



celebrating 125 years



// Annual Report 2013





The Mutual has delivered a solid performance for the 12 months to 30 June 2013. This is despite another year of challenging economic conditions, characterised by a low level of consumer and business confidence, intense competition for financial services and pressure on interest margins.

Our financial results reflect the encouraging progress we have made against our strategic plan that includes sustainable growth, adequate profitability and maintaining our status as a member-focused organisation.

Financial Performance

Our after tax profit of \$2.068 million for the year to 30 June 2013 was comparable with last year's result given the more challenging operating conditions, including the reduced demand for loan funding. The result was also impacted by the increased operational costs associated with the opening of a new branch at Glendale in December 2012.

Lower levels of consumer confidence impacted our lending, which fell by 5% on the previous years result to \$110 million. This outcome was despite three separate reductions in the official cash rate by the Reserve Bank of Australia totalling 75 basis points. It is pleasing to note that we were able to pass on the majority of these rate reductions to borrowing members in a timely manner.

Our capital adequacy ratio of 15.9% remains well above that required by the Australian Prudential Regulation Authority (APRA) and far higher than most other authorised deposit-taking institutions in Australia. This ratio continues to underline our financial strength and security.

Other financial highlights for the year include:

- ▶ 5.0% increase in total assets to \$523.2 million.
- ▶ 4.2% increase in loans and advances to \$430.5 million.
- ▶ 7.0% increase in members' equity to \$31.592 million.

Despite the challenging economic conditions faced by our members, it is also pleasing to note that our loan arrears position remains at a very low level.

These results highlight our focus to remain profitable and expand to ensure that our business is sustainable, with a competitive product and service offering that meets the needs of our members.

Operational Highlights

We took a significant step by expanding our operational footprint. In December 2012 we opened a new-look branch at the Glendale Shopping complex in north-west Lake Macquarie. It features an open plan layout that integrates a very modern design with traditional banking concepts. It includes a self-serve kiosk that allows members to perform internet banking transactions and make product and service enquiries, as well as over-the-counter services.

The member feedback regarding the new branch has been overwhelmingly positive. As such this will be the new standard for future branches as well as refits of our current locations as they occur.

The introduction of The Mutual App has expanded our reach and accessibility to existing, new and prospective members. The App allows members to check balances and transfer funds between accounts, and also features enhanced calculators and product information. It is currently available for the Apple iPhone and iPad and will soon be available for Android devices.

The software delivery system that facilitates our banking platform was upgraded during the reporting period. This has considerably enhanced the functionality of the platform and improved member record keeping, account security and account information. It will also better facilitate future improvements or amendments to this delivery channel.



John Lane - Chairman

With our staff numbers now reaching 65, Mrs Marina Spallino was appointed as our first full time Human Resources Manager in January 2013. Beyond the responsibility of traditional HR procedures, Marina will also manage staff training with the aim of further enhancing our customer service levels.

Over the past three years we have made a significant investment in growing "The Mutual" profile. The latest "Happy" campaign has been well received by current members and has significantly increased our brand awareness and product enquiries.

Following the 2008 Global Financial Crisis, risk management and compliance frameworks driven by our prudential regulators are now a critical component of our day-to-day operations. I am pleased to report that we have in place a very robust Risk Management Framework and Strategy that is supported by appropriate software platforms.

Corporate and Social Responsibility

The Mutual has a proud history of supporting the communities we serve. This year we have extended our sponsorships and assistance for a range of events, programs and organisations. This included the 2013 Lake Macquarie City Council Australia Day Celebrations held at Speers Point Park and the Maitland City Council Australia Day Celebrations held at Maitland Park.

Now in its 7th year of operation, our successful *bank@school* program serves 13 primary schools across the region and plays an important role in teaching young children the importance of saving.

We also support a number of programs that target high school students. Operating in conjunction with Hunter Valley Youth Express, the *Money Talks* program provides students with the opportunity to engage with our senior staff to discuss a range of financial literacy topics. We also support the *Hunter Youth Mentor Collaborative*, which provides financial assistance to young people at risk of dropping out of school.

Our staff also participate in annual career days at local high schools, providing students with insights that help them choose the right career and how to present at interview.

Mutuality and Member Focus

The Board and management team, through the development of our three-year strategic plan, has reaffirmed our total commitment to mutuality.

With no shareholders, we are not required to pay dividends. This allows the value created by the business to be shared with our members and the communities we support. After all, our members are our owners and deserve to share in our success.

In focusing on serving the long-term interests of our members, we continue to offer competitive loan rates to borrowers, attractive savings and investment rates to depositors, low fees and outstanding service.

Appreciation

I wish to thank my fellow Directors for their ongoing commitment and application to our governance. The increasing responsibilities relating to compliance and risk management are significant and extremely onerous. The board has again, not only through the satisfactory financial results but also its community involvement, performed above expectations regarding our ongoing corporate and social responsibilities.

There was a change to the board composition during the year following the retirement of Mrs Anne Chadwick in January 2013. Anne served on the board for 4 years and contributed greatly to our success. I would like to thank her for the dedication, commitment and counsel she provided, particularly with regard to her expertise in legal matters.

Mr Bruce Arnott, a former Director of the Phoenix Credit Union, joined the board in February following Anne's retirement. Bruce has a strong background in management, finance and accounting and a thorough understanding of the industry, particularly in relation to member-based, mutual organisations.

I would also like to recognise the outstanding efforts and contribution of our General Manager, Mr Geoffrey Seccombe, his management team and all our staff. Their hard work, dedication and commitment in providing the highest standards of member services have ensured another solid financial result for The Mutual.

Outlook

The Australian economy continues to face a number of challenges surrounding the lack of consumer confidence, an expected increase in unemployment and uncertainty about the process of economic growth rebalancing away from mining investment. Inflation is expected to remain in check, which suggests that we can expect further reductions in official interest rates. This will further underpin a recovery in the domestic housing market. Additionally, positive economic news is starting to emerge from the US and some European countries.

The lack of consumer confidence is contributing to lower levels of borrowing and increased savings activity. While lower interest rates are good news for our borrowing members, unfortunately it is not the case for our investing members. The need to balance the requirements of all our members will be a key consideration when making future changes to interest rates.

Our financial strength and expertise positions us well for future success and we remain a very real and attractive alternative to other financial institutions.

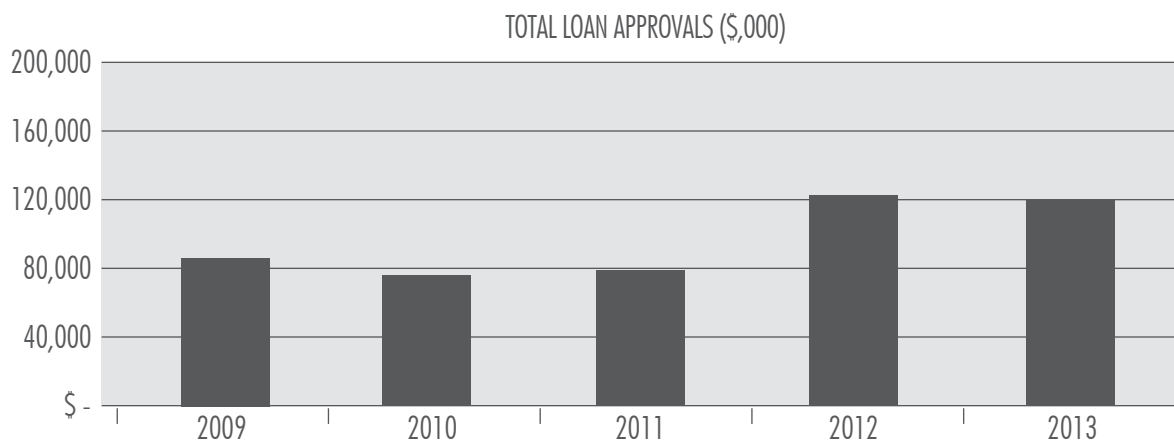
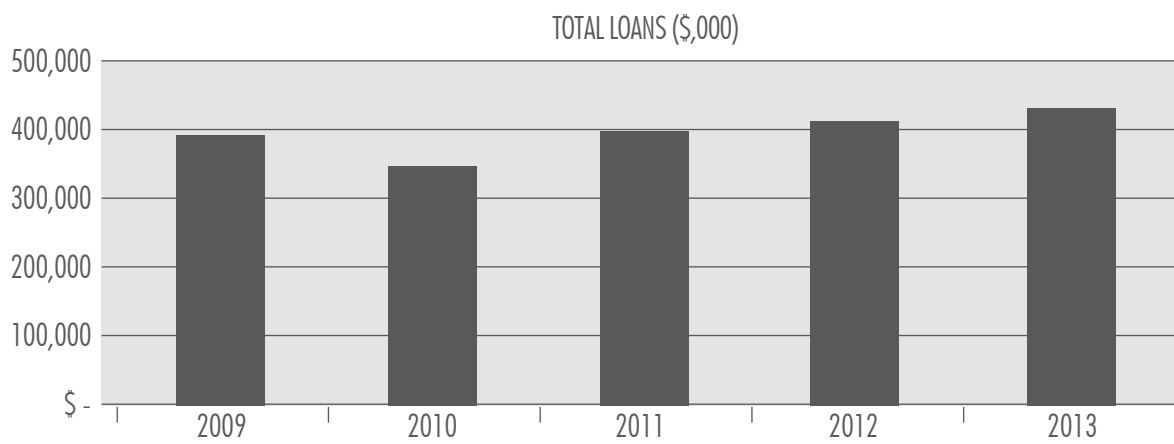
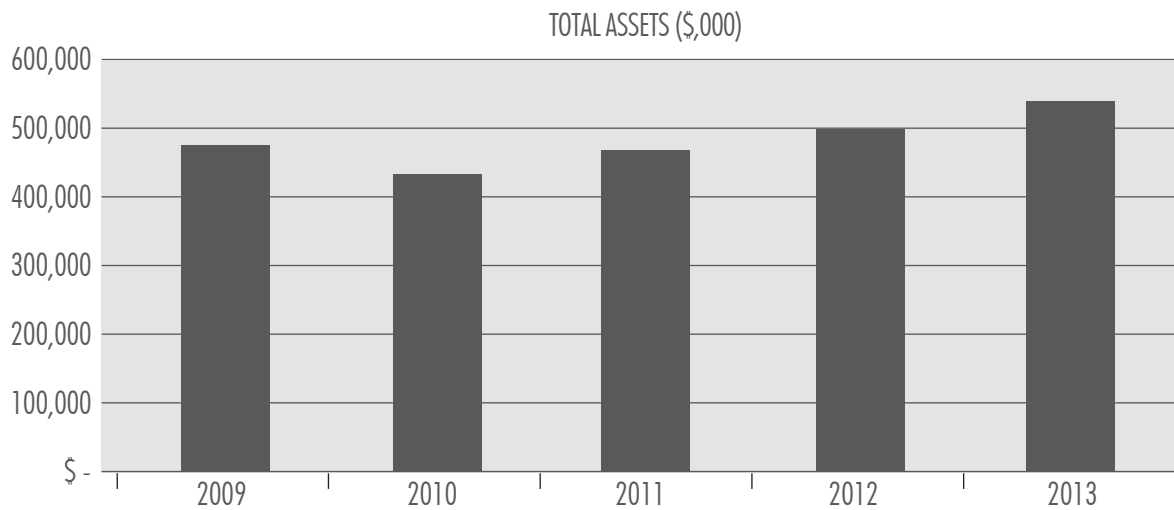
On 22 October 2013 we will celebrate our 125th birthday, making The Mutual one of the oldest building societies in Australia. In a very competitive operating environment this is a wonderful achievement. As a business we remain as focused and committed to serving the needs of our members as we were when we opened our doors in 1888.

John Lane

Chairman

// Performance Charts

30 June 2013





Left to right - Bruce Arnott, Steve James, John Lane, Trevor Robinson, Dick Mudford

// Management Team



Left to right - Glen Pearson, Geoffrey Seccombe (General Manager), Blake Evans, Noeleen Davidson, Ken Archer
Marina Spallino, Kieran Quigley, Todd Paterson

// In the Community

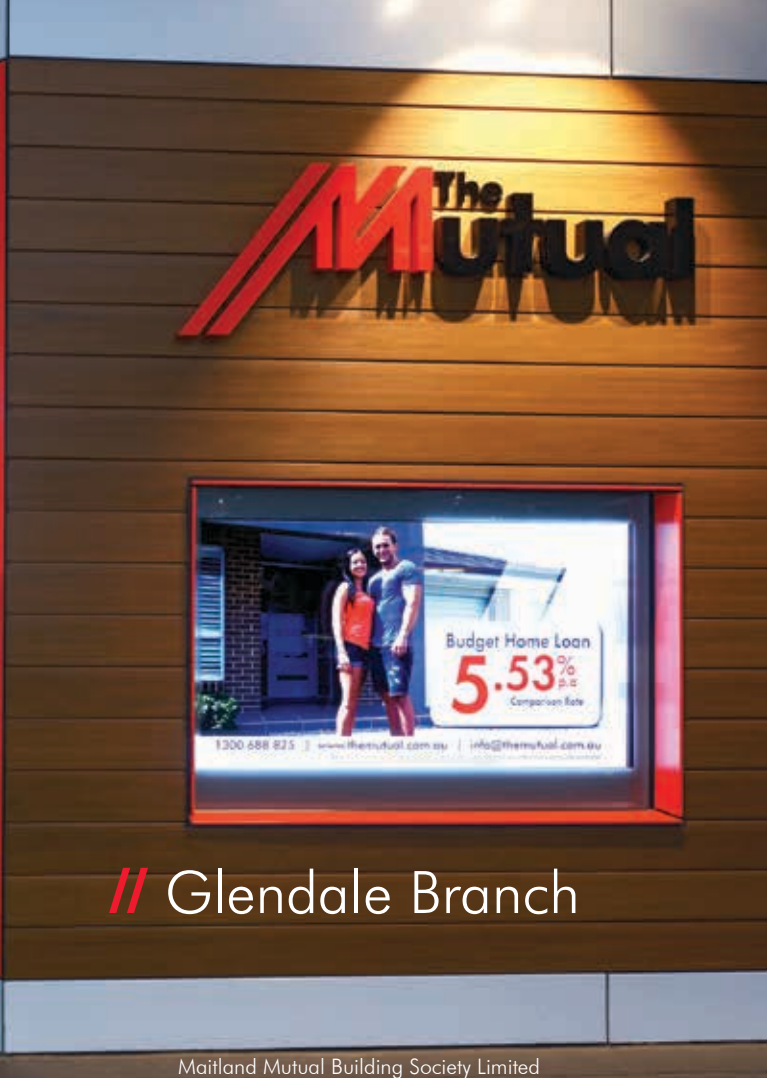


// Australia Day Celebrations 2013



// Maitland Show 2013

// Mobile Banking & Mutual App



// Glendale Branch

Our history



1888

The rules of the Society having been adopted, the next business of the meeting of shareholders on 22 October 1888 was the election of officers.



1892

The Society advanced funds in 1892 to Mrs Kerr to purchase a home in Kensington Road Bolwarra. This home was typical of the homes in the area.



1894

The Society's first business premises, an upstairs office at Scobies Chambers in High Street West Maitland.



1903

The Society moved its office to the ground floor of 4 High Street Maitland and remained there until 1927.



1993

The introduction of the Express ATM Card was promoted by branch staff.



1992

The first ATM installation was at Branxton. By 2013 the number would grow to 17 owned ATMs.



1988

Plaque unveiling to commemorate the Society's 100th anniversary in October 1988.



1986

The Society moved to its current Head Office at 417 High Street Maitland. It was said at the time that Number 417 in the Heritage Mall is in the heart of Maitland's commercial centre.



1995

The Society's Raymond Terrace branch opened at 40 William Street.



2003

Maitland Mutual Building Society and Maitland City Council Employees' Credit Union Merge.



2004

Internet Banking was launched and brochures were created to promote the event.



The Mutual
BANK@school

2006

School banking commences as well as The Mutual's involvement with the Financial Literacy program.



1914-1918 (WW1)

Director, Mr William McLaughlin suggested that the Society should wait and see what effect the war may have on its lending policy. Whilst the war may have been remote, repercussions were soon felt in Maitland.



1918

As advertising in the Maitland Mercury had increased, it was decided a more visual impact would be adopted with a drawing of a cottage incorporated with wording for the first time.



1927

These premises in Church Street Maitland were to be the new office of the Society until 1986.



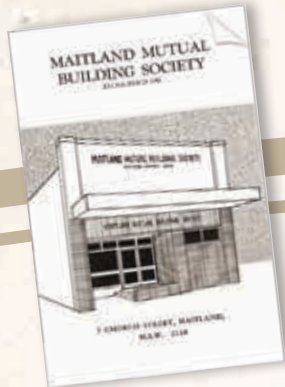
1929-1932 (Great Depression)

"despite the extreme financial strain that members were under, there were very few applications for extensions of time" extract from board minutes.



1981

The Society's first presence in East Maitland when it opened its branch in Lawes Street.



1973

The Society produced its first brochure detailing general and formal terms of the advantages of membership with the Society.



1955 (Maitland Floods)

"should members need extra financial assistance to rehabilitate themselves, every effort should be made to meet their requirements" extract from board minutes.



1939-1945 (WW2)

"because of threatened air raids, consideration should be given to safeguarding the Society's financial records" extract from board minutes.



2008

The Mutual's Rutherford Branch opened in the new Rutherford shopping complex.



2010

The Mutual's Mayfield branch opened on Maitland Road.



2011

The Mutual and Phoenix Credit Union merge.



2012

The Mutual opens its modern design member friendly Glendale branch.

2013

celebrating 125 years

// Chairmen since Inception (1888-Present)



Mr Harry Capper (founding Chairman 1888 - 1910)

Mr Harry Capper served as Chairman of the Society from its very inception. His 22 years of devoted service had seen the fledgling Society weather flood, depression and the financial disasters of the 1890's. By the time of his retirement the Society had consolidated itself into an important commercial institution within the district.



Mr Thomas Dimmock (Chairman 1910 - 1911)

Mr Thomas Dimmock was an original Board member. Declining health and the demands of his own business were making it difficult for him to devote sufficient time to the affairs of the Society which led to his resignation.

Photo
unavailable

Mr John Gash (Chairman 1911 - 1919)

Mr John Gash was elected to the Board as a Director in 1898 and then elected Chairman in 1911. He was not prepared to allow the Society to rest on its laurels and was instrumental in exploring ways in which the Society's business could be expanded.



Mr Robert Logan (Chairman 1919 - 1955)

Mr Logan was Chairman of the Society for 36 years. These were difficult years for a locally based commercial enterprise. Between 1914 and 1940 the population of Maitland increased by only 8% from 11,850 to 12,820.



Mr James McLaughlin (Chairman 1955 - 1964)

Mr James McLaughlin became Chairman of the Society in 1955. It was his task to guide the Society through the aftermath of the 1955 flood and the dilemma of Maitland's future.



Mr Leslie Kearns (Chairman 1964 - 1972)

As the most senior and experienced Board member, Mr Les Kearns was elected Chairman on 15th September 1964. Residential development out of flood reach was encouraged. Residential subdivisions at Rutherford and East Maitland had recently commenced.



Mr Frederick Fahey (Chairman 1972 - 1979)

A successful newsagent and businessman, he had a distinguished career in local government, with three terms as the Mayor of Maitland in 1945, 1949 and 1954.



Mr Harold Mayo (Chairman 1979 - 2009)

A devoted and loyal Chairman Mr Harold Mayo was passionate in his endeavours to ensure that The Society would not only survive, but prosper. Mr Mayo oversaw the introduction of electronic banking. Mr Mayo has been successful in many facets of his life, including business and sport.



Mr John Lane (Chairman 2009 - present)

Mr John Lane has been involved in business and sport in the Maitland Community for many years. His family owned menswear business, Ken Lane Pty Ltd remains a successful business operating in the Maitland CBD. Mr Lane has continued to enhance The Mutual's product range and promote The Mutual's competitiveness and member focus.

// General Managers since Inception (1888-Present)



Mr Frederick Thursby (1888-1924)

Mr Frederick Thursby was in partnership with his father in a drapery business at West Maitland. He served as an Alderman of West Maitland Council for 20 years. In 1911 he served a term as Mayor of West Maitland.



Mr William Thursby (1924-1953)

Following Mr Frederick Thursby's death, his son William succeeded to the office of Secretary/Manager a position he was to hold for the next 29 years. This period was a difficult one, encompassing the Great Depression and World War II.



Mr Albert Finney (1953-1967)

Mr Albert Finney had recently retired from Caledonian Collieries Ltd and commenced his duties as Secretary/Manager soon after. During Mr Finney's term Maitland was to experience its most devastating flood, the 1955 flood.



Mr Reginald Tomkins (1968-1982)

Following a period as manager of an accountancy practice in Maitland Mr Tomkins was appointed Secretary/Manager to the Society in January 1968. Mr Tomkins term at the Society heralded a period of substantial growth.



Mr Allan Bramham (January 1983- April 1983)

Mr Allan Bramham was the Society's Secretary/Manager for a short period of time.



Mr Colin Smith (1983-1994)

Mr Colin Smith took up his duties as Secretary/Manager of the Society in July 1983. Under Mr Smith's direction the Society underwent two major changes. In May 1985 the Society implemented its first computer system and in 1986 the Society moved to its current Head Office at 417 High Street Maitland.



Mr Geoffrey Seccombe (1994-present)

Mr Seccombe has overseen many changes within the organisation in his time at The Mutual. The most significant being the introduction of automated and electronic payment systems, offering personal loans, gaining Authorised Trustee Investment status, and expanding The Mutual's footprint outside the local area. Mr Seccombe is an active member in the Maitland Community.

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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 22 August 2013. 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 2013.

Directors

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

J E Lane

R B Mudford

T T Robinson

S W James

B D Arnott (appointed 1 February 2013)

A Chadwick (retired 31 January 2013)

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. 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. Mr Lane is a Fellow of the Australian Mutuals Institute. He is a member of the Society's Audit, Risk, IT, Remuneration and Nomination and Insurance Committees.



R B Mudford

Mr Mudford joined the board in 2008 and is the Chairman of the Society's Audit Committee. 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 and recently acquired his registration as a self managed superannuation fund auditor. 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.



T T Robinson

Mr Robinson joined the board in 2010. 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. He is also a director of Maple-Brown Abbott Limited, a privately owned Australian investment management company and SDN Children's Services, a not for profit company which provides child care services and programs for children and families who need targeted support.

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



S W James

Mr James joined the board in 2011. He is employed by Arrium as Planning Manager and holds a Bachelor of Engineering degree as well as an Australian Institute of Company Director's Diploma. Mr James is a Fellow of the Australian Mutuals Institute. He was appointed to the Board of Phoenix (NSW) Credit Union in 1999 which merged with the Society in 2011. When he was a director of Phoenix he served on several committees as well as being the Chairman. In addition to his board service, Mr James also has experience in matters relating to Work Health and Safety, Operations Management and Business Systems.

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



B D Arnott

Mr Arnott is the Interim Chief Financial Officer at Forgacs Engineering and a former Director and Vice Chairman of Phoenix Credit Union. He has a strong background in finance with more than 17 years working in senior financial management positions at some of the region's largest companies. Prior to joining Forgacs, Mr Arnott was the Chief Financial Officer and Company Secretary at Hunter based publicly listed engineering company, Bradken. Mr Arnott also has a thorough understanding of the financial industry, particularly in relation to member based, mutual organisations. Mr Arnott is also a Director of Subzero Group Limited a public company in the Mining Services Industry.

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

Company Secretaries

Mr Geoffrey Seccombe. FFin, FAMI, MAICD, JP (appointed in 1994)

General Manager of the Society since 1994 and has over 35 years experience in the finance industry.

Mr Glen Pearson. B Comm, CPA (appointed in 2013)

Manager, Finance and Administration of the Society and has over 15 years experience in a senior role in the building society industry.

Mr Rodney Williams. Dip Law (SAB) (appointed in 2007)

Manager, Legal and Compliance of the Society and has over 30 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.

Member Liability

The Society is a Company limited by shares and guarantee. The Society has not issued shares. The guarantee is provided by members of the Society and is limited to \$5 per member. The total amount that members of the Company are liable to contribute if the Company is wound up is \$44,025.

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 2013, 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
R B Mudford	12	12	4	4	2	2
T T Robinson	12	11	4	4	2	2
S W James	12	11	4	3	2	2
B D Arnott	5	5	2	2	1	1
A Chadwick	7	7	2	2	1	1

	Insurance		Information Technology		Risk	
	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
J E Lane	2	2	1	1	4	4
R B Mudford	-	-	-	-	4	4
T T Robinson	-	-	-	-	4	3
S W James	-	-	-	-	4	4
B D Arnott	-	-	-	-	1	1
A Chadwick	-	-	-	-	3	3

Review of Operations

The profit from ordinary activities after providing for income tax amounted to \$2.068 million (2012: \$2.217 million).

The Society's pre-tax profit for the year was \$2.957 million (2012: \$3.161 million) representing a decrease of 6.45% over the previous financial year.

Total assets increased by 5% to \$523 million for the year to 30 June 2013. (2012: increased 5% to \$498 million).

New loan funding for the year totalled \$110 million, a decrease of 5% to loans funded over last year of \$116 million. The demand for these loans was met by redemptions and repayments from existing loans, the raising of deposits from members and the Society's continued participation in mortgage backed securitisation programs. At reporting date, the value of mortgage loans securitised was \$47 million. Securitisation is a 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

No 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 17.

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, 22 August 2013



Cutcher & Neale
CHARTERED ACCOUNTANTS

Results in Business

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Fax: (02) 4926 1971

www.cutcher.com.au

cnmail@cutcher.com.au

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 2013 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.

I K Neale

Partner

CUTCHER & NEALE

Newcastle, 21 August 2013



Cutcher & Neale
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Results in Business

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To The Members of Maitland Mutual Building Society Limited

Report on the Financial Report

The summary financial statements of Maitland Mutual Building Society Limited comprise the summary statement of profit or loss and other comprehensive income, summary statement of financial position, summary statement of changes in equity, summary statement of cash flows, discussion and analysis of the summary financial statements, and the Directors' declaration derived from the audited financial statements of Maitland Mutual Building Society Limited for the year ended 30 June 2013 as set out on pages 19 to 26.

The summary financial statements do not contain all the disclosures required by Australian Accounting Standards – Reduced Disclosure Requirements. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial report of Maitland Mutual Building Society Limited.

Directors' Responsibility for the Summary Financial Statements

The Directors are responsible for the preparation of a summary of the audited financial statements on the basis described in Note 1.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Auditing Standard ASA 810: *Engagements to Report on Summary Financial Statements*.

Auditor's Opinion

In our opinion, the summary financial statements derived from the audited financial statements of Maitland Mutual Building Society Limited for the year ended 30 June 2013, are consistent, in all material respects with those audited financial statements, on the basis described in Note 1.

I K Neale

Partner

CUTCHER & NEALE

Newcastle, 23 August 2013

The Directors of Maitland Mutual Building Society Limited declare that the summary financial statements of Maitland Mutual Building Society Limited for the financial year ended 30 June 2013, as set out on pages 20 to 26:

- (a) comply with Accounting policies as described in Note 1; and
- (b) have been derived from and are consistent with the full financial statements 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, 22 August 2013

// Summary Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
Interest income	2	30,023	33,098
Interest expense	2	(19,951)	(23,370)
Net interest income		<u>10,072</u>	<u>9,728</u>
Fee and commission income	3	1,391	1,404
Fee and commission expense	4	(605)	(629)
Net fee and commission income		<u>786</u>	<u>775</u>
Other operating income	3	103	60
Net impairment (losses)/reversals on loans and advances		3	(9)
Employee costs		(4,164)	(3,818)
Depreciation and amortisation		(572)	(564)
Printing and stationery		(145)	(108)
Marketing expenses		(472)	(532)
Other expenses		(2,654)	(2,371)
Profit before income tax		<u>2,957</u>	<u>3,161</u>
Income tax expense		(889)	(944)
Profit attributable to members		<u>2,068</u>	<u>2,217</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>2,068</u></u>	<u><u>2,217</u></u>

The above Summary Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

// Summary Statement of Financial Position

as at 30 June 2013

	2013 \$'000	2012 \$'000
Assets		
Cash and cash equivalents	88,310	80,970
Placements with other financial institutions	50	97
Loans and advances to members	430,514	413,130
Other receivables	322	462
Financial assets	48	48
Intangible assets	262	268
Property, plant and other equipment	3,314	2,890
Deferred tax assets	423	369
Total Assets	<u>523,243</u>	<u>498,234</u>
Liabilities		
Deposits from other financial institutions	10,632	5,750
Deposits due to members	428,510	396,683
Other borrowed funds	50,451	64,525
Payables	540	507
Current tax liabilities	302	159
Provisions	1,081	879
Deferred tax liabilities	135	207
Total Liabilities	<u>491,651</u>	<u>468,710</u>
Net Assets	<u>31,592</u>	<u>29,524</u>
Equity		
Reserves	15,620	15,620
Retained earnings	11,244	9,176
Contributed equity	4,728	4,728
Total Equity	<u>31,592</u>	<u>29,524</u>

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

// Summary Statement of Changes in Equity

for the year ended 30 June 2013

2013

	Retained Earnings \$'000	Contributed Equity \$'000	General Reserve \$'000	Reserve for Credit Losses \$'000	Total \$'000
Balance at 1 July 2012	9,176	4,728	15,000	620	29,524
Profit attributable to members	2,068	-	-	-	2,068
Balance at 30 June 2013	11,244	4,728	15,000	620	31,592

2012

	Retained Earnings \$'000	Contributed Equity \$'000	General Reserve \$'000	Reserve for Credit Losses \$'000	Total \$'000
Balance at 1 July 2011	6,959	4,728	15,000	620	27,307
Profit attributable to members	2,217	-	-	-	2,217
Balance at 30 June 2012	9,176	4,728	15,000	620	29,524

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

// Summary Statement of Cash Flows

for the year ended 30 June 2013

	2013 \$'000	2012 \$'000
Cash flows from operating activities		
Interest received	30,091	32,905
Fees and commissions received	1,391	1,404
Other cash receipts in the course of operations	195	157
Interest paid	(19,951)	(23,370)
Fees and commissions paid	(605)	(629)
Payments to employees and suppliers (incl. GST)	(7,166)	(6,976)
Income taxes paid	(873)	(848)
Net (increase)/decrease in loans and advances to members	(17,388)	(22,611)
Net increase/(decrease) in deposits due to members/from financial institutions	36,709	25,642
Net cash provided by (used in) operating activities	<u>22,403</u>	<u>5,674</u>
Cash flows from investing activities		
Aquisition of property, plant and equipment and intangibles	(989)	(353)
Net cash used by investing activities	<u>(989)</u>	<u>(353)</u>
Cash flows from financing activities		
Net proceeds from debt securities issued, other deposits and other borrowed funds	(14,074)	(3,908)
Net cash used by financing activities	<u>(14,074)</u>	<u>(3,908)</u>
Net increase in cash and cash equivalents held	7,340	1,413
Cash and cash equivalents at the beginning of the financial year	<u>80,970</u>	<u>79,557</u>
Cash and cash equivalents at the end of the financial year	<u>88,310</u>	<u>80,970</u>

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

// Notes to the Financial Statements

for the year ended 30 June 2013

1 Accounting Policies

The summary financial statements have been prepared from the audited financial report of Maitland Mutual Building Society Limited for the year ended 30 June 2013. The audited report for the year ended 30 June 2013 is available at request from Maitland Mutual Building Society Limited.

The financial statements, specific disclosures and the other information included in the summary financial statements are derived from and are consistent with the full financial statements of Maitland Mutual Building Society Limited. The summary financial statements 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 statements.

The accounting policies have been consistently applied to Maitland Mutual Building Society Limited and are consistent with those of the financial year 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

	2013		
	Average balance	Interest	Average rate
	\$'000	\$'000	%
Cash and cash equivalents	84,046	3,320	3.95
Loans and advances to members	419,296	26,703	6.37
	<u>503,342</u>	<u>30,023</u>	<u>5.96</u>
Deposits from other financial institutions	7,375	311	4.22
Deposits due to members	409,939	16,790	4.10
Other borrowed funds	59,612	2,850	4.78
	<u>476,926</u>	<u>19,951</u>	<u>4.18</u>
Net interest income		<u>10,072</u>	

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

	2012		
	Average balance	Interest	Average rate
	\$'000	\$'000	%
Cash and cash equivalents	75,534	4,052	5.36
Loans and advances to members	403,492	29,046	7.20
	<u>479,026</u>	<u>33,098</u>	<u>6.91</u>
Deposits from other financial institutions	2,521	139	5.52
Deposits due to members	383,364	19,309	5.04
Other borrowed funds	65,739	3,922	5.97
	<u>451,624</u>	<u>23,370</u>	<u>5.17</u>
Net interest income		<u>9,728</u>	

// Notes to the Financial Statements

for the year ended 30 June 2013

3 Non-Interest Revenue

	2013 \$'000	2012 \$'000
Fee and commission income		
Management fees	680	707
Transaction fees	301	291
ATM fees	212	201
Commissions	<u>198</u>	<u>205</u>
	<u>1,391</u>	<u>1,404</u>
Other operating income		
Rental income	36	37
Net gain/(loss) on disposal of plant and equipment	-	(1)
Other income	<u>67</u>	<u>24</u>
	<u>103</u>	<u>60</u>
4 Non-Interest Expense		
Fee and commission expense		
Brokerage and trailing fees paid	67	57
Other	<u>538</u>	<u>572</u>
Total	<u>605</u>	<u>629</u>

// Discussion and Analysis of the Summary Financial Statements

for the year ended 30 June 2013

Information on Maitland Mutual Building Society Limited Financial Statements

The financial statements and disclosures in the summary financial statements have been derived from the 2013 financial statements of Maitland Mutual Building Society Limited.

A copy of the full financial statements 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 summary financial statements. The discussion and analysis is based on Maitland Mutual Building Society Limited's financial statements and the information contained in the summary financial statements has been derived from the 2013 financial statements of Maitland Mutual Building Society Limited.

Summary Statement of Profit or Loss and Comprehensive Income

Total interest income decreased by \$3.08 million to \$30.02 million representing a decrease of 9.3%. Interest income has mainly decreased due to the reduction in the interest rates charged to members on their loans.

Net interest income increased by \$0.34 million to \$10.07 million. The increase in the Society's net interest income was mainly due to an increase in lending volumes over the period and the cost of funding those loans has reduced.

Net fee and commission income to June 2013 increased slightly over the corresponding period due mainly to the increase in commission income and loan applications.

Employee costs increased over that of the previous year due to incremental wage increases from annual reviews and industrial awards as well as higher staff numbers resulting from the opening of the new branch at Glendale.

Summary Statement of Financial Position

Total assets of The Mutual increased by \$25.01 million which represents an increase of 5.0%. The increase was due principally to increased lending volumes and holdings of cash investments. Partially offsetting this increase was The Mutual's reduced participation in the securitisation program from \$59.68 million to \$46.68 million.

Total loans to members increased by 4.21% to \$430.51 million.

Total liabilities increased by 4.89% to \$491.65 million and was mainly due to increases in the balances with depositors and other borrowed funds.

The ratio of net assets to total assets increased from 5.93% to 6.04% due to the inclusion of the after tax profit.

Summary Statement of Changes in Equity

At 30 June 2013, total equity for The Mutual increased by \$2.07 million to \$31.59 million. The increase in total equity was due to The Mutual's net profit for the year.

Summary Statement of Cash Flows

The summary statement of cash flows shows that there has been an increase in cash during the year of \$7.3 million.

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