

// Annual Report 2014



Despite a backdrop of challenging economic and competitive conditions, it is extremely pleasing to report that the Mutual has delivered an increased profit result for the 2014 financial year.

Driven by an increased demand for consumer credit, our strong operating performance is in line with our strategic plan, reflecting an improvement in asset quality, fiscal discipline around operating costs and building the Mutual brand beyond our traditional boundaries.

Overwhelmingly, this result strengthens our position as a mutual organisation dedicated to providing members with quality and affordable financial products and services.

We exist to serve our members and constantly strive to provide better service standards, performance levels and maintain our status as a totally member focused organisation.

Financial Performance

The Mutual's after tax profit for the year ending 30 June 2014 was \$2.382 million, representing a 15.2% increase on the 2013 financial year result. This is particularly pleasing given the intense competition in the home lending market. Record low interest rates saw some financial institutions offering loans at rates that were unsustainable while at the same time lowering their credit quality criteria.

This led to our industry regulator the Australian Prudential Regulation Authority (APRA), issuing a number of general warnings to the lending industry regarding credit criteria and serviceability standards. APRA was concerned that borrowers could experience lending difficulties if interest rates were to increase.

Throughout this period we maintained our disciplined position regarding lending criteria standards, which has not only resulted in our loans in arrears position remaining at an historically low level, but we also achieved a 4.5% increase in loans advanced to \$115 million.

Our Capital Adequacy Ratio of 15.03% remains well above our prudential requirements and that of many other authorised deposit-taking institutions in Australia. This ratio, along with our strong asset position, is a clear indicator of the Mutual's financial strength and security.

Other 2014 financial year highlights include:

- ▶ 4.6% increase in total assets to \$547.27 million
- ▶ 7.5% increase in members' equity to \$33.97 million
- ▶ 4.8% increase in loans and advances to \$451.64 million

Our profit result provides the capability to expand our business, enhance our product and service offering to members and ensures that the Mutual remains sustainable into the future.

Operational Highlights

The Mutual achieved a remarkable milestone during the 2014 financial year celebrating 125 years of continuous operation. This is certainly a fantastic achievement. We continue to evolve and deliver in the competitive financial services industry in meeting the many challenges and requirements of our dedicated membership base. The celebration was marked by a formal dinner at Maitland Town Hall in October 2013.

The Mutual joined the Westpac Group ATM network, which now gives our members the opportunity to use their Visa Debit Card at any ATM within the Westpac Group network, free of ATM direct charge fees. This provides a real advantage to our members in terms of nationwide access and cost savings.

Building the Mutual brand beyond our traditional boundaries is an important feature of our strategic plan. Critical to this was the development and execution of the highly successful "Happy" advertising television campaign. It resulted in considerable increases in enquiries at branch level, particularly in areas such as Glendale and Mayfield where our most recent branches are located.



Trevor Robinson

Our branch network remains a very important component of our service delivery. The Mutual is committed to providing ongoing face-to-face service to our members. The new look, open plan design of our Glendale branch has been very well received and will become the blueprint for future branch upgrades. In line with our Strategic Plan, we aim to roll out further branch refurbishments in the coming 12 months.

The industry-wide move to phase out signature authorisation on most credit and debit cards issued in Australia was another major project for the Mutual. In a bid to crack down on credit and debit card fraud, from 1 August transactions can only be approved in person by the use of a Personal Identification Number (PIN). A communications plan was rolled out to our members to ensure they were aware of the changes to avoid any issues as a result of the transition.

In May, Geoffrey Seccombe celebrated 25 years continuous service with the Mutual; 20 years of which as our General Manager. This is a wonderful achievement for Geoffrey, and testament to his unwavering commitment and loyalty to the Mutual and our continued strong results. On behalf of the Board, I would like to congratulate him on what has been a wonderful career at the Mutual and we look forward to his continued leadership of our operations.

Other operational highlights included:

- ▶ Progressing ahead of schedule on meeting our increased obligations relating to changes to the Anti Money Laundering and Counter Terrorism Financing legislation.
- ▶ Extending our range of home loan products for Self Managed Superannuation Funds (SMSF).
- ▶ Further enhancing our risk and compliance functionality to ensure we have in place a robust framework capable of identifying potential risks within our operating environment.

Corporate and Social Responsibility

The Mutual has continued a proud tradition of supporting the communities we serve.

The Mutual was heavily involved with three local councils in the promotion of their 2014 Australia Day events. The councils involved were Maitland, Lake Macquarie and Port Stephens. Staff from The Mutual assisted on the day by participating in the celebrations. Planning is well under way to again sponsor these events in January 2015.

Our Bank@school program is also another valuable project which the Mutual continues to support. It is an invaluable asset in teaching young children the importance of saving.

The Mutual was one of a number of financial institutions that partnered the Hunter Valley Youth Express in 2014. The program provides Lower Hunter Valley high school students the opportunity to learn and engage with industry-led financial expertise covering a range of relevant topics. The Mutual has partnered Youth Express since its inception in 2011. It has now reached nearly 4,000 high school students across the region.

Mutuality and our Members

The Board has again confirmed its wholehearted commitment to the principle of mutuality. We exist to serve and provide benefits to our members. They are the reason we open our doors every day.

As a mutual organisation we don't have any shareholders or pay dividends. Therefore, our value and profits are retained and invested back into the business to provide members with better value products and services and to support the communities we serve. This is reflected in our highly competitively priced loan and deposit products, transactional products that have very attractive fee structures, as well as our well trained and knowledgeable staff who strive to provide members with outstanding service.

Appreciation

As the newly elected Chairman of the Mutual I would like to express my gratitude to the Board for bestowing on me the honour of this esteemed position. I am very much looking forward to continuing to build on our rich history as one of Australia's oldest financial institutions.

I would like to take this opportunity to thank our outgoing Chairman, Mr John Lane. He was inspirational in his role as Chairman. The Mutual's financial strength, growth and reputation are testimony to his dedication and leadership. On behalf of all at the Mutual I wish John and his family all the very best for the future.

I also welcome two outstanding appointments to the Board of the Mutual, Melinda Smith-Coates and Alan Wells.

Melinda had a distinguished media career before moving into the corporate world. She was a senior, award winning journalist at NBN Television (Newcastle) before co-anchoring their nightly news bulletin for more than 10 years. She also managed NBN's Corporate Projects, an initiative that supported health, education and welfare programs across the Hunter. Melinda is currently the Manager Corporate Affairs/ Communications with the Hunter Valley Training Company and holds a Master of Business graduating with distinction from the University of Newcastle.

Alan has lived in Maitland all his life and is a registered town planner with extensive experience in consulting and local government. He also brings to the Board a wealth of practical experience in the environmental consultancy sphere. Alan holds a Bachelor of Arts (Geography) and is a Certified Practising Planner and a Fellow of the Australian Institute of Company Directors.

I wish to thank my fellow Directors for their commitment, dedication and counsel over the previous 12 months. They are passionate about their role and constantly strive to find enhancements to make the Mutual the preferred provider of financial services to our increasing membership base.

Outlook

The Australian economy continues to face a number of challenges relating to consumer confidence and a higher than expected level of unemployment. The weakness in the labour market also implies a lower than normal growth in wages. This will challenge the economy to drive a sufficiently strong lift in household and business spending to counter the effects of a declining mining industry.

The softness in the labour market, combined with weak wages growth, makes it difficult to argue for a stronger economic outlook. The latest growth and inflation forecasts released by the Reserve Bank of Australia suggest that low interest rates could be in place for some time to come. Despite no change in the official cash interest rate since August 2013, rates for both depositors and borrowers have drifted lower and this trend is likely to continue.

There is little on the horizon capable of presenting a case strong enough for the Reserve Bank to increase rates but there is plenty to suggest that the cash rate should remain at its current level.

The Government's Financial System Inquiry (FSI) is underway and aims to identify market changes in the aftermath of the global financial crisis and recommend new regulatory requirements. It is expected that the FSI will help chart a new course for Australia's financial system. In doing so we are cautiously optimistic that the mutual sector (that is building societies, credit unions and mutual banks) will be recognised as a competitive player and that barriers to the future success for member owned financial institutions will be removed. This outcome can only benefit consumers, as it will significantly increase competition and innovation that the mutual sector can provide.

At a local level, our increased presence in the Newcastle and Lake Macquarie areas, along with an increasing awareness of the Mutual brand and product offerings, positions us well to take advantage of any upturn in borrowing activity.

Our financial strength, expertise, dedicated employees and commitment to helping our members prosper, places us as a real and viable alternative to other financial institutions.

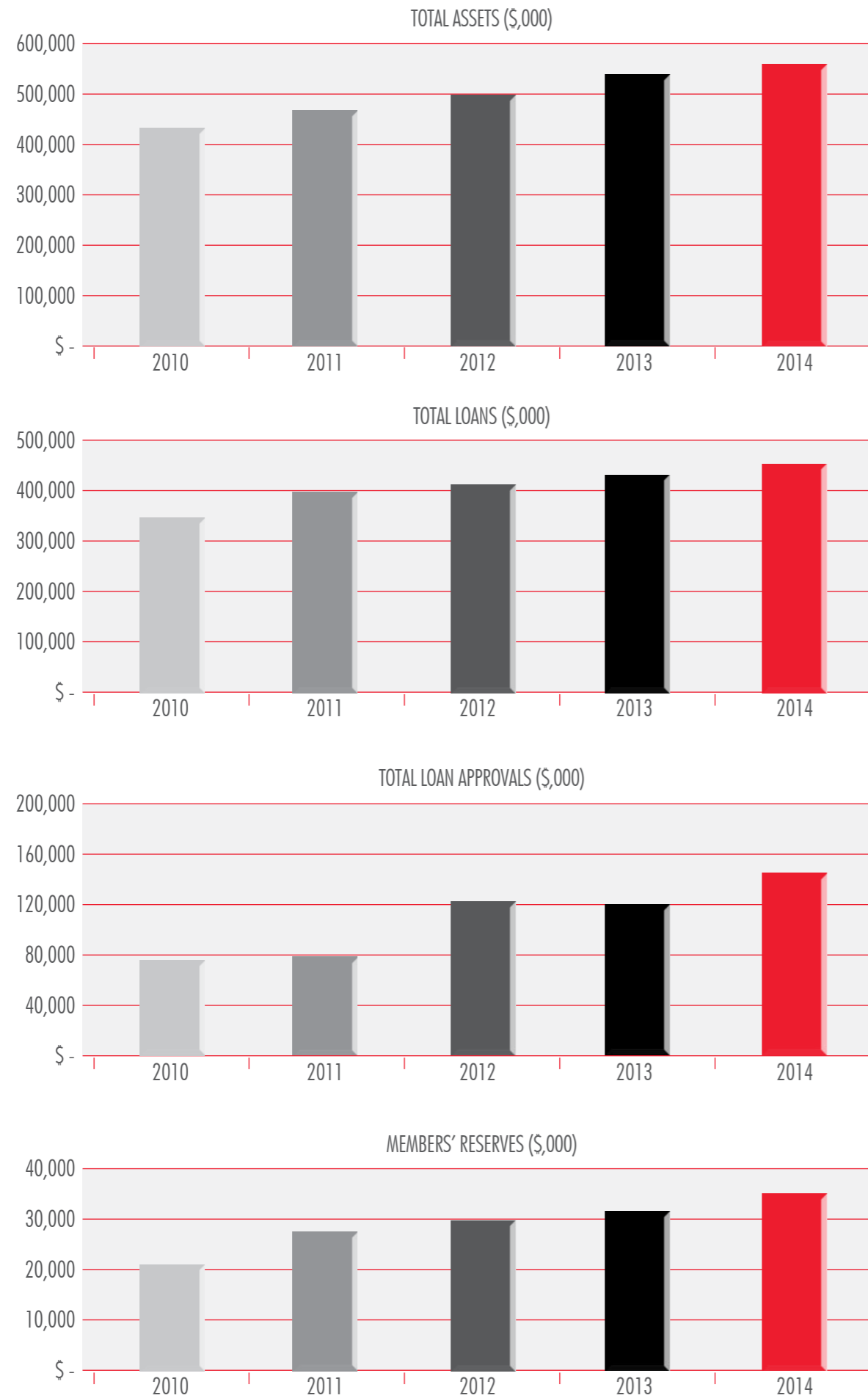
The operating environment for the Mutual remains challenging. However, we remain focused and committed to serving the needs of all of our members. We all look forward with great confidence, optimism and enthusiasm to champion our cause and to face whatever challenges that may lie ahead.

Trevor Robinson

Chairman

// Performance Charts

30 June 2014



// Board of Directors

30 June 2014



Left to right - Bruce Arnott, Melinda Smith-Coates, Stephen James, Trevor Robinson, Richard Mudford, Alan Wells

// Management Team



Left to right - Ian Robinson, Todd Paterson, Noeleen Davidson, Bill O' Mally, Ken Archer, Glen Pearson, Marina Spallino, Kate Newman, Geoffrey Seccombe (General Manager), Gary Hainsworth, Blake Evans, Kieran Quigley, Scott Pulbrook, Rod Williams

// In the Community



// Australia Day Celebrations 2014



// 125 Year Celebration



// Brazilian Delegation of Credit Unions Visits The Mutual



// Geoff Seccombe Celebrates 25 Years Service



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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 21 August 2014. The Mutual has the power to amend and reissue the financial report.

Your Directors present their report on the Mutual for the financial year ended 30 June 2014.

Directors

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

Trevor T Robinson
Richard B Mudford
Stephen W James
Bruce D Arnott
Melinda J Smith-Coates (appointed March 2014)
Alan K Wells (appointed March 2014)
John E Lane (retired June 2014)

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

Information on Directors



Trevor T Robinson (Chairman)

Mr Robinson joined the Board in 2010 and was appointed its Chairman in June 2014. 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.

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



Richard B Mudford

Mr Mudford joined the Board in 2008 and is the Chairman of the Mutual'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 and New Zealand, a Registered Tax Agent, Company Auditor and Registered External Examiner of Trust Accounts for the Law Society of New South Wales and maintains 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 Rotary Club and has been awarded a Rotary Paul Harris Fellowship.

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



Stephen W James

Mr James joined the Board in 2011 and is the Chairman of the Mutual's Risk Committee. He is employed by Arrium as Planning Manager and holds a Bachelor of Engineering 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 Mutual 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 Mutual's Audit, Risk, and Remuneration and Nomination Committees.



Bruce D Arnott

Mr Arnott joined the Board in 2013. He is a former Director and Vice Chairman of Phoenix (NSW) Credit Union. He has a strong background in finance with more than 18 years working in senior financial management positions at some of the region's largest companies. Mr Arnott was the Chief Financial Officer and Company Secretary at Hunter based publicly listed engineering company, Bradken. He 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 Mutual's Audit, Risk, and Remuneration and Nomination Committees.



Melinda J Smith-Coates

Mrs Smith-Coates joined the Board in March 2014. She is currently Manager Corporate Affairs/ Communications with the Hunter Valley Training Company and holds a Master of Business graduating with distinction from the University of Newcastle. She was a senior award-winning journalist at NBN Television (Newcastle) and News Presenter for more than 10 years. Mrs Smith-Coates also managed NBN's Corporate Projects, an initiative that supported health, education and welfare programs across the Hunter Community.

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



Alan K Wells

Mr Wells joined the Board in March 2014. He is a registered town planner with extensive experience in consulting and local government. Mr Wells holds a Bachelor of Arts (Geography) from Newcastle University and has had a long career in local government serving councils across the Hunter. He moved into private enterprise in the 1990's and was appointed Executive Chairman of HLA-Envirosciences Pty Ltd in 1999 and was primarily responsible for growing the environmental consultancy business. In 2003 he established Wells Environmental Services which was acquired by Kleinfelder Australia in 2012. Mr Wells is a Fellow of the Australian Institute of Company Directors.

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

Company Secretaries

Mr Geoffrey Seccombe. FFin, FAMI, MAICD, JP (appointed in 1994)
General Manager of the Mutual since 1994 and has 40 years experience in the finance industry.

Mr Glen Pearson. B Comm, CPA (appointed in 2013)
Manager, Finance and Administration of the Mutual 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 Mutual and has over 30 years experience in private practice.

Principal Activities

The principal activities of the Mutual 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 Mutual is a Company limited by shares and guarantee. The Mutual has not issued shares. The guarantee is provided by members of the Mutual aged 18 years or older and is limited to \$5 per member. The total amount that members of the Mutual are liable to contribute if the Mutual is wound up is \$46,685.

Meetings of Directors

The number of meetings of the Mutual's Board of Directors and of each Board Committee held during the year ended 30 June 2014, and the number of meetings attended by each Director were:

	Board Meetings		Audit		Remuneration and Nomination	
	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
Trevor T Robinson	12	12	4	4	1	1
Richard B Mudford	12	12	4	4	1	1
Stephen W James	12	11	4	4	1	1
Bruce D Arnott	12	9	4	3	1	-
Melinda J Smith-Coates	4	3	1	1	1	-
Alan K Wells	4	4	1	1	1	1
John E Lane	12	12	4	4	1	1

	Insurance		Information Technology		Risk	
	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
Trevor T Robinson	-	-	-	-	3	3
Richard B Mudford	-	-	-	-	3	3
Stephen W James	-	-	-	-	3	3
Bruce D Arnott	-	-	-	-	3	2
Melinda J Smith-Coates	-	-	-	-	2	2
Alan K Wells	-	-	-	-	2	2
John E Lane	1	1	2	2	3	3

Review of Operations

The profit from ordinary activities after providing for income tax amounted to \$2.382 million (2013: \$2.068 million).

The Mutual's pre-tax profit for the year was \$3.404 million (2013: \$2.957 million) representing an increase of 15% over the previous financial year.

Total assets increased by 5% to \$547 million for the year to 30 June 2014 (2013: increased 5% to \$523 million).

New loan funding for the year totalled \$115 million, an increase of 5% to loans funded over last year of \$110 million. The demand for these loans was met by redemptions and repayments from existing loans, the raising of deposits from members and the Mutual's continued participation in mortgage backed securitisation programs. At reporting date, the value of mortgage loans securitised was \$34 million. Securitisation is a part of the Mutual's capital management and funding activities. Securitisation is a means of funding loans originated by the Mutual.

Short and Long Term Objectives

The Mutual has established short and long term objectives as outlined in the Mutual'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 Mutual'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 Mutual, the results of those operations or the state of affairs of the Mutual 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 13.

Future Developments

Likely developments in the operations of the Mutual 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 Mutual.

Environmental Issues

The Mutual'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 Mutual paid a premium in respect of a contract insuring Directors and officers of the Mutual against liability. The officers of the Mutual 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 Mutual, 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 Mutual. 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 Mutual.

Proceedings on behalf of the Mutual

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

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

Rounding of Amounts

The Mutual 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:

Trevor T Robinson

Director

Richard B Mudford

Director

Maitland, 21 August 2014



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 2014 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.

Ian K Neale

Partner

CUTCHER & NEALE

Newcastle, 20 August 2014



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 ("the Mutual") 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, notes to the summary financial statements, discussion and analysis of the summary financial statements, and the Directors' declaration derived from the audited financial statements of the Mutual for the year ended 30 June 2014 as set out on pages 15 to 22.

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 the Mutual.

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 2014, are consistent, in all material respects with those audited financial statements, on the basis described in Note 1.

Ian K Neale

Partner

CUTCHER & NEALE
Newcastle, 22 August 2014

The Directors of Maitland Mutual Building Society Limited declare that the summary financial statements of the Mutual for the financial year ended 30 June 2014, as set out on pages 16 to 22:

- (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 the Mutual.

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

Trevor T Robinson

Director

Richard B Mudford

Director

Maitland, 21 August 2014

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

for the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Interest income	2	28,348	30,023
Interest expense	2	(17,103)	(19,951)
Net interest income		<u>11,245</u>	<u>10,072</u>
Fee and commission income	3	1,489	1,386
Fee and commission expense	4	(740)	(605)
Net fee and commission income		<u>749</u>	<u>781</u>
Other operating income	3	136	108
Net impairment (losses)/reversals on loans and advances		(11)	3
Employee costs		(4,486)	(4,164)
Depreciation and amortisation		(644)	(572)
Marketing expenses		(524)	(472)
Printing and stationery		(113)	(145)
Other expenses		(2,948)	(2,654)
Profit before income tax		<u>3,404</u>	<u>2,957</u>
Income tax expense		(1,022)	(889)
Profit attributable to members		<u>2,382</u>	<u>2,068</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>2,382</u></u>	<u><u>2,068</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 2014

	2014 \$'000	2013 \$'000
Assets		
Cash and cash equivalents	67,860	88,056
Placements with other financial institutions	50	50
Loans and advances to members	451,639	430,846
Other receivables	1,066	576
Financial assets	23,056	48
Intangible assets	210	262
Property, plant and other equipment	2,998	3,314
Deferred tax assets	387	288
Total Assets	<u>547,266</u>	<u>523,440</u>
Liabilities		
Deposits from other financial institutions	24,271	10,632
Deposits due to members	449,284	428,510
Other borrowed funds	37,195	50,782
Payables and other accruals	944	541
Current tax liabilities	334	302
Provisions	1,264	1,081
Total Liabilities	<u>513,292</u>	<u>491,848</u>
Net Assets	<u>33,974</u>	<u>31,592</u>
Equity		
Reserves	15,620	15,620
Retained earnings	13,626	11,244
Contributed equity	4,728	4,728
Total Equity	<u>33,974</u>	<u>31,592</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 2014

2014

	Retained Earnings \$'000	Contributed Equity \$'000	General Reserve \$'000	Reserve for Credit Losses \$'000	Total \$'000
Balance at 1 July 2013	11,244	4,728	15,000	620	31,592
Profit attributable to members	2,382	-	-	-	2,382
Balance at 30 June 2014	13,626	4,728	15,000	620	33,974

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

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 2014

Cash flows from operating activities

	2014 \$'000	2013 \$'000
Interest received	27,858	29,909
Fees and commissions received	1,489	1,386
Other cash receipts in the course of operations	216	200
Interest paid	(17,103)	(19,951)
Fees and commissions paid	(542)	(605)
Payments to employees and suppliers (incl. GST)	(7,774)	(7,238)
Income taxes paid	(1,089)	(871)
Net (increase)/decrease in loans and advances to members	(20,793)	(17,719)
Net increase/(decrease) in deposits due to members/from financial institutions	34,413	36,708
Net cash provided by (used in) operating activities	<u>16,675</u>	<u>21,819</u>

Cash flows from investing activities

Proceeds from sale of plant and equipment	5	-
Purchases of property, plant and equipment and intangibles	(281)	(990)
Purchase of financial assets	(23,008)	-
Net cash used by investing activities	<u>(23,284)</u>	<u>(990)</u>

Cash flows from financing activities

Net proceeds from debt securities issued, other deposits and other borrowed funds	(13,587)	(13,743)
Net cash used by financing activities	<u>(13,587)</u>	<u>(13,743)</u>
Net increase (decrease) in cash and cash equivalents held	(20,196)	7,086
Cash and cash equivalents at the beginning of the financial year	88,056	80,970
Cash and cash equivalents at the end of the financial year	<u>67,860</u>	<u>88,056</u>

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

1 Accounting Policies

The summary financial statements have been prepared from the audited financial report of Maitland Mutual Building Society Limited ("the Mutual") for the year ended 30 June 2014. The audited report for the year ended 30 June 2014 is available at request from the Mutual.

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 the Mutual. 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 the Mutual as the full financial statements.

The accounting policies have been consistently applied to the Mutual 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 Mutual from last year.

2 Analysis of Interest Revenue and Interest Expense

a)

	2014		
	Average balance \$'000	Interest \$'000	Average rate %
Interest revenue			
Cash and cash equivalents	79,663	2,549	3.20
Loans and advances to members	439,749	25,418	5.78
Held to maturity investments	12,589	381	3.03
	<u>532,001</u>	<u>28,348</u>	<u>5.33</u>
Interest expense			
Deposits from other financial institutions	10,589	443	4.18
Deposits due to members	447,806	14,736	3.29
Other borrowed funds	42,830	1,924	4.49
	<u>501,225</u>	<u>17,103</u>	<u>3.41</u>
Net interest income		<u>11,245</u>	

b)

	2013		
	Average balance \$'000	Interest \$'000	Average rate %
Interest revenue			
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>
Interest expense			
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>	

3 Non-Interest Revenue

	2014 \$'000	2013 \$'000
Fee and commission income		
Management fees	788	685
Transaction fees	277	291
ATM fees	217	212
Commissions	<u>207</u>	<u>198</u>
	<u>1,489</u>	<u>1,386</u>
Other operating income		
Rental income	36	36
Net gain/(loss) on disposal of plant and equipment	<u>100</u>	<u>72</u>
	<u>136</u>	<u>108</u>
4 Non-Interest Expense		
Fee and commission expense		
Brokerage and trailing fees paid	107	67
Other	<u>633</u>	<u>538</u>
Total	<u>740</u>	<u>605</u>

// Discussion and Analysis of the Summary Financial Statements

for the year ended 30 June 2014

Information on Maitland Mutual Building Society Limited Financial Statements

The financial statements and disclosures in the summary financial statements have been derived from the 2014 financial statements of the Mutual.

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 the Mutual's financial statements and the information contained in the summary financial statements and has been derived from the 2014 financial statements of the Mutual.

Summary Statement of Profit or Loss and Other Comprehensive Income

Total interest income decreased by \$1.68 million to \$28.34 million representing a decrease of 5.6%. Interest income has mainly decreased due to the reduction in the interest rates charged to members on their loans.

Net interest income increased by \$1.17 million to \$11.24 million. The increase in the Mutual'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 2014 increased 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.

Summary Statement of Financial Position

Total assets of the Mutual increased by \$23.83 million which represents an increase of 4.6%. The increase was due principally to increased lending volumes and holdings of cash and financial assets. Partially offsetting this increase was the Mutual's reduced participation in the securitisation program from \$46.68 million to \$34.08 million.

Total loans to members increased by 4.8% to \$451.64 million.

Total liabilities increased by 4.4% to \$513.29 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 6.04% to 6.21% due to the inclusion of the after tax profit.

Summary Statement of Changes in Equity

At 30 June 2014, total equity for The Mutual increased by \$2.38 million to \$33.97 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 a decrease in cash during the year of \$20.2 million, resulting from the purchase of \$23.1 million in financial assets.



// The Mutual's open plan Glendale branch



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