AWA Mutual Limited

Formerly AWA Credit Union Limited

Financial Report
For the year ended 30 June 2015

CHAIRMAN/CHIEF EXECUTIVE OFFICER'S REPORT

The 2015 Financial Year was perhaps the most monumental year in the history of AWA Mutual Limited (AWA). At this time every year we speak of the endless challenges that we confronted over the previous year. Usually it's matters like the GFC, a competitive market place, regulation, low interest rates, etc. This past year however provided challenges of a nature that we haven't had to confront previously :-

- Sadly we saw the closure of Alcoa's operations at Point Henry and Yennora and prepared for the closure of Anglesea in August 2015. AWA actively provided guidance and support to members affected by the closures and I'm pleased to report that almost all members to this day continue to show their support and confidence in us by continuing to conduct their banking business through AWA.
- Whilst we already had a Geelong based branch, it was not capable of meeting member requirements after the closure of the Point Henry Head Office. This saw the need to establish a new city based office at 49-51 Malop Street, Geelong to service all of our Geelong based members. Obviously this was no small feat and we have our loyal and capable staff group to thank for carrying this out in such a successful and seamless manner.
- Perhaps 2015 will be remembered as the year that we made the most important decision in our history. For some years we felt constrained by the nature of our former business model and as reported previously on numerous occasions, we had been working closely with a number of other parties in considering alternatives. In March 2015 this culminated in the launch of the Alliance Bank model in partnership with Bendigo and Adelaide Bank (BEN). At this point AWA Credit Union Limited became AWA Mutual Limited and since that time our members have accessed their financial products and services under the AWA Alliance Bank brand. The transition to date has been seamless with all parties excited about the potential offered by the new model.

This new business model provides us with significant opportunities for the future. We maintain our identity and autonomy for decision making but are now freed up from much of the regulatory and compliance overheads as these obligations, so important within our industry, are now provided by our Alliance Partner. The lifting of these obligations will enable us to provide members with an expanded member value proposition by way of new products, services and community initiatives.

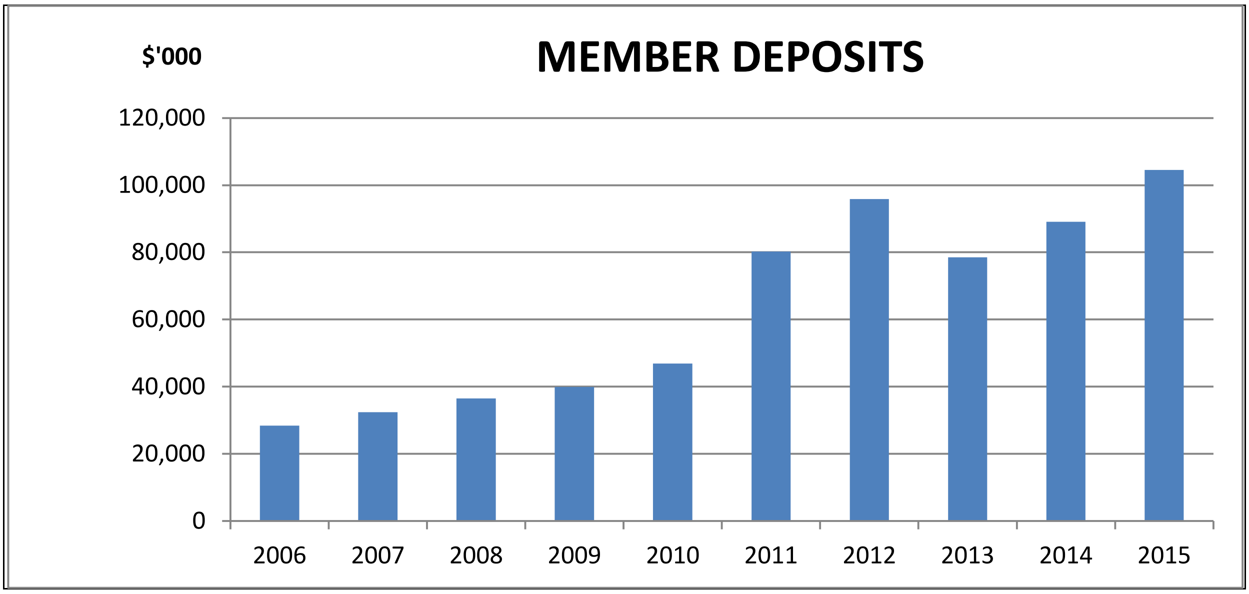
<u>Financial</u>

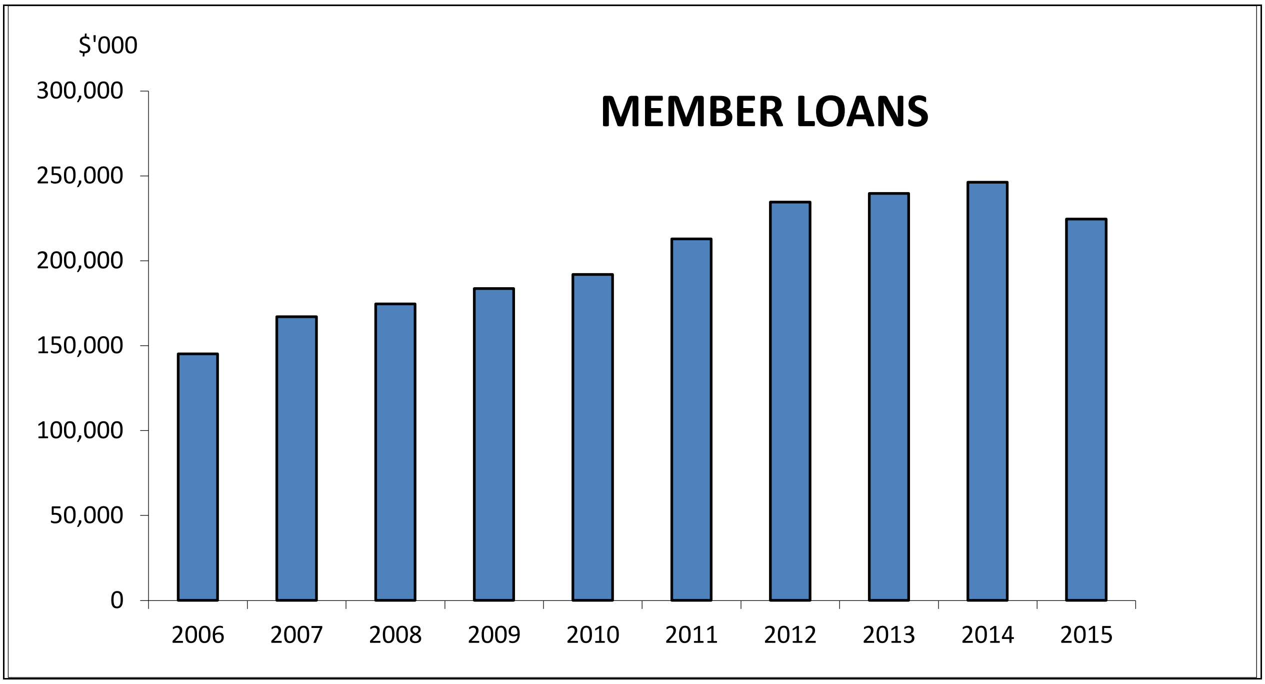
Due to the change in our business model in March 2015 members would be aware that all Deposits and Loans were transferred to the BEN Balance Sheet and that AWA continues to manage these on an on-going basis. As a result of this business model change AWA's income is now shared with BEN and in the future some of our most significant expenses will disappear with the majority of our IT services to be provided by BEN. Consequently the profit result for 2014/15 of $238,080 is well below the prior year result of $951,100.

When considering this profit result members should also take into account that significant Alliance Bank set up costs were incurred during the financial year and the Board also chose to pay a Member Patronage Reward totaling $209,500.

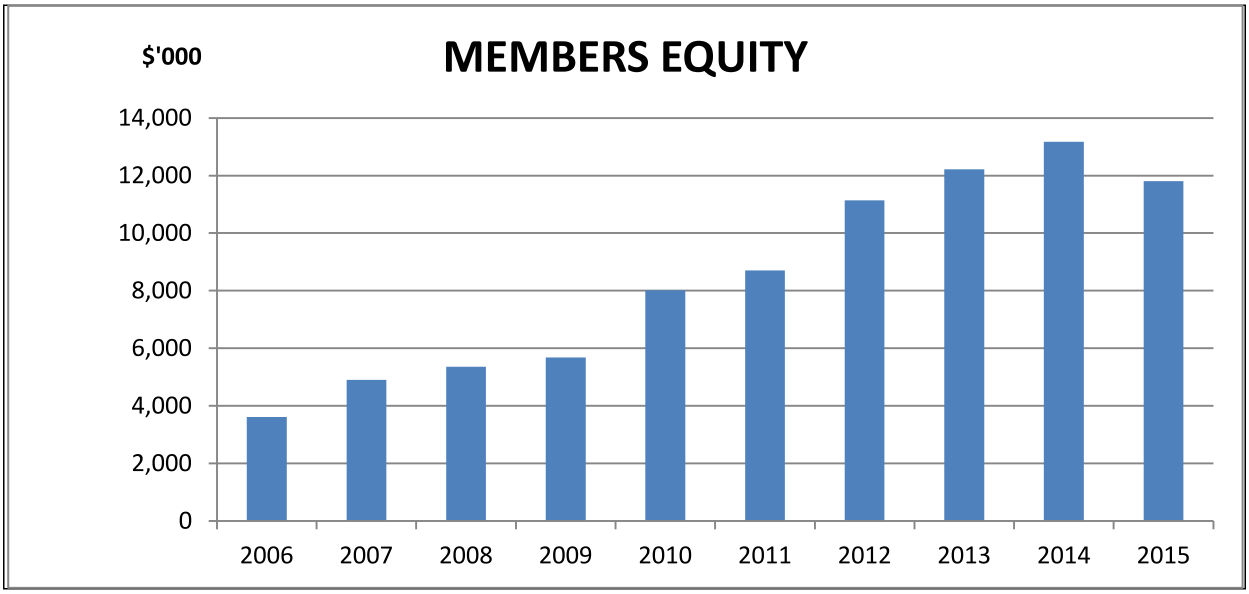
With all factors taken into account the Board is extremely comfortable with AWA's overall financial performance.

Despite a major upheaval for Alcoa employees in Geelong and Sydney we are extremely pleased with the current standing of Deposit and Loan Portfolios under management which significantly exceed the forecasts that we prepared leading into these closures.





December 2014 saw the repayment of the Subordinated Debt Small Scale Offer of $1,600,000 resulting in an overall reduction in Capital, but our Capital position remains extremely sound under the Alliance Bank model.



Staffing

During the past year we welcomed John Lehmann and Brandon Curtis to our Geelong Office and Jenny Farrell to our Portland Office and are pleased to have them as part of the AWA team.

We also farewelled Bec West and Kerry Kenny from our Geelong Office and Sue Trezise from our Portland Office and wish them well in the future.

We are very confident about our future and remain committed to achieving positive outcomes for all of our stakeholders including the communities in which we operate.

On behalf of the Board, we thank you for your continued support and look forward to a successful 2016.

Brian Virtue
Chairman

Graeme Scannell
Chief Executive Officer

DIRECTOR'S REPORT

Your directors present their report on AWA for the financial year ended 30 June 2015.
The Company is a company registered under the Corporations Act 2001.

INFORMATION ON DIRECTORS

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

Name	Qualifications	Experience
Brian R Virtue Chairman	MAMI Retired HR Consultant	Member of the Board of Directors since 1971 (resigned 1973, re-elected 1982), Chairman since 1983.
Peter Richardson Vice-Chairman	B Com, CPA, Dip Tm, Grad Dip Tax, MAMI Self-employed Consultant	Member of the Board of Directors since 1996, Vice-Chairman since 2002, Chairman of the BARC.

Richard P Lyle Director	B Com, CPA, MAMI Self-employed Consultant	Member of the Board of Directors since 2000 (resigned 2001, re-elected 2005). Member of the BARC.
Brett J Noonan Director	Grad Dip Bus, MAMI Semi-retired/Contactor	Member of the Board of Directors since 2001.
Warwick J Peel Director	MAMI Self Employed/Bus Driver	Member of the Board of Directors since 1992.
Stevern J Ward Director	MAMI Retiree	Member of the Board of Directors since 2006.
Christopher Welsh Director	B Com, CPA, FAMI, Dip Financial Services Retiree	Member of the Board of Directors since 2003, Member of the BARC.
Neville Pearce Director	Bachelor of Engineering (Civil & Structural),MBA, GAICD, Fellow Engineers of Aust., AFAIM, MAMI, CPEng, RPeng Chief Operating Officer – Coliban Water	Member of the Board of Directors since 2013.

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

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

<u>Directors' Meeting Attendance</u>

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

Director	Board		Strategic Planning		BARC		Period of Appointment
	H	A	H	A	H	A	
Brian R Virtue	12	11	2	2	-	-	Full Year
Peter Richardson	12	11	2	2	4	4	Full Year
Richard P Lyle	12	12	2	2	4	4	Full Year
Brett J Noonan	12	9	2	2	-	-	Full Year
Warwick J Peel	12	11	2	2	-	-	Full Year
Stevern J Ward	12	9	2	2	-	-	Full Year
Christopher Welsh	12	11	2	2	4	3	Full Year
Neville Pearce	12	11	2	2	-	-	Full Year

DIRECTORS' BENEFITS

No director has received or become entitled to receive during, or since the end of the financial year, a benefit because of a contract made by the Company with a body corporate related to a director, a firm of which a director is a member or in which a director has a substantial financial interest.

INDEMNIFYING OFFICER OR AUDITOR

Insurance premiums have been paid to insure each of the directors and officers of AWA, against any costs and expenses incurred by them in defending any legal proceedings arising out of their conduct whilst acting in their capacity as an officer of the Company. In accordance with normal commercial practice, disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract.
No insurance cover has been provided for the benefit of the auditors of the Company.

PRINCIPAL ACTIVITIES

The principal activities of the Company changed during the year from one where it provided retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution to one where it now acts as an Agent for BEN who provide these services to AWA's members.

OPERATING RESULTS

The total comprehensive income of AWA for the year after providing for income tax was $238,080 (2014 - $951,100).

DIVIDENDS

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

REVIEW OF OPERATIONS

The results of AWA's activities changed significantly from those of the previous year due to the change in its business model during the year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were significant changes in the state of affairs of the Company during the year due to changes in its business model which involved a Partial Transfer of Business of AWA's loans and deposits to Bendigo and Adelaide Bank Limited under the Financial Sector (Business Transfer and Group Restructure) Act 1999 and the subsequent revocation of AWA's ADI Licence. As a result of this change in the business model AWA changed it's name from AWA Credit Union Limited to AWA Mutual Limited.

ENVIRONMENTAL REGULATION

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

EVENTS OCCURRING AFTER BALANCE DATE

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

LIKELY DEVELOPMENTS AND RESULTS

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

- *(i)* The operations of the Company;
- *(ii)* The results of those operations; or
- *(iii)* The state of affairs of the Company

in the financial year subsequent to this financial year.

AUDITORS' INDEPENDENCE

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

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

Peter Richardson	Christopher Welsh
Vice-Chairman	Director

Dated: 18 November 2015

Crowe Horwath™

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there have been:

1) No contraventions of the auditor independence requirements as set out in 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.

Crowe Horwath Melbourne

CROWE HORWATH MELBOURNE

David Munday

DAVID MUNDAY
Partner

Melbourne, Victoria
18 November 2015

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

Report on the financial report

We have audited the accompanying financial report of AWA Mutual Limited, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 – *Reduced Disclosure Requirements* and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

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. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 company’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 the financial report of AWA Mutual Limited is in accordance with the *Corporations Act 2001*, including

a) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

Crowe Horwath Melbourne

CROWE HORWATH MELBOURNE

David Munday

DAVID MUNDAY
Partner

Melbourne, Victoria
18 November 2015

The relationship you can count on

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Notes	2015	2014
		$'000	$'000
CONTINUING OPERATIONS			
Revenue	3	**997**	-
Net gain on sale of available for sale equity investments		**28**	-
Financing Costs		**(54)**	
Employee benefits expense		**(407)**	-
Occupancy and related costs		**(72)**	-
Computer system costs		**(143)**	-
Depreciation and amortisation expense	4	**(52)**	-
General administration expense		**(466)**	-
Profit from continuing operations before income tax expense		**(169)**	-
Income tax (expense) / benefit	5	**(18)**	-
Net profit/(loss) from continuing operations after tax attributable to Members		**(187)**	-
DISCONTINUED OPERATIONS			
(Loss) / Profit after tax for the year from discontinued operations	6	**425**	951
Total comprehensive income attributable to Members		**238**	951

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

STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2015

	Notes	2015	2014
		$'000	$'000
Cash and cash equivalents	7	**11,129**	675
Receivables from financial institutions	8	**-**	24,454
Trade receivables	9	**411**	423
Income tax receivable	10	**133**	-
Loans and advances	11	**-**	105,524
Prepayments		**10**	18
Available-for-sale equity investments	12	**136**	142
Plant and equipment	13	**646**	160
Intangibles	14	**42**	24
Deferred tax assets	5	**195**	269
TOTAL ASSETS		**12,702**	131,689
LIABILITIES			
Deposits and borrowings	15	**-**	116,594
Member withdrawable shares		**42**	46
Trade and other payables	16	**271**	1,128
Taxation liability		**-**	182
Employee benefits	17	**582**	570
TOTAL LIABILITIES		**895**	118,520
NET ASSETS		**11,807**	13,169
MEMBERS' EQUITY			
Reserves		**11,750**	11,200
General Reserve for Credit Losses		**-**	317
Subordinated debt		**-**	1,600
Capital Reserve Account		**57**	52
TOTAL MEMBERS' EQUITY		**11,807**	13,169

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Capital Reserve Account	General Reserve for Credit Losses	Reserves	Sub-debt	Total
	$'000	$'000	$'000	$'000	$'000
Opening - 1 July 2013	47	281	10,290	1,600	12,218
Profit for the year	-	-	951	-	951
Transfer to/(from) general reserve for credit losses in year	-	36	(36)	-	-
Transfer to/(from) reserves on redemption of shares	5	-	(5)	-	-
Closing - 30 June 2014	52	317	11,200	1,600	13,169
Opening - 1 July 2014	52	317	11,200	1,600	13,169
Profit for the year	-	-	238	-	238
Transfer to/(from) general reserve for credit losses in year	-	24	(24)		-
Transfer to/(from) reserves on transfer of business	-	(341)	341		-
Transfer to/(from) reserves on redemption of shares	5		(5)	-	-
Repayment of Sub-debt on maturity	-	-	-	(1,600)	(1,600)
Closing – 30 June 2015	57	-	11,750	-	11,807

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	Notes	2015	2014
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**4,718**	6,322
Interest paid		**(3,335)**	(3,760)
Fees and commissions received		**1,662**	1,786
Payments to suppliers and employees		**(3,565)**	(3,054)
Dividends received		**19**	29
Income tax paid		**(441)**	(409)
Other Income		**94**	40
Net cash flows from/(used in) operating activities		**(848)**	954
CASH FLOWS FROM INVESTING ACTIVITES			
Net (increase)/decrease in investments		**24,460**	604
Net (increase) / decrease in loans to Members		**(8,131)**	(11,794)
Net increase / (decrease) in deposits from Members		**9,773**	10,538
Net cash flow from partial transfer of business		**14,988**	-
Payments for property, plant and equipment		**(655)**	(6)
Payments for intangible assets		**(41)**	(9)
Net cash flows from/(used in) investing activities		**40,394**	(667)
CASH FLOWS FROM FINANCING ACTIVITIES			
Wholesale borrowings – Increase/(Decrease)		**(27,492)**	-
Subordinated Debt – Increase/(Decrease)		**(1,600)**	-
Net cash flows used in financing activities		**(29,092)**	-
Net cash increase/(decrease)		**10,454**	287
Cash at beginning of year		**675**	388
CLOSING CASH AT 30 JUNE 2015	18	**11,129**	675

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

1. CORPORATE INFORMATION

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

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

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

On the 28 February 2015 AWA conducted a partial transfer of business where members' loans and deposits were transferred to Bendigo and Adelaide Bank Ltd (BEN) and a balancing cash amount was received by AWA. As a result of this partial transfer of business AWA is no longer an Authorised Deposit-taking Institution (ADI) and as such in not entitled to use "Credit Union" as part of the entity name. The entity does remain a mutual organisation but has changed it's name from AWA Credit Union Limited to AWA Mutual Limited.

The financial report of AWA for the year ended 30 June 2015 was authorised for issuance in accordance with a resolution of the Board of Directors on 18 November 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

On 28 February 2015 AWA ceased to be an ADI regulated by the Australian Prudential Regulation Authority (APRA) and as such, specific disclosure requirements for ADI's are no longer applicable to AWA.

The accounting policies adopted are consistent with industry standards.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. Additional information regarding this is included in the relevant notes.

The financial report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($'000), unless otherwise stated, under the option available to AWA under ASIC class order 98/100.

(b) Statement of Compliance

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

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

The adoption of AASB 1053 and AASB 2010-2 allow AWA to remove a number of disclosures. There were no other impacts on the current or prior year financial statements.

(c) Changes in Accounting Policy and Disclosure

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* which has allowed AWA to remove a number of disclosures.

Discontinued Operations

On 28 February 2015 AWA conducted a partial transfer of business and ceased to be an ADI and as such the disclosure requirements of AASB 5 *Non-current Assets held for Sale and Discontinued Operations* have been adopted for these financial statements. All items of income and expense for the period 1 July 2014 to 28 February 2015 and for the prior year, have been classified as discontinued operations. All income and expense items for the period 1 March 2015 to 30 June 2015 have been classified as continuing operations.

(d) Cash and Cash Equivalents

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(e) Investments

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

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

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale equity investments

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

The equity investment in Cuscal Limited is measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

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

(f) Loans and Advances

Loans and advances are financial assets with fixed and determinable payments that are not quoted in an active market. These assets, including loans to key management personnel, are carried at amortised cost using the effective interest method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate.

The loan interest is calculated on the daily balance outstanding and is charged in arrears to a Member's account monthly.

(g) Plant and Equipment

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(g) Plant and Equipment (cont)

Depreciation

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

Major depreciation periods are:

	2015
▪ Leasehold Improvements	**7 years**
▪ Office Furniture and Equipment	**7 years**
▪ Motor Vehicles	**5 years**
▪ Computer Hardware	**4 years**

Impairment

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

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

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

(h) Intangible Assets

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

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

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

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

	2015
▪ Computer software	**3 years**

(i) Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the loan and borrowings using the effective interest rate method.

Borrowing costs are recognised as an expense when incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(j) Employee Benefits

Wages,Salaries,Annual Leave and Sick Leave

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

Long Service Leave

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

Superannuation

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

(k) Trade and Other Payables

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

(l) Provisions

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

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

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

(m) Revenue Recognition

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

Fees and Commissions

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

Interest

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

Dividend Income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(m) Revenue Recognition (cont)

Shared Margin Revenue

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

(n) Comparative Figures

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

(o) Operating Leases

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

(p) Taxes

Income Taxes

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

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

Deferred income tax liabilities are recognised for all taxable temporary differences.

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

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

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

Income Taxes (cont)

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

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

Goods and Services Tax (GST)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(q) Nature and Purpose of Members' Funds

Reserves

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

Capital

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

(r) Derecognition of Financial Assets and Liabilities

A financial asset is derecognised where:

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

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

(s) Significant Accounting Judgements, Estimates, and Assumptions

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

Classification of and Valuation of Investments

AWA has decided to classify investments in unlisted securities as available-for-sale investments. The fair values of unlisted securities not traded in an active market are recorded at historical cost.

Recovery of Deferred Tax Assets

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

Impairment of Non-Financial Assets

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

Long Service Leave Position

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

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

Estimation of Useful Lives of Assets

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

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

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

The entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the entity.

The following Accounting Standards and Interpretations are most relevant to the Company:

- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2014-1 Amendments to Australian Accounting Standards (Part A to C)

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

3. REVENUE

	2015	2014
	$'000	$'000
Interest on investments	**22**	-
Shared margin income	**544**	-
Other fee income	**431**	-
Total revenue from continuing operations	**997**	-

4. EXPENSES

Depreciation		
Plant and equipment	**5**	-
Leasehold improvements	**25**	-
Computer system	**22**	-
	52	-

	2015 $'000	2014 $'000

5. INCOME TAX

The major components of income tax are:

Statement of Comprehensive Income

	2015	2014
Current income tax		
Current income tax expense – current years profit	**127**	416
Deferred tax expense		
Decrease (increase) in the deferred tax asset account	**73**	(18)
Total income tax expense / benefit reported in the Statement of Comprehensive Income	**200**	398
The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:		
Accounting (loss)/ profit before tax from continuing operations	**(169)**	1,349
Accounting (loss) / profit before tax from discontinued operations	**607**	-
Accounting profit before income tax	**438**	1,349
Prima facie tax payable on profit before before income tax at 30%	**131**	405
Add tax effect of expenses not deductible	**4**	24
Adjustment to recognise deferred tax assets decrease (increase)	**73**	(18)
Less - Franking rebate	**8**	13
	200	398
Income tax expense from continuing operations reported in the Statement of Comprehensive Income	**18**	-
Income tax expense from discontinued operations reported in the Statement of Comprehensive Income	**182**	398
	200	398

Statement of Financial Position

Deferred tax assets comprise of :

	2015	2014
Employee provisions	**182**	177
Provision for impairment	**-**	84
Accrued expenses	**13**	8
	195	269

	2015	2014
	$'000	$'000

6. DISCONTINUED OPERATIONS

Refer to Note 2 (c) for further information regarding discontinued operations.

	2015 $'000	2014 $'000
Interest income	**4,347**	6,343
Interest expense	**(2,467)**	(3,732)
Net interest income	**1,880**	2,611
Other operating income and expense		
Fees, Commissions & Other Income	**915**	1,752
Gross profit	**2,795**	4,363
Impairment losses	**(49)**	(48)
Other operating costs	**(2,139)**	(2966)
(Loss) / profit before tax from discontinued operations	**607**	1,349
Income tax expense from discontinued operations	**(182)**	(398)
Total comprehensive (loss) / profit from discontinued operations attributable to Members	**425**	951

The net cash flows from discontinued operations are as follows:

	2015 $'000	2014 $'000
Operating	**2,940**	954
Investing	**32,140**	(15)
Financing	**(16,600)**	675
Net cash outflows	**18,480**	1614

7. CASH AND CASH EQUIVALENTS

	2015 $'000	2014 $'000
Cash on hand and at banks	**10,829**	675
Deposits at call	**300**	-
	11,129	675

8. RECEIVABLES FROM FINANCIAL INSTITUTIONS

	2015 $'000	2014 $'000
Deposits with industry bodies - CUSCAL Ltd (CUSCAL)	**-**	1,569
Deposits with other financial institutions	**-**	22,885
	-	24,454

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	$'000	$'000
9. TRADE RECEIVABLES		
Sundry debtors	**231**	88
Other receivables	**180**	-
Interest receivable	**-**	335
	411	423
10. INCOME TAX RECEIVABLE		
Income tax receivable	**133**	-
	133	-
11. LOANS AND ADVANCES		
Overdrafts	**-**	94
Mortgage loans	**-**	98,262
Other	**-**	7,258
Provision for impairment	**-**	(90)
Net loans and advances	**-**	105,524

(a) Provision for impairment

	2015	2014
Specific provision		
Opening balance		
Overdrafts	**-**	-
Other loans	**90**	55
Total opening balance	**90**	55
Bad debts previously provided for written off during the year		
Overdrafts	**-**	-
Other loans	**(49)**	-
Total bad debts previously provided for written off during the year	**(49)**	-
Bad and doubtful debts provided for during the year for overdrafts and other loans	**56**	35
Partial transfer to Bendigo and Adelaide Bank	**(97)**	-
Total closing balance	**-**	90

	2015 $'000	2014 $'000

12. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	2015	2014
Shares in Transaction Solutions Pty Ltd – at cost	**-**	6
Shares in CUSCAL – at cost	**136**	136
	136	142

(a) Unlisted shares

No active market exists for equity investments in CUSCAL. Their fair value cannot be reliably measured, as a result these investments are measured at cost.

13. PLANT AND EQUIPMENT

Leasehold improvements

	2015	2014
At cost	**570**	267
Provision for depreciation	**(99)**	(155)
Total leasehold improvements	**471**	112

Plant and equipment

	2015	2014
At cost	**336**	176
Provision for depreciation	**(161)**	(128)
Total plant and equipment	**175**	48
Total written down value	**646**	160

Reconciliation of carrying amount plant and equipment for the financial year

Leasehold improvements

	2015	2014
Carrying amount at beginning of year	**112**	141
Additions	**496**	-
Disposals	**-**	
Depreciation	**(137)**	(29)
Carrying amount at end of year	**471**	112

Plant and equipment

	2015	2014
Carrying amount at beginning of year	**48**	69
Additions	**159**	6
Disposals	**-**	-
Depreciation	**(32)**	(27)
Carrying amount at end of year	**175**	48

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	$'000	$'000

14. INTANGIBLES

Computer software

Computer software at cost	**386**	344
Provision for amortisation	**(344)**	(320)
Total written down value	**42**	24

Reconciliation of carrying amount of computer software for the financial year

Carrying amount at beginning of year	**24**	57
Additions	**41**	9
Disposals	**-**	-
Amortisation	**(23)**	(42)
Carrying amount at end of year	**42**	24

15. DEPOSITS AND BORROWINGS

Call deposits	**-**	24,316
Term deposits	**-**	64,786
	-	89,102
Borrowings	**-**	27,492
	-	116,594

Partial transfer of business

On the 28 February 2015 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.

16. TRADE AND OTHER PAYABLES

Trade and other creditors	**271**	313
Accrued interest payable	**-**	815
	271	1,128

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

17. EMPLOYEE BENEFITS

Long service leave	**323**	336
Annual Leave	**259**	234
	582	570

	2015	2014
	$'000	$'000

18. STATEMENT OF CASH FLOWS

Reconciliation of cash

Cash balance comprises:		
Cash	**11,129**	675
Closing cash and cash equivalents at end of financial year	**11,129**	675

19. EXPENDITURE COMMITMENTS

Lease expenditure commitments		
Operating leases (non-cancellable)		
not later than 1 year	**220**	161
later than 1 and not later than 5 years	**543**	582
later than 5 years	**77**	-
Aggregate lease expenditure contracted for at balance date	**840**	743

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

Superannuation commitments

All employees are entitled to varying levels of benefits on retirement, disability or death. Employees contribute to the plans at various percentages of their wages and salaries. AWA also contributes to the plans, at the rate of 13.5% of employees' salaries. Contributions by AWA of up to 9.50% of employees' wages and salaries are legally enforceable in Australia.

Number of employees

The number of full-time equivalent employees at the end of the year was 12 (2014: 14).

Partial transfer of business

On the 28 February 2015 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. The value of the assets and liabilities transferred on 28th February 2015 to Bendigo and Adelaide Bank were as follows:

Cash on hand	**278**	-
Cash at bank	**3,912**	-
Net loans and advances	**113,655**	-
Total assets transferred	**117,845**	**-**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 $'000	2014 $'000
Member deposits	**98,879**	-
Interest payable	**604**	-
Clearing and suspense accounts	**3,374**	-
Total liabilities transferred	**102,857**	**-**

20. SUBSEQUENT EVENTS

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

21. KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel

The Directors of AWA during the year were:

Mr B Virtue (Chair)
Mr P Richardson (Vice-Chair)
Mr R Lyle
Mr B Noonan
Mr N Pearce
Mr W Peel
Mr S Ward
Mr C Welsh

The Senior Management of AWA during the year were:

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

(b) Key management personnel compensation

Short term and post-employment benefits	**752**	600
	752	600

(c) Loans to, Deposits from and Subordinated Debt from KMP

The aggregate value of loans to KMP as at 28 February 2015 amounted to:	2,598	2,022
During the period up to 28 February 2015 the aggregate value of loans disbursed to KMP amounted to:	441	-
Interest earned on Loans and revolving credit facitilies to KMP during the period up to 28 February 2015 amounted to:	91	126

	2015	2014
	$'000	$'000

(c) Loans to, Deposits from and Subordinated Debt from KMP (cont)

The policy for lending to KMP is that all loans are approved on the same terms and conditions which applied to members for each class of loan. There are no loans which are impaired in relation to the loan balances with KMP.

	2015	2014
Total value of term and savings deposits as at 28 February 2015 from KMP was:	1,053	264
Total interest paid on deposits to KMP during the period up to 28 February 2015 amounted to:	21	12
Total value of subordinated debt as at 30 June 2015 from KMP was:	-	250
Total interest paid on subordinated debt to KMP during the period up to 30 June 2015 amounted to:	8	17

The policy for receiving subordinated debt from KMP is that all debt instruments are approved and accepted on the same terms and conditions which applied to members for each debt instrument.

(d) Transactions with Other Related Parties

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

22. RELATED PARTY DISCLOSURES

See Note 21 (b) for disclosure on compensation payments made to key management personnel. There have been no other transactions with related parties.

Shareholding

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

23. CONTINGENT LIABILITIES

The company had no contingent liabilities as at 30 June 2015.

DIRECTORS' DECLARATION

AWA Mutual Limited
ABN 31 087 651 652

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

1) In the option of the directors:
    a) The financial statements and notes of AWA Mutual Ltd for the financial year ended 30 June 2015 are in accordance with the *Corporations Act 2001,* including:
        i) Giving a true and fair view of the entity's financial position as at 30 June 2015 and of its performance for the year ended on that date.
        ii) Complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001.*
    b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.

Peter Richardson
Vice-Chairman

Dated this 18 November 2015