u>	<u>110,551</u>

Note 8 Other Financial Assets

CURRENT

Financial assets at fair value through other comprehensive income	8(a)	<u>1,306,178</u>	<u>65,216</u>
---	------	------------------	---------------

Nova Mutual Limited

ABN: 40 087 650 440

Notes to the Financial Statements
For the Year Ended 30 June 2019

Note 8 Other Financial Assets (Continued)

(a) Financial assets at fair value through other comprehensive income

	2019	2018
	\$	\$
Shares in listed corporations	292,614	-
Managed investments	948,348	-
Shares in unlisted investments at cost	65,216	65,216
Total financial assets at fair value through other comprehensive income	1,306,178	65,216

Note 9 Other Assets

Prepayments	4,626	4,741
	4,626	4,741

Note 10 Property, Plant and Equipment

Buildings

Buildings at fair value	575,000	467,367
Accumulated depreciation	-	(27,252)
Total buildings	575,000	440,115

Plant and equipment

Plant and equipment at cost	145,646	219,840
Accumulated depreciation	(63,191)	(68,412)
Total plant and equipment	82,455	151,428
Total property, plant and equipment	657,455	591,543

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Buildings	Plant and Equipment	Total
	\$	\$	\$
Year ended 30 June 2019			
Balance at the beginning of year	440,115	151,428	591,543
Additions	-	40,035	40,035
Disposals - written down value	-	(18,381)	(18,381)
Transfers	70,255	(70,255)	-
Depreciation expense	(11,684)	(20,372)	(32,056)
Revaluation increment	76,314	-	76,314
Balance at the end of the year	575,000	82,455	657,455

Nova Mutual Limited

ABN: 40 087 650 440

Notes to the Financial Statements
For the Year Ended 30 June 2019

Note 10 Property, Plant and Equipment (Continued)

(b) Asset revaluations

On 22 March 2019, the building held by the Company was valued by an independent valuer. The fair value of the building was determined to be \$575,000. The fair value of the building increased by \$76,314.

An amount of \$55,327 (net of the related tax effect of \$20,986) was credited directly to the revaluation surplus.

Note 11 Tax Assets and Liabilities

(a) Current Tax Liability

	2019	2018
	\$	\$
Income tax payable	-	-

(b) Deferred Tax Assets

	Opening Balance	Charged to Income	Charged directly to Equity	Closing Balance
	\$	\$	\$	\$
Deferred tax assets				
Property, plant and equipment	512	-	-	512
Provisions	31,255	(907)	-	30,348
Impairment of loans and advances	6,624	(6,624)	-	-
Deferred loan origination fees	5,682	(5,682)	-	-
Tax losses originating from unused franking credits	-	2,329	-	2,329
Tax losses	-	52,574	-	52,574
Section 40-880 business costs	17,378	144,502	-	161,880
Other	12,110	(358)	-	11,752
Balance at 30 June 2018	73,561	185,834	-	259,395
Property, plant and equipment	512	-	(512)	-
Provisions	30,348	4,889	-	35,237
Tax losses originating from unused franking credits	2,329	8,182	-	10,511
Tax losses	52,574	17,432	-	70,006
Section 40-880 business costs	161,880	(41,556)	-	120,324
Other	11,752	(8,533)	-	3,219
Balance at 30 June 2019	259,395	(19,586)	(512)	239,297

Nova Mutual Limited

ABN: 40 087 650 440

Notes to the Financial Statements
For the Year Ended 30 June 2019

Note 11 Tax Assets and Liabilities (Continued)

(c) Deferred Tax Liabilities

	Opening Balance \$	Charged to Income \$	Charged directly to Equity \$	Closing Balance \$
Deferred tax liability				
Property, plant and equipment	-	-	20,474	20,474
Balance at 30 June 2019	-	-	20,474	20,474

Note 12 Member Withdrawable Shares

	2019 \$	2018 \$
Member withdrawable shares	3,396	3,178

Note 13 Trade and Other Payables

Unsecured Liabilities:		
Trade payables	7,480	660,559
GST payable	22,595	-
Other creditors and accruals	18,894	42,730
	48,969	703,289

Note 14 Provisions

Employee benefits	128,136	110,358
-------------------	---------	---------

	Employee Benefits \$	Total \$
Opening balance as at 1 July 2018	110,358	110,358
Additional provisions	48,601	48,601
Provisions used	(30,823)	(30,823)
Balance as at 30 June 2019	128,136	128,136

(a) Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave and is inclusive of related on-costs. Refer to Note 1(h) for further information relating to this provision.

Nova Mutual Limited

ABN: 40 087 650 440

Notes to the Financial Statements
For the Year Ended 30 June 2019

Note 15 Reserves

(a) Asset revaluation reserve

The asset revaluation reserve records fair value movements on property, plant and equipment held under the revaluation model.

(b) Financial asset reserve

Change in the fair value of available for sale investments are recognised in other comprehensive income - financial asset reserve. Amounts are reclassified to profit or loss on disposal of the investment or when an impairment arises.

Note 16 Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and accounts payable.

The carrying amount for each category of financial instruments, measured in accordance with AASB 9, as detailed in the accounting policies to these financial statements, are as follows:

	Note	2019 \$	2018 \$
Financial Assets			
Financial assets at amortised cost			
Cash and cash equivalents	6	334,140	2,039,832
Trade and other receivables	7	95,042	110,551
Financial assets at fair value through other comprehensive income			
Shares in listed corporations	8	292,614	-
Managed investments	8	948,348	-
Shares in unlisted companies	8	65,216	65,216
Total financial assets		<u>1,735,360</u>	<u>2,215,599</u>
Financial Liabilities			
Financial liabilities at amortised cost			
Trade and other payables	13	48,969	703,289
Total financial liabilities		<u>48,969</u>	<u>703,289</u>

(a) Net Fair Values

The net fair value of financial assets and financial liabilities approximates their carrying values. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Nova Mutual Limited

ABN: 40 087 650 440

Notes to the Financial Statements For the Year Ended 30 June 2019

Note 17 Key Management Personnel

(a) Key management personnel compensation

The totals of remuneration paid to the key management personnel (KMP) of the Company during the year are as follows:

	2019	2018
	\$	\$
Short-term employee benefits	251,609	233,525
Post-employment benefits	20,220	18,741
Other long-term benefits	10,268	9,765
	<u>282,097</u>	<u>262,031</u>

(b) Other related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

No related party transactions were identified for the 2019 financial year.

Note 18 Partial Transfer of Business

On the 5 May 2018 loan assets and deposit liabilities along with a balancing cash amount being the difference between the loan assets and deposit liabilities was transferred to Bendigo and Adelaide Bank Limited. The value of the assets and liabilities transferred on 5 May 2018 to Bendigo and Adelaide Bank Limited were as follows:

Cash on hand	-	98,386
Cash at bank	-	3,096,362
Net loans and advances	-	43,654,618
Interest receivable	-	22,735
	-	<u>46,872,101</u>
Member deposits	-	28,050,180
Securitised loans and advances	-	18,614,904
Interest payable	-	130,449
Clearing and suspense accounts	-	76,568
	-	<u>46,872,101</u>

Note 19 Company Details

The registered office and principal place of business of the company is:

Nova Mutual Limited
3/71 King Street
Newcastle NSW 2300

Nova Mutual Limited

ABN: 40 087 650 440

Directors' Declaration

In accordance with a resolution of the Directors of Nova Mutual Limited the Directors of the Company declare that:

1. The financial statements comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflows and notes to and forming part of the financial statements, 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 financial position of the Company as at 30 June 2019 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.

Director.....
Martin Cushing

Dated: 25 September 2019

PARTNERS

Robert Magnussen B Bus FCA
Paul Fahey B Bus CA
Rodney Smith B Fin Admin FCA
Bart Lawler B Com CA
Patrick Brennan B Com CA
Alison McKinnon B Bus CA

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

Opinion

We have audited the financial report of Nova Mutual Limited, which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes to the financial statements including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion, the accompanying financial report of Nova Mutual Limited 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 2019 and of its performance for the year ended on that date; and
- (ii) 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.

Information Other than the Financial Report and Auditor's Report Thereon

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 2019, 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.

PARTNERS

Robert Magnussen B Bus FCA
Paul Fahey B Bus CA
Rodney Smith B Fin Admin FCA
Bart Lawler B Com CA
Patrick Brennan B Com CA
Alison McKinnon B Bus CA

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

Responsibilities of 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 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 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 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 the 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.

PARTNERS

Robert Magnussen B Bus FCA
Paul Fahey B Bus CA
Rodney Smith B Fin Admin FCA
Bart Lawler B Com CA
Patrick Brennan B Com CA
Alison McKinnon B Bus CA

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

- 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 our audit.

NorthCorp Accountants



Jodie Thomas
Lead Auditor

**Suites 1-3, Bourne House
10-12 Short Street
Port Macquarie NSW 2444**

25 September 2019