

ANNUAL REPORT

# ANNUAL REPORT 2009





On behalf of the Board of Maitland Mutual Building Society I am delighted to present an excellent result for The Mutual for the year ended 30 June, 2009.

The previous 12 months has been an extraordinarily difficult period for Australian financial institutions and the global financial system in general. In Australia, we have clearly fared better than most overseas economies. However, within Australia, we have not been immune from, nor escaped the impacts of the global financial crisis.

Despite these ongoing issues, the members of The Mutual can be pleased with its overall performance for the year to June 2009.

### ECONOMIC SITUATION

International markets continued to be adversely affected by difficult trading conditions and a deterioration in both consumer and business confidence. Global financial markets have been in turmoil and world economic activity has slowed dramatically. Further problems also resulted from a severe restriction on the availability of credit. This led to the failure of several large investment banks in the United States which further compounded the problems in the banking and finance sectors.

Domestically, we were in a better position to weather these difficult and uncertain times. This was in part due to the high quality of prudential supervision which the Australian Prudential Regulation Authority (APRA) had instigated, monitored and rigidly policed. Most financial institutions also benefited from good quality lending practices unlike their counterparts in the United States.

The Reserve Bank played a major role in responding to this crisis by cutting the official cash rate over this 12 month period from 7.25% to 3.00%. This reduction in interest rates plus the implementation of stimulatory packages from the Federal Government has had the desired effect by encouraging consumer spending and increased lending activity.

Fortunately Australia appears to have escaped the worst of the global financial crisis. However Australian financial institutions have been adversely affected by reductions to interest margin, significant increases to loan provisioning and bad debt write offs which will, undoubtedly, impact on profitability.

The Federal Government was also proactive in promoting stability in financial markets by providing a Government Guarantee to depositing members. The initial announcement, on the 12 October, 2008 certainly instilled confidence for those members who were anxious about the security of their investments in all deposit taking institutions (ADIs) ie. building societies, credit unions and banks. The Government Guarantee remains in force until November 2011.

### PERFORMANCE

Given these exceptionally difficult operating and business conditions the Board considers that the Society's results have been extremely satisfactory as can be demonstrated by a:

- 4.1% increase in total assets to \$477 million
- 5.5% decrease in loans and advances to members to \$387.7 million
- 3.9% decrease in after-tax profits to \$1.154 million
- 6.7% increase in members equity to \$18.4 million

The year under review has again proved challenging with the increasing cost of raising depositors funds which has caused sustained downward pressure on interest margins. Borrowing members have benefited from the reductions in official interest rates flowing through to home loan rates. With the level of unemployment expected to increase, accompanied by significant reductions in property valuations, the possible bad debt write offs through provisioning was also expected to be a significant factor in determining profitability. Significantly The Mutual does not provide finance for any "low doc" or "no doc" loans.

I am pleased to advise that provisioning for doubtful debts has been and continues to be maintained at very satisfactory levels.

The Society's after tax profit was slightly lower than the previous year and this was reflective of the increased cost of funds, a decision to maintain higher levels of liquidity and a reduced volume of lending due to the tightening credit markets. The Society maintained its provision of high service levels to its members and continues its investment in the infrastructure to support these service levels.

Despite the fact that the Society is a "mutual organisation" a moderate level of profitability also allows the Society to grow its asset base at a controlled and sustainable level and to diversify its lending base.

As at 30 June, 2009 the Society was in a very strong financial position. The benchmark for "financial strength" is measured by the capital adequacy ratio. This was 13.19% at 30 June, 2009 and represents a 0.67% increase over the corresponding period. It is viewed as a key measurement of the quality of the Society's assets by its prudential regulator, APRA. The Society's liquidity ratio at 30 June, 2009 was 21.08% which was the result of focusing on funding from retail deposits.

Both measures are well above the levels required by APRA, reflecting both conservative and prudent management.

## MEMBER VALUE

The Society's mutual structure provides a major advantage compared to shareholder based financial institutions. These institutions are concerned with maximising profits earned for the benefit of their shareholders which are then paid in the form of dividends and increases in their share price.

As a mutual organisation the Society's primary objective is to provide low cost benefits and services to its members. The mutual structure serves the members very well - without sacrificing products, service levels or growth. Benefits include fair pricing, lower fees and charges, generous excess transaction fees, more staff and no account keeping fees on savings and transaction accounts. These benefits enhance the financial welfare of all members.

## OPERATIONAL HIGHLIGHTS

The Reserve Bank decreased official interest rates six times during the financial year in an attempt to "kick start" the economy and free up the flow of funds. However, the problem was that due to a lack of business confidence many financial institutions were not prepared to lend funds even to similar type institutions. This caused a partial credit squeeze which added further pressure and difficulty to business activity and nearly led to a "recession" becoming an economic reality.

Confidence levels in our local community also played a major role in reducing the Society's lending activity. Lending for the 12 months was \$81 million compared to a \$100 million for the year to June 2008. Lending approvals also reflected the subdued demand from the local housing market and decreased enquiries from the business and commercial sectors.

However the reduced lending activity allowed the Society to maintain higher liquidity levels which, due to continuing uncertainty still present from the global financial crisis, was prudentially responsible.

During the year, as part of our review of the excess transaction fee structure, I am pleased to advise that we introduced a "member loyalty benefit". This provides additional free transactions for members who have held their membership for longer periods. I am confident that this fee structure is now one of the more generous in the market place.

Direct charging of ATMs also commenced in March 2009. This involves a fee being charged when a cardholder uses an ATM that belongs to another financial institution. In order for The Mutual to minimise this impost on members, it took the strategic decision to align itself with the rediATM network. This network provides access to more than 3,100 ATMs across Australia which are free of direct charges.

I am also pleased to advise that the Society added an additional security feature to its internet banking functionality. The Mutual NetDirect Security Token has now been introduced. This is regarded as a successful and convenient way to enhance Internet Banking by providing an extra layer of security in helping to protect account details and prevent the potential for unauthorised access. What's more these tokens are issued completely free of charge.

The Society also introduced a "fee free" account that is available to any member with a variable rate Premium Home loan. The fee free account is available with your Loan Saver Account which includes an interest offset benefit. This account also offers Visa Debit card access, internet and telephone banking, BPay access and a cheque book facility.

As part of its ongoing approach to Risk Management, the Society also was proactive with its appointment of a person to the full time position of Risk Manager. This move clearly demonstrates the Society's determination in its endeavors regarding risk, governance and compliance. The Society is well underway in the process of enhancing an extensive risk management and compliance framework whereby the Board identifies, monitors and manages areas of risk that the Society faces in its day to day operating activities.

## CORPORATE AND SOCIAL RESPONSIBILITY

The Mutual has again continued with its widespread sponsorship of community events, programs and organisations. Being a mutual institution provides the Society with the opportunity to provide financial support and assistance to local events and associations.

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.

Our contribution to the community continues to grow in areas such as education, health, the arts, sport and charitable based projects. Initiatives such as the bank@school program and the Tocal Field Days banking service ensure our ongoing association with the local region in which we operate.

## INDUSTRY AND REGULATORY MATTERS

Following on from the impact of the global financial crisis and the tightening of credit markets, APRA concentrated most of its attention on liquidity management. Whilst the emphasis on liquidity continues, APRA is now focusing more on the areas involving capital and risk management.

The implementation of operational changes and account transaction monitoring required by the Anti-Money Laundering and Counter Terrorism Financing legislation continued with further requirements taking effect at the end of the 2008 calendar year.

Recently we have seen two smaller mutual financial institutions in our region announce plans to merge with other larger financial institutions. The continued reduction in the number of financial institutions, especially in the smaller regionally based mutual sector, is expected to continue; which will inevitably lead to the reduction in competition and service standards.

In my opinion, the reduction in the number of smaller sized financial institutions is the result of two factors. Firstly the reduction in the interest margin which adversely impacts on profitability and secondly the increasing costs of compliance, risk management and corporate governance. Clearly the larger the size of the financial institution, the easier it is to absorb these increasing business overheads.

## APPRECIATION

In this my first year as Chairman of The Mutual, I would like to personally thank my fellow Directors for their assistance in providing me with the wealth and depth of their knowledge and experience. Without doubt the previous 12 months have not been easy.

My fellow Directors have demonstrated their staunch commitment and application to the governance of The Mutual over the past twelve months. Compliance, risk management and governance requirements have again been foremost in keeping The Mutual abreast of legislative and operational developments. The Board has again performed above expectations in regards to their ongoing corporate responsibilities.

After a period of 45 years, including 30 years as Chairman, Mr Harold Mayo retired from the Board on 28 February, 2009. Mr Mayo was inspirational in his role as Chairman. The Society’s financial strength, growth and reputation is testimony to the tireless efforts and dedication Mr Mayo displayed. On behalf of the Board, I wish Harold and his family all the best for the future.

Mrs Anne Chadwick was invited to fill the casual vacancy caused by the retirement of Mr Mayo. Mrs Chadwick is a Director of Hulin Chadwick Lawyers, a locally based legal firm, and brings with her many years of legal experience and knowledge.

The continued excellent performance and attainment of high levels of member service are the result of a highly dedicated management team and staff whom have been ably led by the Society’s General Manager, Geoffrey Seccombe. In an increasingly competitive, complex and regulated business environment all staff should feel pleased with their achievements.

Importantly, I would also like to offer my appreciation to the Society’s members and customers for their continuing support. The Mutual remains committed to offering the highest in service standards which is ably encapsulated by our phrase “Modern Banking — Traditional Values”.

OUTLOOK

In Australia, positive signs are starting to emerge which may indicate that the worst of the economic downturn is over and that business confidence is returning. A similar pattern is becoming evident in the United States and European countries.

This is welcome news for Australia and particularly for the people of the Maitland and Hunter regions. It also appears that unemployment is likely to peak well below the official forecast rate of over 8.00%.

After the significant reductions in official interest rates by the Reserve Bank it now looks possible that the next move in interest rates will be up. We are now experiencing “demand driven” increases in depositors rates as most financial institutions participate in the bidding war to attract deposit funds.

As uncertainty with global financial markets starts to abate and confidence returns, The Mutual will continue to strive to be your superior financial services provider which delivers to its members competitive services and expertise along with a comprehensive suite of financial products.

I am confident that the Society is well positioned to meet any and all challenges that lie ahead and its outlook is both positive and optimistic.

J.E. Lane

Chairman





# COMMUNITY SUPPORT

The Mutual is genuine in its endeavours to continue to nurture relationships in the community in which we serve. The Mutual is proud to be associated with the following community groups:

- ✔ Ashtonfield Public School

✔ Bolwarra Public School

✔ Bolwarra Uniting Church

✔ Branxton-Greta Pony Sports Club

✔ Cancer Council Australia

✔ Children’s Medical Research Institute

✔ Chuck Duck & Rooster Clucks Good Life Club

✔ Committee of Vision Australia

✔ Dungog Public School

✔ Dungog Croquet Club Inc

✔ Dungog Visitors Centre

✔ East Maitland Bowling Club

✔ East Maitland Public School

✔ East Maitland Rotary Club

✔ East Maitland Women’s Bowling Club

✔ Friends of Pallative Care Inc

✔ Girl Guides Association

✔ Grahamstown Public School

✔ Hinton Public School

✔ Hunter and Coastal Historical Societies

✔ Hunter River Agricultural & Horticultural Association

✔ Hunter Medical Research Institute

✔ Hunter New England Area Health Service

✔ Hunter Valley Grammar School

✔ Hunter Valley Research Foundation

✔ Hunter Valley Training Company

✔ Iona Public School

✔ Irrawang High School

✔ Kids Cancer Canteen
- ✔ Leukaemia Foundation

✔ Lions Club Kurri Kurri Inc

✔ Lorn Park Bowls, Sports & Rec Club

✔ Lower Hunter Zone of Play Groups

✔ Maitland All Saints College

✔ Maitland Anglican Parish

✔ Maitland Baby Competition

✔ Maitland Benevolent Society

✔ Maitland Black and White Committee

✔ Maitland Bridge Club

✔ Maitland Community Preschool

✔ Maitland Croquet Club Inc

✔ Maitland & District Junior Cricket

✔ Maitland & District Tennis Association Inc

✔ Maitland, Dungog & Gresford Show Associations

✔ Maitland Family Support Scheme

✔ Maitland Golf Club

✔ Maitland Grossmann High School

✔ Maitland High School

✔ Maitland Mavericks Baseball Club

✔ Maitland Meals on Wheels

✔ Maitland Nursery School

✔ Maitland Park Women’s Bowling Club

✔ Maitland Public School

✔ Maitland Repertory Society

✔ Maitland Rotary Club

✔ Maitland Rugby League

✔ Maitland Rugby Union Football Club

✔ Maitland Saints Junior AFL Club
- ✔ Maitland Touch Association

✔ Maitland Tug-O-War Club

✔ Maitland Uniting Church

✔ Maitland Women’s Bowls Committee

✔ Mai-Wel Group

✔ Metford Community Baptist Church

✔ Metford Public School

✔ Morpeth School Boys Rugby League Club

✔ Morpeth Women’s Bowling Club

✔ Mount Kanwarly Public School

✔ Munch Committee

✔ NSW Rural Fire Service – Lochinvar Brigade

✔ Paterson Historical Society

✔ Port Stephens Council

✔ Port Stephens Netball Association

✔ Raymond Terrace Bowling Club

✔ Raymond Terrace District Cricket Club

✔ Rutherford Junior Soccer Club

✔ Rutherford Public School

✔ Rutherford Technology High School

✔ School Lifeskills Program

✔ SIDS and Kids Organisation

✔ Starlight Foundation

✔ Telarah Bowling Club

✔ Telarah Public School

✔ Tocal Agricultural College

✔ Try a Trade Hunter Region

✔ Walka Water Works

✔ Wirragulla Polo Club

# COMMUNITY SUPPORT



The Mutual proudly supports the Maitland Baby Competition. Pictured above is General Manager, Geoffrey Secombe with this years winners – Kohen Stone (1st Prize) and Tameeka Sellens (2nd Prize).



Pictured above students from a number of NSW schools, parents, teachers and sponsors like The Mutual help celebrate the Enterprise Learning and Financial Literacy at Maitland Gaol.



Our Rutherford branch staff provide their ideas on “How to Manage Wealth” during our Bridges Financial Planning promotion in May.



Dedicated Maitland Mutual staff again provided an “ATM service” for visitors to this years Tocal Field Days.





Top, left to right - Don Latter , Richard Mudford. Seated, left to right - Tom Morgan , John Lane (Chairman), Anne Chadwick

MANAGEMENT TEAM



Top, left to right - Kieran Quigley, Gary Hainsworth, Todd Paterson  
Seated, left to right - Noeleen Davidson, Geoff Seccombe (General Manager), Rod Williams

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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 20 August, 2009. 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, 2009.

DIRECTORS

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

- J E Lane (appointed 1 August, 2008)
- D A Latter
- W T Morgan
- R B Mudford
- A Chadwick (appointed 1 March, 2009)
- H W Mayo (retired 28 February, 2009)
- M A Paterson (retired 31 July, 2008)

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 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 Management, IT, Remuneration and Insurance Committees.

D A Latter

Mr Latter has been a director of the Society for the past 24 years. During his working life he was the manager and a director of Latter Bros Pty Ltd and also held a directorship at Broglan Distributors Pty Ltd. Mr Latter is a life member of the Blackhill/Northern Suburbs Cricket Club and is a member of the Bolwarra Uniting Church Council and the Maitland West Uniting Church Management Committee and chairman of the Bolwarra Property Committee. He is a past director of the Hunter Valley Co-operative Housing Society, the Greater Cessnock Co-operative Housing Society and past Chairman of the Maitland Community Credit Union.

He is a member of the Society’s Audit and Risk Management 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, Remuneration and Risk Management 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 and Risk Management Committees.

A Chadwick

Mrs Chadwick 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 24 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 and Risk Management Committees.

COMPANY SECRETARY(S)

Mr Geoffrey Seccombe, 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 providing loans and borrowing facilities. 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, 2009, and the number of meetings attended by each director were:

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

	Risk Management		Information Technology		Insurance	
	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
J E Lane	3	3	3	3	2	2
D A Latter	3	2	-	-	-	-
W T Morgan	3	3	-	-	-	-
R B Mudford	3	3	-	-	-	-
A Chadwick	1	1	-	-	-	-
H W Mayo	2	2	-	-	-	-
M A Paterson	-	-	-	-	-	-

REVIEW OF OPERATIONS

The profit from ordinary activities after providing for income tax amounted to \$1.154 million (2008: \$1.201 million).

The Society’s pre-tax profit for the year was \$1.653 million (2008: \$1.709 million) representing a decrease of 3% over the previous financial year, with net profit after tax being \$1.154 million (2008: \$1.201 million) representing a decrease of 4%.

Total assets grew by 4% to \$477million for the year to 30 June, 2009. (2008: 5% to \$458 million).

Loan approvals for the year totaled \$86 million, a decrease of 14% to loans approved over last year of \$100 million. The demand for these loans was met by a \$58 million increase in members funds and the Society’s continued participation in a mortgage backed securitisation program. At reporting date, the value of mortgage loans securitised was \$113 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.

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

No matters or circumstances have arisen since the end of the financial year other than those reported in the notes to the financial statements 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.

AUDITORS’ INDEPENDENCE DECLARATION

A copy of the auditors’ 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.This report is made in accordance with a resolution of directors.

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 Society 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, 20 August, 2009





Results in Business

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**TO THE DIRECTORS OF MAITLAND MUTUAL BUILDING SOCIETY LIMITED**

**Auditors' 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, 2009 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, 19 August, 2009



Results in Business

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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 income statement, balance sheet, cash flow statement, statement of changes in equity, 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, 2009. 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 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 have 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, 2009. Our audit report on the full financial report was signed on 21 August, 2009, 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 for the year is free from material misstatement.

Our procedures 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 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 19 August, 2009, would be in the same terms if provided to the directors as at the date of this auditor's 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, 2009 complies with Accounting Standard AASB 1039: Concise Financial Reports.

**M J O'Connor CA**

Partner

CUTCHER & NEALE Chartered Accountants

Newcastle, 21 August, 2009

The Directors of Maitland Mutual Building Society Limited declare that the concise financial report of Maitland Mutual Building Society Limited for the financial year ended 30 June, 2009, 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, 2009 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, 20 August, 2009

		2009	2008
	Note	\$'000	\$'000
Interest income	2	35,060	35,254
Interest expense	2	(28,144)	(28,729)
Net interest income		6,916	6,525
Fee and commission income	3	1,474	1,287
Fee and commission expense	4	(1,100)	(997)
Net fee and commission income		374	290
Other operating income	3	98	74
Impairment losses on loans and advances		(213)	(9)
Employee costs		(2,924)	(2,776)
Depreciation and amortisation		(557)	(476)
Printing and stationery		(81)	(76)
Marketing expenses		(217)	(214)
Other operating expenses		(1,743)	(1,629)
Profit before income tax		1,653	1,709
Income tax expense		(499)	(508)
Profit attributable to members		1,154	1,201

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

## BALANCE SHEET

as at 30 June 2009

	2009 \$'000	2008 \$'000
<b>ASSETS</b>		
Cash and cash equivalents	83,854	41,740
Placements with other financial institutions	50	50
Loans and advances to members	387,676	410,268
Other receivables	1,335	1,783
Other financial assets	48	48
Intangible assets	339	344
Property, plant and other equipment	3,173	3,460
Deferred tax assets	285	262
<b>Total Assets</b>	<u>476,760</u>	<u>457,955</u>
<b>LIABILITIES</b>		
Deposits from other financial institutions	18,618	11,614
Deposits due to members	319,277	268,069
Other borrowed funds	117,804	158,711
Payables	1,578	1,081
Current tax liabilities	146	170
Provisions	691	776
Deferred tax liabilities	293	335
<b>Total Liabilities</b>	<u>458,407</u>	<u>440,756</u>
<b>Net Assets</b>	<u>18,353</u>	<u>17,199</u>
<b>EQUITY</b>		
Reserves	5,510	5,510
Retained earnings	12,843	11,689
<b>Total Equity</b>	<u>18,353</u>	<u>17,199</u>

The above balance sheet should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2009

2009	Retained Earnings 000's \$	Capital Profits Reserve 000's \$	Reserve for Credit Losses 000's \$	Total 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>	<u>12,843</u>	<u>5,000</u>	<u>510</u>	<u>18,353</u>
2008	Retained Earnings 000's \$	Capital Profits Reserve 000's \$	Reserve for Credit Losses 000's \$	Total 000's \$
Balance at 1 July 2007	10,488	5,000	510	15,998
Profit attributable to members	1,201	-	-	1,201
<b>Balance at 30 June 2008</b>	<u>11,689</u>	<u>5,000</u>	<u>510</u>	<u>17,199</u>

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



# CASH FLOW STATEMENT

for the year ended 30 June 2009

	2009 \$'000	2008 \$'000
<b>Cash flows from operating activities</b>		
Interest received	35,509	35,254
Fees and commissions received	1,474	1,315
Other revenue	101	75
Interest paid	(28,144)	(28,802)
Fees and commissions paid	(1,100)	(997)
Payments to employees and suppliers (incl. GST)	(4,767)	(4,604)
Income taxes paid	(588)	(532)
Net (increase)/decrease in loans and advances to members	22,592	(18,973)
Net increase/(decrease) in deposits due to members/from financial institutions	58,212	40,294
<b>Net cash provided by (used in) operating activities</b>	<u>83,289</u>	<u>23,030</u>
<b>Cash flows from investing activities</b>		
Aquisition of property, plant and equipment	(283)	(899)
Proceeds from sale of plant and equipment	15	26
Proceeds from sale of investments	-	31
<b>Net cash provided by (used in) investing activities</b>	<u>(268)</u>	<u>(842)</u>
<b>Cash flows from financing activities</b>		
Net proceeds/repayments from debt securities, other deposits and other borrowed funds	(40,907)	(21,489)
<b>Net cash provided by (used in) financing activities</b>	<u>(40,907)</u>	<u>(21,489)</u>
<b>Net increase (decrease) in cash held</b>	<u>42,114</u>	<u>699</u>
Cash at the beginning of the financial year	<u>41,740</u>	<u>41,041</u>
<b>Cash at the end of financial year</b>	<u>83,854</u>	<u>41,740</u>

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

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

## 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, 2009. 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

a)

### Interest revenue

Cash and cash equivalents  
Loans and advances to members

### Interest expense

Deposits from other financial institutions  
Deposits due to members  
Other borrowed funds

### Net interest income

b)

### Interest revenue

Cash and cash equivalents  
Loans and advances to members

### Interest expense

Deposits from other financial institutions  
Deposits due to members  
Other borrowed funds

### Net interest income

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

	2008	
	Average balance	Average rate
	\$'000	%
Interest revenue		
Cash and cash equivalents	41,225	7.31
Loans and advances to members	407,454	7.93
	<u>448,679</u>	<u>7.86</u>
Interest expense		
Deposits from other financial institutions	10,666	7.47
Deposits due to members	250,765	6.14
Other borrowed funds	170,776	7.27
	<u>432,207</u>	<u>6.64</u>
Net interest income	<u>6,525</u>	

3 NON-INTEREST REVENUE

	2009 \$'000	2008 \$'000
<b>Fee and commission income</b>		
Management fees	916	718
Transaction fees	283	293
ATM fees	130	108
Commissions	<u>145</u>	<u>168</u>
	<u>1,474</u>	<u>1,287</u>
<b>Other operating income</b>		
Rental income	30	30
Net gain/(loss) on disposal of plant and equipment	(3)	(7)
Net gain/(loss) on disposal of investments	-	6
Other income	<u>71</u>	<u>45</u>
	<u>98</u>	<u>74</u>

4 NON-INTEREST EXPENSE

<b>Fee and commission expense</b>		
Brokerage trailing fees paid	479	588
Other	<u>621</u>	<u>409</u>
	<u>1,100</u>	<u>997</u>

5 CONTINGENCIES

Contingent liabilities

(a) Guarantees

The Society has outstanding guarantees of \$0.307 million (2008: \$0.671 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.

INFORMATION ON MAITLAND MUTUAL BUILDING SOCIETY LIMITED FINANCIAL REPORT

The financial statements and disclosures in the concise financial report have been derived from the 2009 financial report of Maitland Mutual Building Society Limited.

A copy of the full financial report and auditors 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 2009 financial report of Maitland Mutual Building Society Limited.

INCOME STATEMENT

Total interest income decreased by \$0.194 million to \$35.06 million representing a decrease of 0.6%. Interest income virtually remained unchanged between the two years. There was a decrease in interest income derived from loans. This was a direct result of the decreases to official interest rates by the Reserve Bank of Australia which were subsequently passed onto Society borrowers. However this reduction was offset by the increase in interest income earned from Society investments with other financial institutions as a result of holding higher levels of liquidity.

Net interest income increased by \$0.39 million to \$6.92 million. Despite the decrease in borrowers' interest rates over the period the Society's net interest income increased due to the fact that a large part of the Society's loan portfolio to members was at fixed interest rates.

Net fee and commission income increased over the corresponding period to June 2008 due mainly to break costs associated with fixed rate loans.

Impairment losses on loans, ie provisioning for potential loan write-offs, increased due to the decrease in property values and the downturn in the local economic conditions.

Employee costs have increased due to the first full years operating of the Rutherford Branch and increases in award wages and cost of living adjustments.

BALANCE SHEET

Total assets of the Society increased by \$18.81 million which represents an increase of 4.1%. The increase in assets was due to increased holdings of cash and cash equivalents which resulted from a strategic decision to hold additional liquidity in light of the global financial crisis. The Society's participation in the securitisation program decreased from \$158.71 million to \$113.15 million, a decrease of 28.7%.

Total loans to members decreased by 5.5% to \$387.7 million.

Total liabilities increased by 4.0% to \$458.4 million and was due to the net effects of increased deposits raised from investing members and a reduced involvement in the securitisation program.

The ratio of net assets to total assets increased slightly from 3.76% to 3.85%.

STATEMENT OF CHANGES IN EQUITY

At 30 June 2009, total equity for the Society increased by \$1.154 million to \$18.353 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 an increase in cash during the year of \$42.114 million.

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