



Australian Settlements Limited

ABN: 14 087 822 491

**Annual Report
2015-16**



AUSTRALIAN SETTLEMENTS LIMITED

ABN: 14 087 822 491

DIRECTORS' REPORT

The directors of Australian Settlements Limited (ASL) present their report on the company for the financial year ended 30 June 2016.

The names of the directors of ASL in office at any time during or since the end of the year to the date of this report, are:

Ms Claudia Jacqueline Bels	
Mr Garry Donald Dinnie	
Mr Kevin Peter Dupe	(Resigned on 17 December 2015)
Mr David John Lawler	
Mr John Francis Minz (Alternate for Mr Walter John Williams)	(Resigned on 29 October 2015)
Mr Peter Graham Olrich	(Appointed on 11 February 2016)
Mr Robert James Ryan	
Mr Bruce Kenneth White	
Mr Mark Brian Williams	
Mr Walter John Williams	

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. None of the directors has any interest in a contract or proposed contract with ASL, with the exception of those identified in note 24 to the financial statements, and has not declared such an interest since the date of the last Directors' Report.

DIRECTORS

Claudia Jacqueline BELS

Ms Bels is an independent director of ASL with extensive legal, governance, risk management and financial expertise. Ms Bels has over 25 years' experience across the government, member services and international banking and finance sectors having previously held the role of General Counsel & Board Secretary for the Export Finance and Insurance Corporation and General Counsel (and Chief Risk Officer) for the Law Society of NSW. She is currently Deputy Chair of the Australian Physiotherapy Council Ltd, independent director of Uniting Resources and chair or member of a number of Audit and Risk Committees. Ms Bels is the Chair of the company's Risk and Contracts & Pricing Committees and is a member of the company's Audit and Governance Committees.

Garry Donald DINNIE

Mr Dinnie is an independent director of ASL and a director of CareFlight Limited, Integrated Research Limited and a director of a number of private companies. He is also Chair of the Audit Committees of these companies and Chair or member of several other Audit & Risk Committees of the NSW public sector and private sector entities. He was previously a partner with Ernst & Young for 25 years specialising in audit, risk, advisory and IT services. Mr Dinnie is the Chair of the company's Audit Committee and is a member of the company's Risk, Contracts & Pricing, IT and HR & Remuneration Committees.

David John LAWLER (Chairman)

Mr Lawler is an independent director of ASL. He has a career spanning nine years with the CBA and 19 years with Citibank. Mr Lawler has held roles of Executive General Manager, Financial Controller and Group Auditor with the CBA. Mr Lawler is a member of the Audit Committee of eight other organisations, primarily in the public sector. He is also a past President of the Institute of Internal Auditors Australia. Mr Lawler was appointed the Chairman of the Board on 14 August 2014. He is a member of the company's Governance and Contracts & Pricing Committees and chair of HR & Remuneration Committee.





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DIRECTORS' REPORT

Peter Graham OLRICH

Mr Olrich is an independent director of ASL. Mr Olrich has over 30 years of extensive executive and consultancy experience in the banking industry including as Managing Director of Credit Union Australia. Mr Olrich has occupied various Board positions over the past 15 years and is currently a director of Summerland Credit Union Ltd and the Chairman of Community Mutual Ltd. Mr Olrich also runs his own consultancy business. He is a member of the HR & Remuneration Committee. Mr Olrich holds Diplomas in Financial Services and Credit Union Directorship. He is also a Fellow of Australian Institute of Company Directors and a Fellow of the Australasian Mutuals Institute.

Robert James RYAN

Mr Ryan is the Chief Executive Officer of IMB Limited. Mr Ryan joined IMB Limited in 1999. Mr Ryan is a director of IMB Financial Planning Limited and The Flagstaff Group. Mr Ryan was appointed to the University of Wollongong Council by the NSW Minister for Education and Training in January 2010 and is on the Board of the University of Wollongong in Dubai. Prior to joining IMB, Mr Ryan held the positions of Managing Director, Chief Financial Officer and Company Secretary at Australian Resources Limited. Mr Ryan has extensive experience in finance and management at senior executive and Board level, has been involved in the formulation and implementation of strategic business plans and financial restructuring, staff management and development, as well as evaluation of acquisitions and divestments. Mr Ryan is the chair of the company's Governance Committee.

Bruce Kenneth WHITE

Mr White has been working in the finance and manufacturing industries for close to 30 years. He joined Greater Bank Limited in 2010 as Chief Information Officer. Mr White has 16 years exposure to the operation of payment schemes in Australia. In his current role, Mr White has executive management of Greater Bank's payment functions as well as the technology functions. Mr White is a member of the company's IT Committee.

Mark Brian WILLIAMS

Mr Williams is currently the Chief Financial Officer of Newcastle Permanent Building Society Limited. He is a Chartered Accountant with over 23 years' experience. Mr Williams spent 10 years working within chartered accounting and has also had extensive experience in a number of finance roles in the commercial, government and financial services sectors. Mr Williams has previously acted as a director and Chairman of the Audit Committee of a financial institution. He is a member of the company's Audit and Risk Committees.

Walter John WILLIAMS

Mr Williams is the Chief Operating Officer of Heritage Bank Limited and has 20 years' experience in the financial services industry. He has extensive experience in information technology, payments systems, project management, process management, collections, facilities and operations management. Mr Williams is the Chair of the company's IT Committee.

COMPANY SECRETARY

David Craig JAY

Mr Jay has over 25 years' experience in the financial services industry which has included roles in financial markets, internal audit and retail banking. Mr Jay is the company's Chief Executive Officer. Mr Jay is also a director and chairman of Audit Committee of The Australian Payments Clearing Association and a director of Eftpos Payments Australia Limited.





DIRECTORS' REPORT

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of ASL during the financial year were:

Directors	Board		Audit		Risk		HR & Rem		Governance		Contracts & Pricing		I.T.	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Ms C J Bels	7	7	5	5	4	4	-	-	2	2	5	5	-	-
Mr G D Dinnie	7	7	5	5	4	4	3	3	-	-	5	5	6	6
Mr D J Lawler	7	7	-	-	-	-	3	3	2	2	-	-	-	-
Mr P G Olrich	2	2	-	-	-	-	1	1	-	-	-	-	-	-
Mr R J Ryan	7	7	-	-	-	-	-	-	2	2	-	-	-	-
Mr B K White	7	7	-	-	-	-	-	-	-	-	-	-	6	6
Mr W J Williams	7	7	-	-	-	-	-	-	-	-	-	-	6	6
Mr M B Williams	7	7	5	5	4	4	-	-	-	-	-	-	-	-
Mr K P Dupe	3	3	-	-	-	-	2	2	-	-	-	-	-	-
Mr J F Minz*	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A – Number of meetings held during the time the director held office during the year.

B – Number of meetings attended.

*Mr Minz was not called upon to act as alternate director during the year.





AUSTRALIAN SETTLEMENTS LIMITED

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DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activities of ASL during the financial year ended 30 June 2016 were providing Members (known as System Participants) with settlement services for ATM/eftpos, VISA, direct entry, BPAY and high value transactions, maintaining a risk management system, acting as a focal point for Members to participate in the payments system, and developing payments services and strategies.

The profit of the company for the financial year amounted to \$980,173 (2015: \$982,993).

REVIEW OF OPERATIONS

A review of the operations of ASL during the financial year is as follows:

ASL is an Authorised Deposit-taking Institution (ADI) subject to prudential supervision of the Australian Prudential Regulation Authority (APRA) and operates an Exchange Settlement Account (ESA) at the Reserve Bank of Australia (RBA) which is used for the settlement of payment obligations of System Participants.

ASL is a principal member of APCA, BPAY, VISA, eftpos, Austraclear and PEXA, and accepts responsibility for settling the payment system obligations of System Participants that arise within payment streams. System Participants provide ASL with funds which is used to meet their settlement obligations. The ASL board has set the level of the funds required appropriate to the level of risk.

ASL is committed to maintaining best practice in all its activities, having regard to the size and nature of its operations. In so doing, ASL complies with all applicable prudential standards and guidance notes issued by APRA.

Since inception, ASL has successfully met all its settlement and other obligations as they have fallen due.

ASL has also devoted considerable resources to further develop its risk management systems and to the ongoing strengthening of back-up and recovery resources, which have been successfully tested by independent audit review.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year, the company undertook investment related to infrastructure required to participate in the New Payments Platform. There has been no other significant change in the state of affairs or significant change in the nature of activities of ASL during the year ended 30 June 2016 other than those disclosed in this report or in the financial statements.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There have been no matters or circumstances that have arisen since 30 June 2016 that are likely to have affected or to significantly affect, in future financial years, the operations of ASL, the results of those operations or the state of affairs of ASL.





AUSTRALIAN SETTLEMENTS LIMITED
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DIRECTORS' REPORT

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

There are no likely or expected developments that are likely to affect the operations of ASL or the expected results of those operations in financial years subsequent to the financial year ended 30 June 2016.

SHARES UNDER OPTION

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report (2015: nil).

INSURANCE OF OFFICERS

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 and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contracts.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court under section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the company, or intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

ENVIRONMENTAL REGULATION

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

DIVIDEND

No dividend was declared nor paid during the financial year (2015: nil).





AUSTRALIAN SETTLEMENTS LIMITED
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DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

Signed in accordance with a resolution of directors. The directors have the power to amend and reissue the financial statements.

A handwritten signature in black ink, appearing to read 'D. Lawler', written over a light blue grid background.

David John Lawler
Director

A handwritten signature in black ink, appearing to read 'Garry Dinnie', written over a light blue grid background.

Garry Donald Dinnie
Director

Dated this 11th day of August 2016





Auditor's Independence Declaration

As lead auditor for the audit of Australian Settlements Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'David Murphy', on a light blue background.

David Murphy
Partner
PricewaterhouseCoopers

Canberra
11 August 2016



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AUSTRALIAN SETTLEMENTS LIMITED

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
Interest revenue	2	6,760,263	7,923,940
Borrowing costs	2	(5,269,649)	(6,386,037)
Net interest revenue		1,490,614	1,537,903
Non-interest revenue – fees		10,668,759	9,460,512
Processing costs		(5,676,423)	(5,119,293)
Net non-interest revenue		4,992,336	4,341,219
Gross profit		6,482,950	5,879,123
Miscellaneous income		58,332	125,530
Depreciation & amortisation expenses		(231,313)	(156,427)
Employee benefits expenses		(2,986,181)	(2,831,899)
Administrative expenses		(2,343,615)	(2,033,334)
Profit for the year before income tax		980,173	982,993
Income tax expense	4	-	-
Profit for the year after income tax		980,173	982,993
Other comprehensive income for the year		-	-
Total comprehensive income for the year		980,173	982,993
Dividends per share		-	-

The above statement of comprehensive income should be read in conjunction with the accompanying notes.



**AUSTRALIAN SETTLEMENTS LIMITED**

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**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

	Note	2016 \$	2015 \$
Assets			
Cash and cash equivalents	6	293,134,613	287,297,640
Trade and interest receivables	7	1,731,684	1,623,812
Other assets	8	53,047	46,486
Plant & equipment	9(a)	3,025,978	291,296
Intangibles	9(b)	200,000	-
Available for sale investments		981,000	685,000
Total Assets		299,126,322	289,944,234
Liabilities			
Trade and other payables	10	2,770,464	2,416,123
Provisions	11	320,354	278,090
Borrowings	16	286,571,169	279,816,525
Finance lease liability	13	1,050,665	-
System participant shares	18	22	21
Total Liabilities		290,712,674	282,510,759
Net Assets		8,413,648	7,433,475
Equity			
Contributed equity	12	2,624,181	2,624,181
Retained earnings		5,789,467	4,809,294
Total Equity		8,413,648	7,433,475

The above statement of financial position should be read in conjunction with the accompanying notes.



**AUSTRALIAN SETTLEMENTS LIMITED**

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

	Contributed Equity \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2014	2,624,181	3,826,301	6,450,482
Profit for the year	-	982,993	982,993
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	982,993	982,993
Transactions with owners in their capacities as owners:			
Dividends provided for or paid	-	-	-
Balance at 30 June 2015	2,624,181	4,809,294	7,433,475
Profit for the year	-	980,173	980,173
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	980,173	980,173
Transactions with owners in their capacities as owners:			
Dividends provided for or paid	-	-	-
Balance at 30 June 2016	2,624,181	5,789,467	8,413,648

The above statement of changes in equity should be read in conjunction with the accompanying notes.





AUSTRALIAN SETTLEMENTS LIMITED

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Interest received		6,828,861	8,325,167
Interest paid		(5,337,122)	(6,499,366)
Receipts from customers (inclusive of GST)		10,605,259	9,406,613
Payments to suppliers and employees (inclusive of GST)		(10,603,339)	(9,364,756)
Income tax refund		-	16,378
Net cash inflows from operating activities	15(b)	1,493,659	1,884,036
Cash flows from investing activities			
Payments for financial assets		(296,000)	(685,000)
Purchase of plant and equipment		(1,235,686)	(32,049)
Net cash flows (used in) investing activities		(1,531,686)	(717,049)
Cash flows from financing activities			
Net movement in System Participants deposits		6,754,645	17,681,204
Finance lease payments		(879,645)	-
Net cash flows from financing activities		5,875,000	17,681,204
Net increase in cash and cash equivalents		5,836,973	18,848,191
Cash and cash equivalents at the beginning of the financial year		287,297,640	268,449,449
Cash and cash equivalents at end of the year	15(a)	293,134,613	287,297,640

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 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements have been prepared for ASL as an individual entity.

a. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. ASL is a for profit entity for the purpose of preparing the financial statements. All amounts are presented in Australian dollars.

(i) Compliance with IFRS

These financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting periods and have not been early adopted by the company. The company's assessment of the impact of these new standards and interpretations is set out below:

Title of standard	Nature of change	Impact	Mandatory application date/Date of adoption by the company
AASB 9 Financial Instruments	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.	<p>The company does not expect any impact from the new classification, measurement and derecognition rules on the company's financial assets and financial liabilities. Management will further assess the impact of the new rules in 2016-17.</p> <p>There is not considered to be any impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the company does not have any such liabilities.</p> <p>The company currently has no hedging arrangements in place and therefore has not considered the impact of the new rules.</p>	Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.
AASB 15 Revenue From Contracts with Customers	<p>The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.</p>	<p>Management is currently assessing the impact of the new rules on the recognition of interest revenue and system fees.</p> <p>The company currently recognises revenue for products and services supplied and therefore the standard is not expected to have a material impact.</p>	Mandatory for financial years commencing on or after 1 January 2017. Expected date of adoption by the company: 1 July 2017.
AASB 16 Leases	The AASB issued a new standard for the recognition of leases, which will primarily affect the accounting by lessees with the recognition of leases currently classed as operating leases on the balance sheet. The accounting by lessors, however, will not significantly change.	An impact assessment of the standard will be undertaken during 2016-17.	The new standard is not effective until 1 January 2019, however early adoption is available where an entity also early adopts AASB 15.



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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(iii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets, financial assets and liabilities (including derivative instruments).

b. Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Under the concept of mutuality, ASL is only assessed for income tax on the portion of income derived from non-member services, including interest income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

c. Plant & equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The carrying amount of plant and equipment is reviewed annually to ensure it is not stated in excess of its recoverable amount. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets' 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 charged to profit and loss during the financial period in which they are incurred.

The depreciable amount of all fixed assets, including capitalised lease assets, is depreciated on a straight line basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.



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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

<u>Class of Asset</u>	<u>2016</u>	<u>2015</u>
Motor vehicle	8 years	8 years
Computer hardware and software	3 to 5 years	3 to 5 years
Office equipment	3 to 15 years	3 to 15 years
Furniture and fittings	5 to 15 years	5 to 15 years

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 included in profit or loss.

d. Leases

Leases of property, plant and equipment where the company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

e. Investment and other financial assets

Classification

The company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables and receivables in the balance sheet.



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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. If the company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial assets – reclassification

The company may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date, the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Loans and receivables and held to maturity investments are subsequently carried at amortised cost using the effective interest method.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the company's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.



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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period. If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

f. Impairment of assets

At each reporting date the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

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.

g. Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.



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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The obligations are presented as current liabilities if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

h. Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

i. Contributed equity

Ordinary shares and non-voting shares are classified in equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

j. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

k. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and includes interest income on short term monetary investments and proceeds from system fees. Revenue is recognised for the major business activities as follows:

- Interest income is recognised on a time proportion basis using the effective interest method.
- Fee income is recognised in the period in which the services are rendered.

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

l. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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 taxation authority 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 or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

m. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.



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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

n. Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

o. Borrowings

Borrowings represent the funds lodged by System Participants, held to cover settlements obligations, and their voluntary funds deposited. For further information refer to note 16.

Borrowings are classified as current liabilities unless ASL has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

p. Foreign currency translation

The company has expenses payable in foreign currencies. Payments of these expenses are translated into Australian dollars at the time of remittance. The exposures of these foreign currency payments is not material against the company's overall expenses.

q. Rounding of amounts

The company is of a kind referred to in Class Order 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts. All amounts are shown to the nearest dollar, except where indicated.



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

NOTE 2: INTEREST REVENUE AND BORROWING COSTS

The following tables show the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest revenue or borrowing cost and the average interest rate. Most averages are daily, whilst other averages may also be used provided they are representative of the actual averages over the financial period.

	Average Balance (\$'000's)	Amount \$	Average Rate %
2016			
Interest Revenue			
Cash and cash equivalents	292,575	6,760,263	2.31%
		6,760,263	
Borrowing Costs			
Borrowings	282,045	5,265,438	1.87%
Subordinated Debt – Tranche 1	332	4,211	1.27%
Subordinated Debt – Tranche 2	2,090	-	0.00%
		5,269,649	
2015			
Interest Revenue			
Cash and cash equivalents	287,987	7,923,940	2.75%
		7,923,940	
Borrowing Costs			
Borrowings	278,578	6,378,701	2.29%
Subordinated Debt – Tranche 1	332	7,336	2.21%
Subordinated Debt – Tranche 2	2,090	-	0.00%
		6,386,037	

	2016 \$	2015 \$
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NOTE 3: AUDITOR'S REMUNERATION

PwC Australia

Audit & other assurance activities

- financial statement audit
- other assurance services

30,500	29,478
20,600	17,478
51,100	46,956



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

	2016 \$	2015 \$
NOTE 4: INCOME TAX EXPENSE		
(a) Income tax expense		
Total income tax expense is made up of:		
Deferred tax assets	-	-
Current income tax payable	-	-
Total income tax expense reported in the statement of comprehensive income	-	-
 (b) Numerical reconciliation of income tax expense to prima facie tax payable		
Accounting profit before income tax	980,173	982,993
Tax at the Australian tax rate @ 30% (2015: 30%)	294,052	294,898
 Tax effect of:		
Non-deductible expenditure	30,604	-
Member related expenses not deductible under the mutuality principle	3,001,983	2,524,390
Member related income not assessable under the mutuality principle	(3,622,341)	(2,945,307)
Tax losses not recognised as a deferred tax asset	300,550	126,019
 (c) Deferred tax assets not recognised		
Unused tax losses – Net interest income	2,503,593	2,203,044
Property, plant and equipment	2,101	(15,218)
Employee Provisions and accruals	219,832	180,802
Prepayments	-	3,126



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

NOTE 5: KEY MANAGEMENT PERSONNEL DISCLOSURES

Details of key management personnel

Directors of ASL during the year were:

Ms Claudia Jacqueline Bels
Mr Garry Donald Dinnie
Mr Kevin Peter Dupe (a)
Mr David John Lawler
Mr John Francis Minz (b)
Mr Peter Graham Olrich (c)
Mr Robert James Ryan
Mr Bruce Kenneth White
Mr Mark Brian Williams
Mr Walter John Williams

- (a) Mr KP Dupe resigned on 17 December 2015
- (b) Mr JF Minz resigned on 29 October 2015
- (c) Mr PG Olrich was appointed on 11 February 2016

The executives of ASL during the year include:

Mr David Jay (Chief Executive Officer)
Mr Bruce Potter (Chief Member Officer)
Mr Chek Huon (Chief Financial Officer), resigned 14 August 2015
Mr Kon Kane (Chief Operating Officer)
Mr Mathew Crichton (Chief Innovation and Information Officer), appointed 8 February 2016
Mr Paul Chilcott (Chief Financial Officer), appointed 29 July 2015

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

Details of key management personnel compensation

	2016	2015
	\$	\$
Short term employee benefits	1,635,975	1,243,526
Other long term employee benefits	146,574	146,585
	<u>1,782,549</u>	<u>1,390,111</u>



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

	2016 \$	2015 \$
NOTE 6: CASH AND CASH EQUIVALENTS		
	Note	
Cash on hand	500	512
Exchange Settlement Account (RBA)	111,750,863	139,440,082
Deposits with Australian ADIs	177,583,250	144,057,046
Deposits with other financial institutions (ADIs)	3,800,000	3,800,000
	15(a)	
	293,134,613	287,297,640

(a) Exchange Settlement Account

ASL holds funds from System Participants to cover settlement obligations. Parts of these funds are held in an Exchange Settlement Account accordance with the RBA's requirement.

(b) Deposits with Australian ADIs

These cash balances represent part of the System Participants' funds held for settlement obligations and excess funds System Participants hold above the settlement funding requirements determined by ASL as a tool of their own short-term liquidity management. These funds are held in at call accounts with Australian ADIs. Interest is calculated and earned on these balances at prevailing market rates. It also includes liquid assets of ASL.

(c) Deposits with other financial institutions (ADIs)

These balances represent term deposits of varying lengths with Australian ADIs.

NOTE 7: TRADE AND INTEREST RECEIVABLES
Current

Interest receivable – RBA (see (a) below)	112,318	120,459
Interest receivable – ADIs	527,920	588,377
Trade debtors (see (b) below)	1,091,446	914,976
	1,731,684	1,623,812

(a) Interest receivable – RBA

Interest receivable represents interest payable by the RBA on funds held in the ASL's Exchange Settlement Account.

(b) Trade debtors

Trade receivables are non-interest bearing and are generally on 30 day terms. A provision for doubtful debts is made when there is objective evidence that a trade receivable is impaired. No allowance has been recognised as an expense for the current year as there is no difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

NOTE 8: OTHER ASSETS

Prepayments	51,297	44,986
Accrued income	1,750	1,500
	53,047	46,486



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

	2016 \$	2015 \$
NOTE 9: PLANT & EQUIPMENT AND INTANGIBLES		
9(a) Plant & Equipment		
Motor vehicle - at cost	32,686	32,686
Less: Accumulated depreciation	(8,172)	(4,086)
	24,514	28,600
Computer hardware and software - at cost *	3,480,373	548,983
Less: Accumulated depreciation & amortisation	(537,193)	(341,516)
	2,943,180	207,467
Office equipment - at cost	66,421	61,362
Less: Accumulated depreciation	(50,142)	(38,779)
	16,279	22,583
Furniture & fittings - at cost	135,835	106,290
Less: Accumulated depreciation	(93,830)	(73,644)
	42,005	32,646
Total plant & equipment	3,025,978	291,296
*includes \$1,930,310 of assets under finance leases and \$1,178,932 work-in-progress (not depreciated)		
Movements in carrying amounts		
Movements in the carrying amounts for each class of plant and equipment are set out below:		
<i>Motor Vehicle</i>		
Carrying amount at beginning of year	28,600	32,686
Additions	-	-
Disposals	-	-
Depreciation charge for the year	(4,086)	(4,086)
	24,514	28,600
<i>Computer hardware and software</i>		
Carrying amount at beginning of year	207,467	319,838
Additions	2,931,390	11,555
Disposals	-	-
Depreciation charge for the year	(195,677)	(123,926)
	2,943,180	207,467
<i>Office equipment</i>		
Carrying amount at beginning of year	22,583	12,754
Additions	5,059	19,506
Disposals	-	-
Depreciation charge for the year	(11,363)	(9,677)
	16,279	22,583
<i>Furniture and fittings</i>		
Carrying amount at beginning of year	32,646	50,396
Additions	29,545	987
Disposals	-	-
Depreciation charge for the year	(20,186)	-(18,737)
	42,005	32,646
Total plant & equipment	3,025,978	291,296



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

	2016 \$	2015 \$
NOTE 9: PLANT & EQUIPMENT AND INTANGIBLES continued		
9(b) Intangibles		
Software licences – at cost	200,000	-
Less: Accumulated depreciation & amortisation	-	-
	<u>200,000</u>	<u>-</u>
<i>Intangibles</i>		
Carrying amount at beginning of year	-	-
Additions	200,000	-
Disposals	-	-
Depreciation charge for the year	-	-
	<u>200,000</u>	<u>-</u>

NOTE 10: TRADE AND OTHER PAYABLES

	2016 \$	2015 \$
<i>Current</i>		
Trade payables (see (a) below)	552,590	109,471
Other payables	1,656,254	1,681,769
Income received in advance	200,000	200,000
Interest payable (see (b) below)	361,620	424,882
	<u>2,770,464</u>	<u>2,416,123</u>
Total trade and other payables		

(a) Trade payables

Trade payables are non-interest bearing and are generally on 30 day terms.

(b) Interest payable

This represents the interest payable on funds placed by System Participants with ASL. Interest is normally monthly in arrears.

NOTE 11: PROVISIONS

<i>Current</i>		
Employee benefits provision		
- Annual Leave	227,206	204,823
<i>Non-Current</i>		
Employee benefits provision		
- Long Service Leave	93,148	73,267
	<u>320,354</u>	<u>278,090</u>
Total provisions		





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

NOTE 12: CONTRIBUTED EQUITY

	2016 \$	2015 \$
54,627 fully paid ordinary shares (2015: 54,627 shares)	54,627	54,627
2,569,554 fully paid non-voting shares (2015: 2,569,554 shares)	2,569,554	2,569,554
	<u>2,624,181</u>	<u>2,624,181</u>

(a) Ordinary shares

Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

(b) Non-voting shares

Fully paid non-voting shares do not carry any voting rights but do carry the rights to dividends.

(c) Capital management

The company manages its capital in order to maintain a sound debt to equity ratio, provide the shareholders with adequate returns and ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There is an externally imposed minimum capital requirement placed on the company by APRA calculated under Basel III (refer note 17).

The company effectively manages its capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses included management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by the company to manage its capital since the prior year.



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

NOTE 13: COMMITMENTS

	2016 \$	2015 \$
• <i>Operating lease commitments</i>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable:		
Within one year	288,180	270,831
Later than one year but not later than five years	57,515	296,625
Minimum lease payments	<u>345,695</u>	<u>567,456</u>

Operating lease commitments relate to office accommodation which are non-cancellable leases, expiring in September 2017 with rent payable monthly in advance.

• *Finance leases*

Non-cancellable finance leases contracted and capitalised in the financial statements:

Liability:		
Original lease liability	1,930,310	-
Lease payment – current year	(879,645)	-
Lease liability	<u>1,050,665</u>	-
Within one year	408,338	-
Later than one year but not later than five years	642,327	-
Minimum lease payments	<u>1,050,665</u>	-

Finance lease commitments require annual payments, extend to 1 April 2020 and are non-cancellable. There are no further obligations on the company at the end of the lease term.

NOTE 14: SEGMENT REPORTING

The company operates predominantly in one business and one geographical segment. The company's operations are confined to Australia and involve providing members with settlement services for ATM/efpos, VISA, Direct Entry, BPAY and high value transactions, maintaining a risk management system, acting as a focal point for financial institutions to participate in the payments system, and developing payments services and strategies.





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

NOTE 15: CASH FLOW INFORMATION

	Note	2016 \$	2015 \$
<i>(a) Reconciliation of cash</i>			
For the purposes of the statement of cash flows, cash and cash equivalents includes cash at bank and on hand and short term deposits. Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:			
Cash and cash equivalents	6	293,134,613	287,297,640
<i>(b) Reconciliation of profit after income tax to cash flows from operations</i>			
Profit for the year		980,173	982,993
<i>Non-cash flows in profit:</i>			
Depreciation & amortisation		231,312	156,427
<i>Changes in assets and liabilities:</i>			
(Increase)/decrease in trade and interest receivables		(107,872)	295,385
(Increase)/decrease in other assets		(6,561)	(4,632)
(Increase)/decrease in current tax assets		-	16,379
Increase/(decrease) in trade and other payables		354,342	402,340
Increase /(decrease) in provisions		42,264	35,144
Net cash inflow/(outflow) from operating activities		1,493,659	1,884,036



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
NOTE 16: BORROWINGS

	2016 \$	2015 \$
System Participant Funds (see (a) below)	128,334,241	130,700,092
Other high quality liquid asset funds (see (b) below)	155,815,195	146,694,700
Perpetual subordinated debt (see (c) below)	2,421,733	2,421,733
	286,571,169	279,816,525
 Maturity Analysis		
At call	284,149,436	277,394,792
No maturity specified	2,421,733	2,421,733
	286,571,169	279,816,525

Concentration of borrowings

Except for lease liabilities (when applicable), borrowings are from ADIs who utilise the company's exchange settlement function with the RBA.

(a) System Participant funds

ASL holds funds from System Participants to cover settlement obligations. These funds are held in the Exchange Settlement Account at the RBA and with Australian ADIs.

(b) Other high quality liquid assets

These funds represent System Participants voluntary deposits with ASL for their own short-term liquidity management and are held with Australian ADIs.

(c) Perpetual subordinated debt

Perpetual subordinated debt was issued by ASL. The debt is subordinated to all other creditors of ASL, is perpetual, and the lenders cannot claim repayment of the debt or offset the debt other than in very narrow circumstances.

NOTE 17: CAPITAL ADEQUACY

Risk weighted assets	61,815,371	53,965,232
Tier 1 Capital (minimum 4% of eligible capital)	11.5%	13.4%
Tier 2 Capital (remainder of eligible capital)	2.4%	3.1%
	13.9%	16.5%

The Prudential Standards issued by APRA require ADIs to maintain a risk-based capital ratio in excess of a Prudential Capital Ratio (PCR). Eligible capital is assessed in two tiers:

- Tier 1 (core capital) - consisting of the highest quality elements; and
- Tier 2 (supplementary capital) - consisting of other elements which, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of the ADI.

Assets are weighted according to broad categories of relative risk. The higher the risk, the greater the capital backing required.





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

	2016 \$	2015 \$
NOTE 18: SYSTEM PARTICIPANT SHARES		
Fully paid system participant shares at \$1	22	21

Each System Participant of ASL must hold one fully paid system participant share. The effect of holding the share is to bind the System Participant to ASL's By-Laws including the settlement procedures and rules. These shares are redeemable and do not carry any voting rights or the right to dividends.

NOTE 19: SETTLEMENT OBLIGATIONS

ASL is liable to settle the liabilities of any System Participant which cannot meet their settlement obligations. ASL holds funds from each System Participant specifically for this purpose. At 30 June 2016 all System Participants within the settlements system met their settlement obligations.

The company may be liable to bear some proportion of the loss in the event that a non-ASL counterparty in the Bulk Electronic Clearing Stream fails to meet their settlement obligations. At 30 June 2016 there was no such liability.

NOTE 20: DIVIDENDS

No dividend was declared nor paid during the financial year (2015: nil).



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
NOTE 21: FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks, including but not limited to, liquidity risk, credit risk and market risk.

The company's principal financial instruments comprise deposits from System Participants, perpetual subordinated debt, cash and short-term deposits. The main purpose of these financial instruments is to fund the company's settlement operations. The company has other financial assets and liabilities, such as trade receivables and payables, which arise directly from its operations.

The company holds the following financial instruments:

Financial assets	Note	2016 \$	2015 \$
Cash and cash equivalents	6	293,134,613	287,297,640
Trade and interest receivables	7	1,731,684	1,623,812
Available for sale investments *		981,000	685,000
Total financial assets		295,847,297	289,606,452
<i>*Unlisted equities</i>			
Financial liabilities			
Trade and other payables	10	2,770,462	2,416,123
Finance leases	13	1,050,665	-
Borrowings	16	286,571,169	279,816,525
Total financial liabilities		290,392,296	282,232,648

i. Financial risk management policies

The Risk Committee meets on a regular basis to analyse financial risk exposures and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Committee's overall risk management strategies seek to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The Committee operates under policies approved by the Board of Directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

ii. Specific financial risk exposures and management

The main risks the company is exposed to through its financial instruments are liquidity, credit and market risks (foreign exchange, price and interest rate risks). The Risk Committee constantly monitors these risks through internal reports and take action where appropriate to minimise the impact and likelihood of adverse events.

a) Liquidity risk

The company's major liquidity risk is derived from its function of settling payments system obligations on behalf System Participants who provide ASL with funds which is used to meet their settlement obligations. The Board has set the level of the funds required appropriate to the level of risk. The amount of funds required is recalculated as at the last business day each calendar month to reflect changes in the settlement obligations. System Participants can not withdraw settlement funds when ASL has a settlement exposure to that System Participant, but reduction in funds required can be accessed annually, most usually January.



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

NOTE 21: FINANCIAL RISK MANAGEMENT (CONT.)

The tables below detail the undiscounted cash flows of financial liabilities based on the earliest date the company can be required to pay. The tables include both interest and principal payable and as a result may not reconcile to items on the balance sheet.

Maturity analysis for financial liabilities at 30 June 2016	Less than 6 months	6 – 12 months	1 – 5 years	5+ years	At call	No maturity specified	Total
	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	2,770,464	-	-	-	-	-	2,770,464
Borrowings	-	-	-	-	284,149,436	2,421,733	286,571,169
Lease Liabilities	-	408,338	642,327	-	-	-	1,050,665
Total financial liabilities	2,770,464	408,338	642,327	-	284,149,436	2,421,733	290,392,298

Maturity analysis for financial liabilities at 30 June 2015	Less than 6 months	6 – 12 months	1 – 5 years	5+ years	At call	No maturity specified	Total
	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	2,416,123	-	-	-	-	-	2,416,123
Borrowings	-	-	-	-	277,394,792	2,421,733	279,816,525
Total financial liabilities	2,416,123	-	-	-	277,394,792	2,421,733	282,232,648

The nature and terms of borrowings are detailed at note 16.

b) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in the company suffering a financial loss.

The company's major credit risk relates to its cash and cash equivalents. This risk is mitigated as these assets are held exclusively with the RBA and Australian ADIs, in accordance with the company's Large Exposures Policy. Other receivable balances are monitored on an on-going basis, resulting in the company not having a significant exposure to bad debts. At the reporting date, the carrying value of all classes of financial assets best represents the maximum credit risk exposure, without taking account of the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments. Concentrations of credit risk, where applicable, are identified in the notes to the respective financial assets.

There are no material amounts of collateral held as security at 30 June 2016 (2015: nil).

The company does not have any material credit risk exposure to any single receivable or group of receivables.

c) *Market risk*

Foreign exchange risk

The company is not exposed to any material fluctuations in foreign currencies.

Price risk

The company is not exposed to any material commodity price risk.

Interest rate risk

Interest rate risk is composed of cash flow and fair value interest rate risks. Financial instruments that expose the company to these risks are set out in the following tables.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
NOTE 21: FINANCIAL RISK MANAGEMENT (CONT.)

		2016 \$	Weighted Average Interest Rate
Financial assets			
<i>Cash and cash equivalents</i>			
Within one year	Non-interest bearing	3,800,000	0.00%
	Floating Rate	289,334,613	2.26%
		<u>293,134,613</u>	
<i>Trade and other receivables</i>			
Within one year	Non-interest bearing	<u>1,731,684</u>	0.00%
<i>Available for sale investments *</i>			
No maturity date	No return specified	<u>981,000</u>	-
<i>*Unlisted equities</i>			
Financial liabilities			
<i>Borrowings</i>			
Within one year	Floating Rate	284,149,436	1.85%
No maturity specified	Floating Rate	331,733	2.06%
	Non-interest bearing	2,090,000	0.00%
Finance leases	Fixed rate	<u>1,050,665</u>	4.00%
		<u>287,621,834</u>	
<i>Trade and other payables</i>			
Within one year	Non-interest bearing	<u>2,770,464</u>	0.00%
		2015 \$	Weighted Average Interest Rate
Financial assets			
<i>Cash and cash equivalents</i>			
Within one year	Non-interest bearing	3,800,000	0.00%
	Floating Rate	283,497,640	2.70%
		<u>287,297,640</u>	
<i>Trade and other receivables</i>			
Within one year	Non-interest bearing	<u>1,623,812</u>	0.00%
<i>Available for sale investments *</i>			
No maturity date	No return specified	<u>685,000</u>	-
<i>*Unlisted equities</i>			
Financial liabilities			
<i>Borrowings</i>			
Within one year	Floating Rate	277,394,792	2.29%
No maturity specified	Floating Rate	331,733	2.21%
	Non-interest bearing	<u>2,090,000</u>	0.00%
		<u>279,816,525</u>	
<i>Trade and other payables</i>			
Within one year	Non-interest bearing	<u>2,416,123</u>	0.00%

The company's exposure to the risk of changes in market interest rates relates primarily to the funds placed on deposit with the company by System Participants. This risk is mitigated as these deposits are subject to variable interest rates.



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

NOTE 21: FINANCIAL RISK MANAGEMENT (CONT.)

Sensitivity analysis

The company has performed a sensitivity analysis relating to its exposures to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

At 30 June 2016, the effect on profit and equity as a result of changes in interest rates, with all other variables remaining constant, would be as follows:

	2016 \$	2015 \$
Change in profit		
- Increase in interest rates by 2%	129,200	91,765
- Decrease in interest rates by 2%	(129,200)	(91,765)
Change in equity		
- Increase in interest rates by 2%	129,200	91,765
- Decrease in interest rates by 2%	(129,200)	(91,765)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged, and has been calculated on net interest revenue.

No sensitivity analysis has been performed on foreign exchange risk, as the company has only minor exposure to foreign currency fluctuations.

NOTE 22: CONTINGENT LIABILITIES/ASSETS

The company had no contingent liabilities or assets as at 30 June 2016 (2015: nil).

NOTE 23: EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no matters or circumstances that have arisen since 30 June 2016 that are likely to have affected or to significantly affect, in future financial years, the operations of the company, the results of those operations or the state of affairs of the company.





AUSTRALIAN SETTLEMENTS LIMITED

ABN: 14 087 822 491

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

NOTE 24: RELATED PARTY TRANSACTIONS

Australian Settlements Limited had no related party transactions other than those already disclosed in note 5.

Mr MB Williams as CFO of Newcastle Permanent Building Society Limited; Mr BK White as CIO of Greater Bank Limited; Mr JF Minz as CEO & Mr WJ Williams as COO of Heritage Bank Limited; Mr KP Dupe as CEO of the Community Mutual Ltd; Mr RJ Ryan as CEO of IMB Limited and Mr PG Olrich as director of Summerland Credit Union Limited, Community Mutual Ltd and acting Chief Executive Officer of The Capricornian Ltd have interests in contracts pursuant to which the company provides services to their organisations.

NOTE 25: NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. The company has not adopted any new standards before their operative date. Application of these standards by the company will not materially affect any of the amounts in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTE 26: COMPANY DETAILS

Australian Settlements Limited (ASL) is an unlisted public company limited by shares and incorporated in Australia. The company is an Authorised Deposit-taking Institution (ADI) and operates an Exchange Settlement Account (ESA) at the Reserve Bank of Australia. The ESA is used for the settlement of payment obligations between certain ADIs, and other clearers. The registered office and principal place of business of the company is:

Australian Settlements Limited
ASL House
6 Geils Court
Deakin ACT 2600





AUSTRALIAN SETTLEMENTS LIMITED

ABN: 14 087 822 491

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 36 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the entity's financial position as at 30 June 2016 and of its performance for the year ended on that date, and
- (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.

Note 1 (a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

A handwritten signature in black ink, appearing to read 'D. Lawler', written in a cursive, flowing style.

David John Lawler
Director

A handwritten signature in black ink, appearing to read 'Garry Dinnie', written in a cursive, flowing style.

Garry Donald Dinnie
Director

Dated this 11th day of August 2016





Independent auditor's report to the members of Australian Settlements Limited

Report on the financial report

We have audited the accompanying financial report of Australian Settlements Limited (the company), which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

Independence

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



Auditor's opinion

In our opinion:

- (a) the financial report of Australian Settlements 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 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

A stylized, cursive signature of PricewaterhouseCoopers in purple ink.

PricewaterhouseCoopers

A stylized, cursive signature of David Murphy in black ink.

David Murphy
Partner

Canberra
11 August 2016

