



Annual  
Report  
**2010**

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On behalf of the Board of Maitland Mutual Building Society I am pleased to present the results for The Mutual for the year ended 30 June 2010.

In another difficult year, The Mutual has continued to perform strongly despite increased competition in both the areas of lending and that of attracting deposit funds. Increased competition for deposits continues to adversely affect interest margins.

The Mutual has delivered strong results for the year to June 2010 with both its capital and financial position being strengthened.

#### ECONOMIC SITUATION

Notwithstanding a marked improvement in the Australian economy with unemployment remaining low, consumer spending strong and the household sector particularly resilient, uncertainty continues in global markets. Some will argue that the Australian economy has performed well on the basis of the resources boom and that the real problem relates to the "two speed Australian economy".

World wide, the financial sector remains under close scrutiny and whilst there is a case for greater regulation and compliance, the Australian financial system has weathered the global economic crisis exceptionally well.

Beginning in October 2009, in an effort to prevent the Australian economy from overheating, the Reserve Bank of Australia (RBA) effected six separate interest rate increases of 0.25% each to raise the official cash rate to 4.50% by May 2010. These moves have had the desired effect in softening consumer spending and limiting lending activity.

#### PERFORMANCE

Throughout the global financial crisis and economic downturn, The Mutual made a number of strategic choices to position itself for the long term, recognizing that the effects and consequences of the financial crisis will be with us for some time. Residential lending over this twelve month period for The Mutual was moderate and we expect there will be continued weakness in lending activity in the first six months of this financial year. The reduction of benefits to "first home owners" also had a detrimental impact.

There has been intense competition for deposit funds in the retail banking sector as a result of a collapse in the wholesale funding market stemming from the global financial crisis. This has increased the cost of raising deposits and, with continuing uncertainty about the timing of the economic recovery, further increases to borrowers' interest rates and variations with property valuations, potential borrowers are preferring to stay out of the market.

Despite ongoing difficult operating and business conditions, the Board considers that the Society's results have been more than satisfactory as can be demonstrated by a:

- 8.5% decrease in total assets to \$436.4 million
- 9.4% decrease in loans and advances to members to \$351.4 million
- 105.3% increase in after-tax profits to \$2.369 million
- 12.9% increase in members equity to \$18.4 million



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John Lane - Chairman

The Society's improved profitability resulted from a number of strategic decisions put in place to mitigate the effects of the global financial crisis and to protect our members' favorable loan and interest rates.

Any increase in interest rates always places pressure on borrowers to continue to maintain higher repayment levels. The Mutual has, and always will, continue to evaluate an applicant's lending capability in a very conservative manner. It is important that we do not over commit our borrowing members. This has again stood The Mutual in good stead as bad debt write offs and loan provisioning have again been at a very satisfactory level.

Despite the fact that the Society is a "mutual organisation" a moderate level of profitability allows the Society, when the economic conditions are right, to grow its asset base at a controlled and sustainable level as well as diversifying its lending base.

As at the 30 June 2010 the Society is in a very strong financial position. The regulatory benchmark for "financial strength" is measured by the capital adequacy ratio. This was 15.68% at 30 June 2010, representing a 19% increase over the corresponding period and remaining well above regulatory requirements.

The capital adequacy ratio for The Mutual is substantially higher than that of the major banks.

The gross liquidity ratio at 30 June 2010 was 23.73% which was the result of focusing on funding from retail deposits and represents a significant buffer over the minimum required holding levels as determined by our prudential regulators.

#### OPERATIONAL HIGHLIGHTS

The Reserve Bank increased official interest rates six times during the financial year in an attempt to slow down the economy and to keep inflation in check. This fact and the prospect of further increases had the immediate effect of dampening the demand for home loans.

The Mutual opted to keep lending to a minimum whilst this uncertainty prevailed and waited for a clearer picture to emerge as regards further interest rate rises. Lending for the 12 months was \$74 million compared to \$81 million for the year to June 2009. Lending approvals also reflected the subdued demand from the local housing market as well as decreased enquiries from the business and commercial sectors.

The decrease in total assets can also be attributed to the Society's reduced participation in its securitisation program. However the reduced lending activity allowed the Society to maintain higher liquidity levels which, due to continuing uncertainty, was prudentially responsible.

The Mutual upgraded its Visa Debit card by introducing "embedded chip technology" which significantly enhances the security aspects of the debit card. Chip technology offers superior security over the current magnetic strip because the chip is more difficult to counterfeit. As a service to its members the Society replaced all existing cards with the new chip technology.

In March this year, in what was a first for any financial institution in Australia, the Mutual launched its Neo Visa Debit card. This card was specifically made available to members of the Mutual, aged between 13 and 18 years. Being a debit card, it only permits cardholders to spend their own funds – not like a credit card. The Neo Visa card provides an important financial experience for teenagers whilst providing appropriate limitations and security features, like the "merchant category filter" which helps to reject age based restricted purchases.

In January this year The Society adopted the Mutual Banking Code of Practice which is the code of practice for Australia's mutual building societies and credit unions. The code establishes higher standards than legislation requires in a range of areas and addresses issues not covered by the law.

It was also quite an achievement for The Mutual's Internet Saver products to have been awarded 2010 Money Magazines "Best of the Best" in three categories. The three awards are for the Best Online Savings Account (Internet Saver), Best Savings Account (Internet Saver) and the Best DIY Super Savings Account (Internet Saver Business).

We have also enhanced our internal risk and compliance management framework. This teaches and empowers all staff to be aware of risk and what action to take if they have any concerns. The Mutual has established committees that are all concerned with risk mitigation.

I am also delighted to announce that The Mutual and Phoenix (NSW) Credit Union Limited have announced plans to merge. The Boards of both organisations have voted unanimously in favor of the merger, which if approved by members of both organisations and the Australian Prudential Regulation Authority will be achieved by a voluntary transfer of business from Phoenix to The Mutual. After the proper approvals have been received the merger is expected to take place early in 2011.

Both The Mutual and Phoenix are proud member-based organisations which are strongly committed to the communities they operate in and which share a commitment to offering superior personal financial services for members. The merged entity will represent a combined membership of over 13,000 with total assets under management of \$500 million.

#### CORPORATE AND SOCIAL RESPONSIBILITY

The Mutual takes very seriously its responsibility and commitment in providing financial support and sponsorship for community events, programs and organisations. I am pleased to report that The Mutual has again been pro active with this aspect of its business and it remains a key priority.

Providing local support in the areas in which it operates is a principle that the Society actively promotes as part of its being a good corporate citizen. Initiatives such as the financial literacy program - bank@school and the Total Field Day banking service ensures our ongoing association with the local region in which we operate.

#### INDUSTRY AND REGULATORY MATTERS

The Mutual is participating in the industry's "mutual's advertising activities". Our industry body, ABACUS has launched a combined building society and credit union advertising campaign to boost awareness of mutuals in the community. The advertising promotes the value and strength of the mutual sector and, to date, has enjoyed considerable success.

Following on from the passing of new national consumer lending legislation - the National Consumer Credit Protection Act 2009, commenced from 1 July 2010. These new laws move responsibility for Consumer Credit Law from the States to the Commonwealth and are aimed at stamping out predatory lending practices and unethical operators in the credit market. All credit providers, brokers and other intermediaries must now be registered or licensed with the Australian Securities and Investments Commission and be members of an External Dispute Resolution scheme. The Mutual has registered and is currently in the process of applying for its licence.

New standards with regard to remuneration for directors and executives also took effect this year in an effort to curb executive performance bonuses. The Mutual fully complies with these new requirements.

Resulting from events associated with the global financial crisis, it was widely expected that regulators worldwide would propose enhancements to prudential standards. These could have resulted in higher capital and liquidity requirements for the Australian banking and finance sectors. However the reforms, known as Basel III, have just been released and the new arrangements are not as onerous as was first envisaged which is a positive outcome for the financial sector.

**APPRECIATION**

Having experienced less than ideal operating conditions over the previous twelve months I would like to thank my fellow Directors for their support, assistance and counsel. I am privileged to have such a harmonious, dedicated and enthusiastic Board who possess such a wealth of knowledge and experience.

The Board has taken a wholehearted "hands on" approach in the areas of strategic planning, business continuity, risk management and corporate governance. I am pleased to report that the Board has been foremost in keeping The Mutual abreast of legislative and operational developments. Your directors' commitment to their role in terms of time and knowledge is significant.

After 25 years as a Director of The Mutual, Mr Don Latter retired from the Board in April 2010. Mr Latter is a local identity who is well known and respected in business and community circles. Don's dedication, experience and commitment over this period was of the highest caliber. On behalf of the Board I wish Don and his family all the very best for the future.

Mr Trevor Robinson was invited to fill the casual vacancy resulting from the retirement of Mr Latter. Mr Robinson, who is now retired, is a qualified solicitor having previously been a partner for 20 years with Clayton Utz, a major Australian Law firm. Mr Robinson brings to The Mutual many years of experience in regards to banking, financial services and securitisation.

I would also like to acknowledge the outstanding effort of the Society's General Manager, Mr Geoffrey Secombe. Geoff and his dedicated management team have delivered another sound financial result in difficult circumstances. I also pay tribute to and thank our dedicated staff who have performed above expectations.

I would also like to take this opportunity to sincerely thank our loyal members for their trust and for their continued support.

**OUTLOOK**

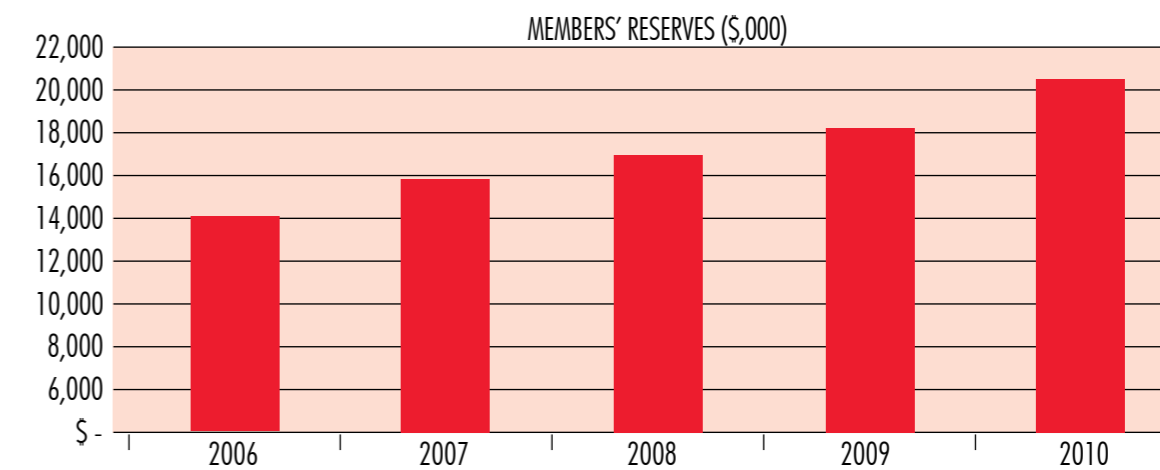
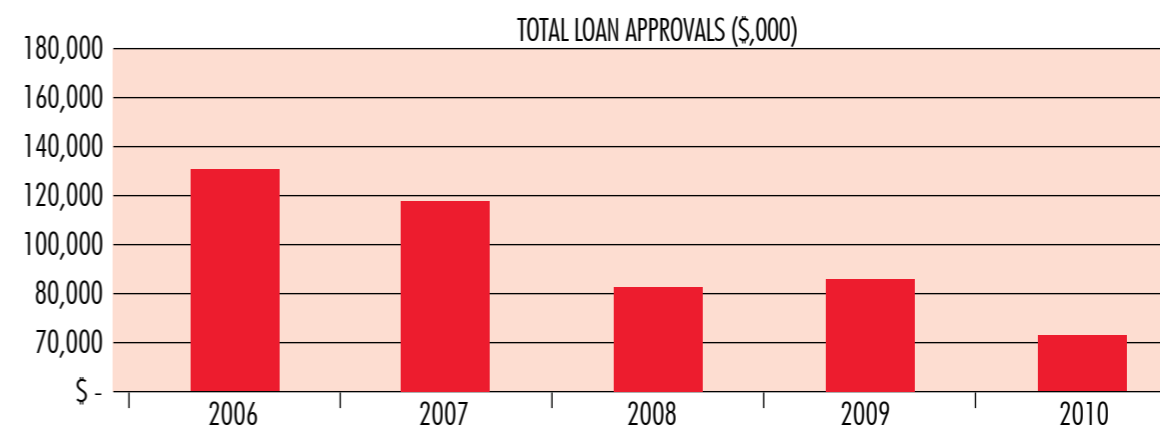
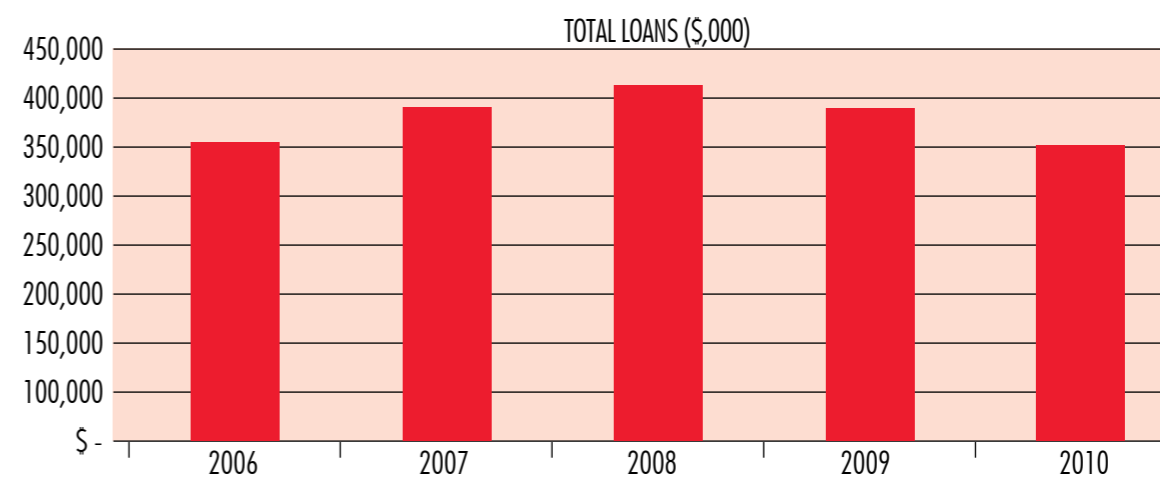
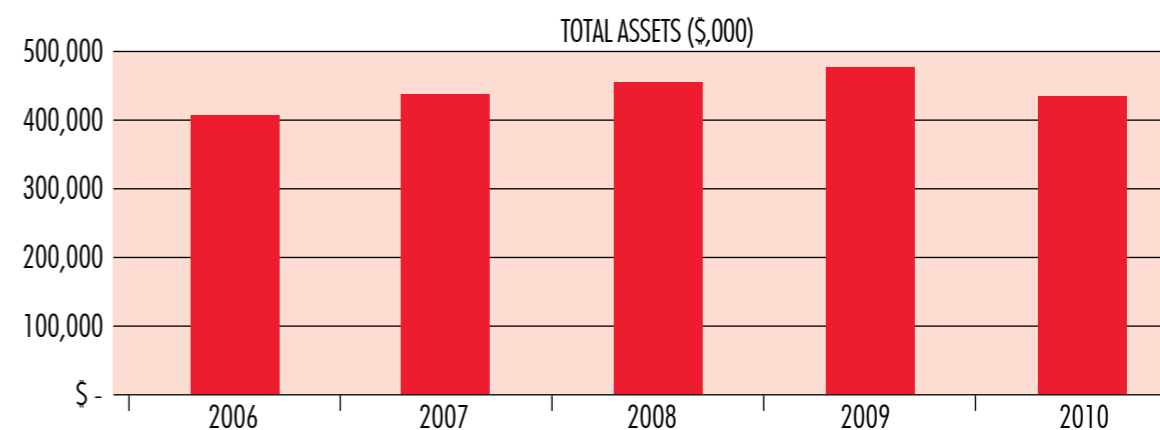
Recent times have seen a turning point for the Australian banking system, with the improved economic environment leading to an improvement in asset quality and a material reduction in impairment charges.

On the other hand the global economic environment remains volatile and uncertain. Overseas events have highlighted the fragile nature of the recovery and future growth is likely to be more moderate.

Your Board considers that The Mutual is well positioned for future growth opportunities. The Mutual remains committed to the provision of the highest quality service standards and excellent products for its members. As a regionally based, independent financial services provider it will continue to actively promote the principles of mutuality for the enhanced benefits that this structure delivers to its members.

I remain confident that The Mutual can adequately meet any and all challenges that may lie ahead. It is well funded, soundly capitalised and suitably positioned to remain highly competitive to continue to deliver value to our members.

**J.E. Lane**  
Chairman





The Mutual proudly supports the Maitland Baby Competition. General Manager, Geoffrey Seccombe with this year's winners – Dekkard Maynard (1st Prize) and Sienna Rose Sellens (2nd Prize).



The Mutual car on display at Tocal Field Days held in April this year



Branch displays celebrating Australia Day



*management team*



Top, left to right - Ian Robinson, Ken Archer, Rod Williams, Gary Hainsworth, Kieran Quigley, Todd Paterson, Geoffrey Seccombe (General Manager)  
Seated, left to right - Noeleen Davidson, Glen Pearson

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This financial report covers Maitland Mutual Building Society Limited as an individual entity. The financial report is presented in the Australian currency. Maitland Mutual Building Society Limited is a company limited by shares and guarantee, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Maitland Mutual Building Society Limited  
 417 High Street  
 Maitland NSW 2320

The financial report was authorised for issue by the directors on 26 August, 2010. The Society has the power to amend and reissue the financial report.

Your directors present their report on the Society for the financial year ended 30 June 2010.

**DIRECTORS**

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

- J E Lane
- W T Morgan
- R B Mudford
- A Chadwick
- T T Robinson (appointed 1 May 2010)
- D A Latter (retired 30 April 2010)

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

**INFORMATION ON DIRECTORS**



**J E Lane (Chairman)**

Mr Lane joined the board in 2008. He has been involved in the business, sporting and general Maitland community for many years. He was the managing director of the family owned menswear business, Ken Lane Pty Ltd for 32 years. Mr Lane was a member of the Maitland Chamber of Commerce for 21 years, has served on the Retailers Association Council and the Retail Advisory Group for Associated Retailers Ltd. He has served for 15 years on the Finance Council of the Diocese of Maitland-Newcastle as well as being a Board member of the Catholic Development Fund. Mr Lane has been involved as both a player and administrator with Maitland Rugby Union Club and Western Suburbs Cricket Club.

He is a member of the Society's Audit, Risk, IT, Remuneration and Nomination and Insurance Committees.



**W T Morgan**

Mr Morgan joined the board in 1993 and is a qualified solicitor. He was a partner in the law firm Thompson Norrie Solicitors until his retirement. He was a solicitor of the Supreme Court of New South Wales from 1960 until 2000. He has practiced extensively in the areas of property, commercial and banking law. Mr Morgan is well known and respected by the local community having held executive positions with Maitland Rugby Club, Maitland Wine and Food Society, the Hunter River Agricultural & Horticultural Association, the Maitland Art Prize and is a member of the Friends of the Library. Mr Morgan is a well known local historian and is a member of the Royal Australian Historical Society.

He is a member of the Society's Audit, Risk and Remuneration and Nomination Committees.



**R B Mudford**

Mr Mudford joined the board in 2008. Mr Mudford is the principal of the chartered accounting practice, Mudford and Associates, delivering accounting, taxation and audit services. Mr Mudford is a Fellow of the Institute of Chartered Accountants in Australia, a Registered Tax Agent, Company Auditor and Registered External Examiner of Trust Accounts for the Law Society of New South Wales. He is also a Justice of the Peace. Mr Mudford is a member of the Maitland Chamber of Commerce including serving for several terms as its Treasurer. He is also a member of the Maitland Rotary Club and has been awarded a Rotary Paul Harris Fellowship.

He is a member of the Society's Audit, Risk and Remuneration and Nomination Committees.



**A Chadwick**

Mrs Chadwick joined the board in 2008. She is a director of Hulin Chadwick Lawyers, a locally based legal firm. She has practiced in the Maitland area since 1993 and before that in Sydney and Bathurst. Mrs Chadwick has been admitted as a solicitor of the Supreme Court of NSW and the High Court of Australia for the previous 25 years. She is also a District Court Arbitrator and qualified mediator. Mrs Chadwick is well known in the local community having served on several committees for St Johns Parish in Maitland, the Catholic Diocese of Maitland-Newcastle and the Maitland District Cricket Association. She is a member of the Business and Professional Women's Lawyers Association.

She is a member of the Audit, Risk and Remuneration and Nomination Committees.



**T T Robinson**

Mr Robinson, now retired, is a qualified solicitor having previously been a partner for 20 years with Clayton Utz, a major Australian Law firm. As a partner at Clayton Utz, Mr Robinson specialised in banking and financial services. Mr Robinson was head of their Retail Banking group and was, more recently head of their Structured Capital Markets group, specialising in securitisation. Mr Robinson lives in Sydney and is also a director of SDN Children's Services Inc, a not for profit company which provides child care services, as well as programs for children and families who need targeted support. He is a consultant to the Board of Maple-Brown Abbott Limited, a privately owned Australian investment management company.

He is a member of the Society's Audit, Risk and Remuneration and Nomination Committees.

**COMPANY SECRETARY(S)**

Mr Geoffrey Secombe, FFin, MAICD, JP (appointed in 1994)  
General Manager of the Society since 1994 and has over 35 years experience in the finance industry.

Mr Gary Hainsworth B Comm, ACA (appointed in 2003)  
Manager, Finance and Administration of the Society and has over 20 years experience in a senior role in the building society industry.

Mr Rodney Williams Dip Law (SAB) (appointed in 2007)  
Manager, Securities of the Society and has over 25 years experience in private practice.

**PRINCIPAL ACTIVITIES**

The principal activities of Maitland Mutual Building Society Limited involved the provision of financial services to members in the form of taking deposits and giving financial accommodation. No significant change in the nature of these activities occurred during the year.

**MEETINGS OF DIRECTORS**

The number of meetings of the Society's board of directors and of each board committee held during the year ended 30 June 2010, and the number of meetings attended by each director were:

	Full meetings of Directors		Audit		Remuneration and Nomination	
	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
J E Lane	12	12	4	4	2	2
W T Morgan	12	8	4	2	2	1
R B Mudford	12	11	4	4	2	2
A Chadwick	12	11	4	3	2	2
T T Robinson	2	2	1	1	1	1
D A Latter	10	9	3	2	-	-

	Insurance		Information Technology		Risk	
	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
J E Lane	2	2	2	2	3	3
W T Morgan	-	-	-	-	3	2
R B Mudford	-	-	-	-	3	3
A Chadwick	-	-	-	-	3	3
T T Robinson	-	-	-	-	-	-
D A Latter	-	-	-	-	3	2

**REVIEW OF OPERATIONS**

The profit from ordinary activities after providing for income tax amounted to \$2.369 million (2009: \$1.154 million).

The Society's pre-tax profit for the year was \$3.390 million (2009: \$1.653 million) representing an increase of 105% over the previous financial year.

Total assets decreased by 8% to \$436 million for the year to 30 June 2010. (2009: increased 4% to \$477 million).

New loan funding for the year totaled \$74 million, a decrease of 14% to loans funded over last year of \$86 million. The demand for these loans was met by redemptions and repayments from existing loans and the Society's continued participation in a mortgage backed securitisation program. At reporting date, the value of mortgage loans securitised was \$84 million. Securitisation is an integral part of the Society's capital management and funding activities. Securitisation is a means of funding loans originated by the Society.

**SHORT AND LONG TERM OBJECTIVES**

The Society has established short and long term objectives as outlined in the Society's business plan which is reviewed on an annual basis. These objectives are both financial and non financial and are aimed towards providing exceptional financial security, value and service to its members. These objectives are measured through both financial and non financial key performance indicators that have been determined relevant to the industry.

**SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

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

**AFTER BALANCE DAY EVENTS**

On 5 August 2010 the Board of directors of Maitland Mutual Building Society Limited signed and lodged with the Australian Prudential Regulation Authority (APRA) a Memorandum of Understanding (MOU) with regards to a proposed merger with Phoenix (NSW) Credit Union Limited. The merger will be subject to approval by the members of both Phoenix (NSW) Credit Union Limited and Maitland Mutual Building Society Limited and the appropriate regulatory authorities.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Society, the results of those operations or the state of affairs of the Society in future financial years.

**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 at page 14.

**FUTURE DEVELOPMENTS**

Likely developments in the operations of the Society and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Society.

**ENVIRONMENTAL ISSUES**

The Society's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

**INSURANCE OF OFFICERS**

During the financial year, the Society paid a premium in respect of a contract insuring directors and officers of the Society against liability. The officers of the company covered by the insurance contract include the directors, executive officers and each company secretary.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Society, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Society. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

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

**PROCEEDINGS ON BEHALF OF THE SOCIETY**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Society.

No proceedings have been brought or intervened in on behalf of the Society with leave of the Court under section 237 of the Corporations Act 2001.

**ROUNDING OF AMOUNTS**

The Society is an entity to which ASIC Class order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

This report is made in accordance with a resolution of directors:

**J E Lane**

Director

**R B Mudford**

Director

Maitland, 26 August 2010



Results in Business

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**TO THE DIRECTORS OF MAITLAND MUTUAL BUILDING SOCIETY LIMITED****Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

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

**M J O'Connor CA**

Partner

CUTCHER & NEALE

Newcastle, 25 August 2010





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**TO THE MEMBERS OF MAITLAND MUTUAL BUILDING SOCIETY LIMITED****REPORT ON THE CONCISE FINANCIAL REPORT**

The concise financial report of Maitland Mutual Building Society Limited comprises the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, related notes, discussion and analysis of the financial statements and the directors' declaration derived from the audited financial report of Maitland Mutual Building Society Limited for the year ended 30 June 2010. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

**DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT**

The directors of Maitland Mutual Building Society Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports (including the Australian Accounting Interpretations), statutory and other requirements. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We conducted an independent audit in accordance with Australian Auditing Standards of the financial report of Maitland Mutual Building Society Limited for the year ended 30 June 2010. Our audit report on the full financial report was signed on 26 August 2010, and was not subject to any modification. The Australian Auditing 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.

Our procedure in respect of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report, and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects the concise financial report complies with Accounting Standard AASB 1039: Concise Financial Reports and whether the discussion and analysis complies with the requirements laid down in AASB 1039: Concise Financial Reports.

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 review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Maitland Mutual Building Society Limited on 25 August 2010, would be in the same terms if provided to the directors as at the date of this auditors' report.

**AUDITOR'S OPINION**

In our opinion the concise financial report including the discussion and analysis of Maitland Mutual Building Society Limited for the year ended 30 June 2010 complies with Accounting Standard AASB 1039: Concise Financial Reports.

**M J O'Connor CA**

Partner

CUTCHER &amp; NEALE

Newcastle, 26 August 2010

The directors of Maitland Mutual Building Society declare that the concise financial report of Maitland Mutual Building Society Limited for the financial year ended 30 June 2010, as set out on pages 17 to 23:

1. complies with Accounting Standard AASB 1039: Concise Financial Reports; and
2. is an extract from the full financial report for the year ended 30 June 2010 and has been derived from and is consistent with the full financial report of Maitland Mutual Building Society Limited.

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

**J E Lane**

Director

**R B Mudford**

Director

Maitland, 26 August 2010

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
Interest income	2	29,117	35,060
Interest expense	2	(20,242)	(28,144)
<b>Net interest income</b>		<u>8,875</u>	<u>6,916</u>
Fee and commission income	3	1,262	1,474
Fee and commission expense	4	(524)	(1,100)
<b>Net fee and commission income</b>		<u>738</u>	<u>374</u>
Other operating income	3	112	98
Impairment losses on loans and advances		(650)	(213)
Employee costs		(2,930)	(2,924)
Depreciation and amortisation		(615)	(557)
Printing and stationery		(80)	(81)
Marketing expenses		(233)	(217)
Other expenses		(1,827)	(1,743)
<b>Profit before income tax</b>		<u>3,390</u>	<u>1,653</u>
Income tax expense		(1,021)	(499)
<b>Profit attributable to members</b>		<u>2,369</u>	<u>1,154</u>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u><u>2,369</u></u>	<u><u>1,154</u></u>

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

## STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

	2010 \$'000	2009 \$'000
<b>ASSETS</b>		
Cash and cash equivalents	80,164	83,854
Placements with other financial institutions	50	50
Loans and advances to members	351,358	387,676
Other receivables	978	1,335
Financial assets	48	48
Intangible assets	402	339
Property, plant and other equipment	2,953	3,173
Deferred tax assets	403	285
<b>Total Assets</b>	<u>436,356</u>	<u>476,760</u>
<b>LIABILITIES</b>		
Deposits from other financial institutions	14,765	18,618
Deposits due to members	310,572	319,277
Other borrowed funds	88,808	117,804
Payables	493	1,578
Current tax liabilities	152	146
Provisions	588	691
Deferred tax liabilities	256	293
<b>Total Liabilities</b>	<u>415,634</u>	<u>458,407</u>
<b>Net Assets</b>	<u>20,722</u>	<u>18,353</u>
<b>EQUITY</b>		
Reserves	5,510	5,510
Retained earnings	15,212	12,843
<b>Total Equity</b>	<u>20,722</u>	<u>18,353</u>

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 2010

### 2010

	Retained Earnings	Capital Profits Reserve	Reserve for Credit Losses	Total
	000's	000's	000's	000's
	\$	\$	\$	\$
Balance at 1 July 2009	12,843	5,000	510	18,353
Profit attributable to members	2,369	-	-	2,369
<b>Balance at 30 June 2010</b>	<b>15,212</b>	<b>5,000</b>	<b>510</b>	<b>20,722</b>

### 2009

	Retained Earnings	Capital Profits Reserve	Reserve for Credit Losses	Total
	000's	000's	000's	000's
	\$	\$	\$	\$
Balance at 1 July 2008	11,689	5,000	510	17,199
Profit attributable to members	1,154	-	-	1,154
<b>Balance at 30 June 2009</b>	<b>12,843</b>	<b>5,000</b>	<b>510</b>	<b>18,353</b>

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 2010

	2010	2009
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Interest received	29,474	35,509
Fees and commissions received	1,262	1,474
Other revenue	59	101
Interest paid	(20,242)	(28,144)
Fees and commissions paid	(524)	(1,100)
Payments to employees and suppliers (incl. GST)	(6,258)	(4,554)
Income taxes paid	(1,170)	(588)
Net (increase)/decrease in loans and advances to members	35,668	22,379
Net increase/(decrease) in deposits due to members/from financial institutions	(12,558)	58,212
<b>Net cash provided by (used in) operating activities</b>	<b>25,711</b>	<b>83,289</b>
<b>Cash flows from investing activities</b>		
Aquisition of property, plant and equipment and intangibles	(531)	(283)
Proceeds from sale of plant and equipment	126	15
<b>Net cash provided by (used in) investing activities</b>	<b>(405)</b>	<b>(268)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from debt securities issued, other deposits and other borrowed funds	(28,996)	(40,907)
<b>Net cash provided by (used in) financing activities</b>	<b>(28,996)</b>	<b>(40,907)</b>
<b>Other activities</b>		
<b>Net increase (decrease) in cash held</b>	<b>(3,690)</b>	<b>42,114</b>
Cash at the beginning of the financial year	83,854	41,740
<b>Cash at the end of financial year</b>	<b>80,164</b>	<b>83,854</b>

The above statement of cash flows should be read in conjunction with the accompanying notes.

**1 BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT**

The concise financial report is an extract from the full financial report for the year ended 30 June 2010. The concise financial report has been prepared in accordance with Accounting Standard AASB 1039: Concise Financial Reports and the Corporations Act 2001.

The financial statements, specific disclosures and the other information included in the concise financial report are derived from and are consistent with the full financial report of Maitland Mutual Building Society Limited. The concise financial report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investing activities of Maitland Mutual Building Society Limited as the full financial report.

The concise financial report of Maitland Mutual Building Society Limited complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. The presentation currency used in the financial report is Australian dollars.

There have been no changes to the accounting policies of the Society from last year.

**2 ANALYSIS OF INTEREST REVENUE AND INTEREST EXPENSE**

	2010		
	Average balance \$'000	Interest \$'000	Average rate %
<b>Interest revenue</b>			
Cash and cash equivalents	80,338	3,849	4.79
Loans and advances to members	357,494	25,268	7.07
	<u>437,832</u>	<u>29,117</u>	<u>6.65</u>
<b>Interest expense</b>			
Deposits from other financial institutions	16,692	861	5.16
Deposits due to members	315,584	13,637	4.33
Other borrowed funds	95,213	5,744	6.03
	<u>427,489</u>	<u>20,242</u>	<u>4.74</u>
<b>Net interest income</b>		<u>8,875</u>	

	2009		
	Average balance \$'000	Interest \$'000	Average rate %
<b>Interest revenue</b>			
Cash and cash equivalents	62,748	3,259	5.19
Loans and advances to members	399,576	31,801	7.96
	<u>462,324</u>	<u>35,060</u>	<u>7.58</u>
<b>Interest expense</b>			
Deposits from other financial institutions	18,417	1,069	5.80
Deposits due to members	290,140	17,193	5.92
Other borrowed funds	142,779	9,882	6.92
	<u>451,336</u>	<u>28,144</u>	<u>6.23</u>
<b>Net interest income</b>		<u>6,916</u>	

**3 NON-INTEREST REVENUE**

	2010 \$'000	2009 \$'000
<b>Fee and commission income</b>		
Management fees	711	916
Transaction fees	229	283
ATM fees	138	130
Commissions	184	145
	<u>1,262</u>	<u>1,474</u>
<b>Other operating income</b>		
Rental income	33	30
Net gain/(loss) on disposal of plant and equipment	53	(3)
Other income	25	71
	<u>112</u>	<u>98</u>
<b>4 NON-INTEREST EXPENSE</b>		
<b>Fee and commission expense</b>		
Brokerage and trailing fees paid	75	479
Other	449	621
	<u>524</u>	<u>1,100</u>

**5 CONTINGENCIES**

**Contingent liabilities**

**(a) Guarantees**

The Society has outstanding guarantees of \$0.244 million (2009: \$0.307 million) on behalf of members to government bodies relating to the provision of public utilities for residential subdivisions. No material losses are anticipated in respect of any of the above contingent liabilities.

**6 SUBSEQUENT EVENTS**

On 5 August 2010 the Board of directors of Maitland Mutual Building Society Limited signed and lodged with the Australian Prudential Regulation Authority (APRA) a Memorandum of Understanding (MOU) with regards to a proposed merger with Phoenix (NSW) Credit Union Limited. The merger will be subject to approval by the members of both Phoenix (NSW) Credit Union Limited and Maitland Mutual Building Society Limited and the appropriate regulatory authorities.

If the merger is approved, the business of the Credit Union will be completely transferred to Maitland Mutual Building Society to create the merged entity.

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

**INFORMATION ON MAITLAND MUTUAL BUILDING SOCIETY LIMITED FINANCIAL REPORT**

The financial statements and disclosures in the concise financial report have been derived from the 2010 financial report of Maitland Mutual Building Society Limited.

A copy of the full financial report and auditor's report will be sent to any member, free of charge, upon request.

The discussion and analysis is provided to assist members in understanding the concise financial report. The discussion and analysis is based on Maitland Mutual Building Society Limited's financial statements and the information contained in the concise financial report has been derived from the 2010 financial report of Maitland Mutual Building Society Limited.

**STATEMENT OF COMPREHENSIVE INCOME**

Total interest income decreased by \$5.943 million to \$29.12 million representing a decrease of 17%. Interest income has reduced due to the decrease in the average interest rates charged to borrowers and the reduction in the balance of loans and advances to members. This reduction happened despite the Reserve Bank of Australia steadily increasing official rates from October 2009 as Australia emerged from the global financial crisis.

Net interest income increased by \$1.959 million to \$8.875 million. The increase in the Society's net interest income was due to borrowers choosing the variable home loan rate option and the fact that interest rates for fixed term deposits were locked in for the full period of the investment.

Net fee and commission income significantly increased over the corresponding period to June 2009 due mainly to the reduction in broker and trailing commission.

Impairment losses on loans, ie provisioning for potential loan write offs, increased due to the decrease in property values and the downturn in local economic conditions. The Society was also forced to write off several loans during the year after all efforts at recovery were exhausted.

Employee costs were maintained at the same level as for the previous year due to the Society retaining the same level of staffing.

**STATEMENT OF FINANCIAL POSITION**

Total assets of the Society decreased by \$40.40 million which represents a decrease of 8.5%. The decrease was due to the Society's reduced participation in the securitisation program from \$113.15 million to \$84.21 million and the reduction in on balance sheet loans.

Total loans to members decreased by 9.4% to \$351.4 million.

Total liabilities decreased by 9.4% to \$415.6 million and was due to the effects of the reduction in the securitisation program and reduced levels of depositors' funds.

The ratio of net assets to total assets increased from 3.85% to 4.75% due to the reduction in total assets.

**STATEMENT OF CHANGES IN EQUITY**

At 30 June 2010, total equity for the Society increased by \$2.369 million to \$20.722 million. The increase to total equity was due purely to the Society's net profit for the year.

**STATEMENT OF CASH FLOWS**

The statement of cash flows shows that there has been a decrease in cash during the year of \$3.69 million.

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