Annual Financial Report **2010**

Hume's values express
the principles that serve
to guide our decisions and actions.

Compassion

Respect

Aspiration

Commitment

Responsive

Hume Building Society Ltd
ABN 85 051 868 556
AFSL No. 244248
www.humebuild.com.au

Financial Report

for the year ended

30 June **2010**

Contents

Directors' Report

The Directors present their report, together with the financial statements of Hume Building Society Ltd (the Society), for the financial year ended 30 June 2010 and the Auditor's report thereon.

Directors

The names of the Directors of the Society at any time during or since the end of the financial year are:

Name and qualifications	*Experience and special responsibilities*
Ulf Olof Ericson B Ec, B Comm, Grad Dip Advanced Taxation Law, Dip Law (BAB), FCA, MAICD, FTIA Independent, non-executive Director.	Chartered Accountant – Partner Huon Group, Chartered Accountants. Board member since June 1988 and Chairman since 1998. Chairman of the Remuneration and Human Resources Committee and member of the Audit Committee and the Risk Committee. Ulf is Chairman of Albury Wodonga Health, member of several committees of Albury Wodonga Health; Board member of the Community Advisory Board for the Albury Wodonga Campus of the University of NSW Rural Clinical School; Board member of Wodonga Institute of TAFE and Chairman of the Audit and Risk Committee of Wodonga Institute of TAFE.
Feynella Joy Stocker (Joy) B Ed, M Ed (Adult Ed) Independent, non-executive Director.	Director, Educational Planning and Development, TAFE NSW Riverina Institute. Board member since October 1993. Appointed as Deputy Chairman in November 2008. Chairman of the Risk Committee and member of the Remuneration and Human Resources Committee. Joy is a member of the Charles Sturt University Regional Consultative Committee.
Stuart James Gilchrist B. Eco and Politics Independent, non-executive Director.	Director. Board member since March 2007. Member of the Risk Committee and the Remuneration and Human Resources Committee. Stuart has been on the Boards of various Mitre 10 companies for 15 years and was Chairman of Mitre 10 South West Ltd for 4 years.
William Thomas Hanrahan B Bus, Cost Acc P Cert, FCA, FCPA, FCIS, Dip SIA SF Fin, FAICD, B R Studies, B Leg S, Hon D Bus CSturt Non-independent, Non-executive Director.	Former CEO of the Society for 20 years. Board member since June 1985. Chairman of the Audit Committee and member of the Risk Committee. Chairperson of the Albury Wodonga Corporation and Chairman of AlburyCity Audit Committee.
Louis Stuart Lieberman Dip Law (SAB), FAICD Independent, non-executive Director.	Director. Board member since October 1998. Member of the Risk Committee and the Remuneration and Human Resources Committee. Lou has had a long career in business, the law and community affairs.
Leo Francis O'Reilly FCA Independent, non-executive Director.	Chartered Accountant - former partner of an Accounting Firm. Board member since February 1998. Member of the Audit Committee and the Risk Committee. Leo is a member of AlburyCity Audit Committee and a community representative Director of the Albury Wodonga Regional GP Network.
Karyl Denise Osborne (Denise) Independent, non-executive Director.	Board member since March 2007. Member of the Audit Committee and the Risk Committee. Denise is the Mayor of the Greater Hume Shire Council and is on the Boards of the YES Youth & Family Services, Back to Reality, ATEL, Murray Regional Development Association, Murray Arts and Country Energy Regional Advisory.

Company Secretary

Mr Andrew Glenn Saxby, B Bus, MAICD, was re-appointed company secretary in June 2004. Mr Saxby is the Chief Executive Officer of the Society. He was previously company secretary of the Society and held that position at another public company for over five years.

Officers who were previously partners of the audit firm

Mr Leo F O'Reilly was previously a partner of the audit firm, KPMG Albury, at a time when KPMG undertook an audit of the Society. Mr O'Reilly ceased to be a partner and retired from KPMG in 1996. He became a Director of the Society in 1998.

KPMG Albury transitioned to WHK Audit & Risk Assessment in March 2008 and continues to act as the Society's auditors.

Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	Board of Directors	*Audit & Risk Committee*	*Audit Committee*	*Risk Committee*	*Remuneration and Human Resources Committee*
Number of meetings held:	17	1	5	5	4
Number of meetings attended:					
Ulf Olof Ericson	15	1	4	4	4
Stuart James Gilchrist	17	n/a	n/a	5	4
William Thomas Hanrahan	17	1	5	5	n/a
Louis Stuart Lieberman	15	n/a	n/a	4	3
Leo Francis O'Reilly	17	1	5	5	n/a
Karyl Denise Osborne	15	1	4	4	n/a
Feynella Joy Stocker	14	n/a	n/a	5	2

Corporate Governance Statement

The Board's primary responsibility is to the members of the Society to maintain the Society's success. It participates in the development of the strategic plan and has authority for its approval. It also approves the annual budget and has responsibility for the appointment, remuneration and performance appraisal of the Chief Executive Officer. The Board delegates responsibility for the management of the Society to the Chief Executive Officer and Senior Management.

The Board meets at least on a monthly basis and conducts an annual evaluation of its own performance and that of individual Directors. Specialist, external consultants are utilised for this on a regular basis. An allowance is made for professional development of all Directors and, to assist the Board in the execution of its responsibilities, the Board has established Committees as noted below.

Committees of Directors

Prior to 30 July 2009, the Board operated a combined Audit & Risk Committee. The need for a greater focus on risk management prompted the decision to form separate Audit and Risk Committees.

Audit & Risk Committee
The Audit & Risk Committee was a Board appointed committee comprising of four non-executive Directors. Its principal responsibility was to oversee the risk management, financial reporting and auditing processes of the Society. It also enabled the Board to assess internal controls, have an increased focus on corporate risk and provide a forum for contact with the Society's auditors. Both the internal and external auditors were present at periodic meetings and the Chief Executive Officer was also invited to attend all meetings, however the Committee could have met without Management representation. The Committee was chaired by Bill Hanrahan.

Audit Committee
The Audit Committee was established in July 2009 and is a Board appointed committee comprising of four non-executive Directors. Its principal responsibility is to oversee the Society's financial reporting and auditing processes. It also enables the Board to assess compliance with internal controls and to provide a forum for contact with the Society's auditors. The Chief Executive Officer, internal and external auditors are invited to attend meetings; however the Committee can meet without them. APRA has granted an exemption under the Banking Act 1959 in relation to the requirements of Prudential Standard APS 510 to allow the Committee to be continued to be chaired by Bill Hanrahan.

Risk Committee
The Risk Committee was established in July 2009 and is a Board appointed committee initially comprising of all Directors. It oversees the development and review of the risk management framework and the review and approval of Policies to require adherence to the requirements of the risk framework. It also makes recommendations to the Board based on the Society's risk appetite. The Committee is chaired by Joy Stocker.

Remuneration & Human Resources Committee
The Remuneration and Human Resources Committee is a Board appointed committee of four independent, non-executive Directors. It is responsible for reviewing the performance of the Chief Executive Officer and making recommendations to the Board regarding his remuneration. It reviews appraisals and remuneration recommendations for the Senior Managers submitted by the Chief Executive Officer. It also reviews the Remuneration and Human Resources Policy which establishes staff remuneration structures and develops Board succession for submission to the Board. The Committee is chaired by Ulf Ericson.

Principal activities

The principal activities of the Society during the course of the financial year were those of an Authorised Deposit-taking Institution providing financial products and services to its members.

There were no significant changes in the nature of these activities during the period.

State of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Society that occurred during the financial year under review.

Review and results of operations

The Society achieved a profit before income tax of $5.013 million for the year (2009 - $2.752 million). The increase in profit before tax for 2010 was 82.1%. Net profit after income tax was $3.585 million (2009 - $1.929 million).

The result was based on an increase in total assets of 8.6% or $55.969 million to $704.851 million on the back of net loan approvals of $141 million (2009 - $132 million). Net loans and advances outstanding at 30 June 2010 were $562.887 million (2009 - $511.718 million) and deposits by members $634.832 million (2009 - $596.580 million).

Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the operations of the Society, the results of those operations, or the state of affairs of the Society, in future financial years.

Likely developments

The Society's focus will remain on the delivery of personal banking services to its members. New banking products will continue to be developed and implemented to improve services to members.

Directors' benefits

During or since the end of the financial year, no Director of the Society has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of compensation paid or payable to Key Management Personnel as shown on page 30 of the general purpose financial statements) by reason of a contract entered into by the Society (or an entity that the Society controlled, or a body corporate that was related to the Society when the contract was made, or when the Director received, or became entitled to receive, the benefit) with:

- a Director,
- a firm of which a Director is a member, or
- an entity in which a Director has a substantial financial interest.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 6 and forms part of the Directors' report for the financial year ended 30 June 2010.

Indemnification and insurance of Officers and Auditors

The Society has agreed to indemnify any past, present or future Director, Secretary or Officer of the Society in respect of liabilities to other persons (other than the Society) that may arise from their position as Director, Secretary or Officer of the Society, except where the liability arises out of conduct involving a lack of good faith. The Society has entered into an insurance policy to cover the Society's liability under the indemnity. The insurance policy prohibits disclosure of the premium payable under the policy and the nature of the liabilities insured.

The Society has not indemnified its Auditors, WHK Audit & Risk Assessment.

Rounding

The amounts in the financial statements and Directors' report have been rounded off to the nearest thousand dollars, in accordance with ASIC Class Order 98/100 dated 10 July 1998, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

Ulf Ericson Chairman	Joy Stocker Deputy Chairman

Albury, 19 August 2010

WHK

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Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the Directors of Hume Building Society Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

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

WHK Audit & Risk Assessment

Bradley D Bohun, Partner
Albury, 19 August 2010

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	2010 $'000	2009 $'000
Interest revenue	2	**39,201**	41,889
Interest expense	2	**(21,797)**	(27,233)
Net interest income		**17,404**	14,656
Non-interest income	3	**3,014**	2,798
Total operating income		**20,418**	17,454
Impairment of loans and advances	11	**(130)**	(56)
Other expenses	4	**(15,275)**	(14,646)
Profit before income tax		**5,013**	2,752
Income tax expense	5	**(1,428)**	(823)
Profit for the year		**3,585**	1,929
Other comprehensive income			
Other comprehensive income, net of income tax		**-**	-
Total comprehensive income for the year		**3,585**	1,929

The statement of comprehensive income is to be read in conjunction with the accompanying notes set out on pages 11 to 41.

Statement of Changes in Equity

for the year ended 30 June 2010

	Note	Retained Earnings $'000	General Reserve for Credit Losses $'000	Capital Profits Reserve $'000	Total Reserves $'000
2009					
Opening balance at 1 July 2008		38,811	1,119	593	1,712
Net profit for the year		1,929	-	-	-
Transfers to/(from) reserves		(180)	180	-	180
Closing balance at 30 June 2009	21, 22	40,560	1,299	593	1,892
2010					
Opening balance at 1 July 2009		**40,560**	**1,299**	**593**	**1,892**
Net profit for the year		**3,585**	**-**	**-**	**-**
Transfers to/(from) reserves		**326**	**(326)**	**-**	**(326)**
Closing balance at 30 June 2010	21, 22	**44,471**	**973**	**593**	**1,566**

The statement of changes in equity is to be read in conjunction with the accompanying notes set out on pages 11 to 41.

Statement of Financial Position

as at 30 June 2010

	Note	2010 $'000	2009 $'000
Assets			
Cash and cash equivalents	6	**23,547**	16,927
Receivables due from other financial institutions	7	**95,693**	74,334
Investment securities	8	**13,936**	37,310
Trade and other receivables	9	**1,287**	767
Loans and advances	10	**562,887**	511,718
Other investments	12	**204**	204
Property, plant and equipment	13	**6,021**	6,383
Intangible assets	14	**310**	358
Deferred tax assets	15	**966**	881
Total assets		**704,851**	648,882
Liabilities			
Deposits	16	**634,832**	596,580
Trade and other payables	17	**21,860**	8,043
Income tax payable	18	**467**	480
Deferred tax liabilities	19	**18**	23
Provision for employee benefits	20	**1,637**	1,304
Total liabilities		**658,814**	606,430
Net assets		**46,037**	42,452
Members' funds			
Reserves	21	**1,566**	1,892
Retained earnings	22	**44,471**	40,560
Total members' funds		**46,037**	42,452

The statement of financial position is to be read in conjunction with the accompanying notes set out on pages 11 to 41.

Statement of Cash Flows

for the year ended 30 June 2010

	Note	**2010**	2009
		$'000	$'000
Cash flows from operating activities			
Interest received		**38,794**	42,185
Interest paid		**(19,309)**	(29,939)
Other non-interest revenue received		**2,901**	2,843
Cash paid to suppliers and employees		**(2,211)**	(13,480)
Fees and commissions paid		**(26)**	(27)
Income tax paid	18	**(1,531)**	(884)
		18,618	698
(Increase)/decrease in operating assets:			
Net (increase)/decrease in loans and advances		**(51,299)**	(42,638)
Net increase/(decrease) in deposits		**38,252**	79,593
Net increase/(decrease) in deposits from other financial institutions		**-**	(500)
Net cash flows from operating activities	23	**5,571**	37,153
Cash flows from investing activities			
Net (increase)/decrease in receivables due from other financial institutions		**-**	3,000
Net (increase)/decrease in investment securities		**-**	(8,000)
Payments for property, plant and equipment		**(838)**	(1,303)
Proceeds from sale of property, plant and equipment		**81**	8
Payments for intangible assets		**(208)**	(246)
Net cash flows from in investing activities		**(965)**	(6,541)
Cash flows from financing activities			
Repayment of borrowings		**-**	(20,000)
Net cash flows from in financing activities		**-**	(20,000)
Net increase/(decrease) in cash held		**4,606**	10,612
Cash at the beginning of the financial year		**116,570**	105,958
Cash at the end of the financial year	23	**121,176**	116,570

The statement of cash flows is to be read in conjunction with the accompanying notes set out on pages 11 to 41.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Hume Building Society Ltd (the ‘Company’ or ‘Society’) is a company limited by shares and guarantee domiciled in Australia. No shares have been issued. The address of the Company’s registered office is 492 Olive Street, Albury, NSW, 2640.

Statement of compliance

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (‘AASBs’) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (‘AASB’) and the Corporations Act 2001. The financial statements of the Society also comply with International Financial Reporting Standards (‘IFRSs’) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Board of Directors on 19 August 2010.

Basis of measurement

The financial statements are presented in Australian dollars.

The financial statements are prepared on the historical cost basis unless otherwise stated.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with the Class Order, amounts in the financial statements and Directors’ Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

Use of estimates and judgements

The preparation of the financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:
- note 32 - fair value of financial instruments; and
- note 11 - impairment of loans and advances.

Investment in equity securities

Equity investments held for trading are stated at fair value, with any resulting gain or loss recognised in the statement of comprehensive income. The fair value of equity investments classified as held for trading and available-for-sale is their quoted bid price at the balance sheet date.

Equity investments where no market value is readily available are carried at cost less any provision for impairment.

1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Receivables due from other financial institutions (FI's)

Receivables due from other financial institutions are held-to-maturity investments which the Society has a positive intention and ability to hold to maturity. The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the statement of financial position.

Investment securities

Investment securities are held-to-maturity investments which the Society has a positive intention and ability to hold to maturity.

The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the statement of financial position.

Loans and advances

Loans and advances are recognised at amortised cost using the effective interest rate method, after assessing required provisions for impairment.

The effective interest rate method requires origination fees and associated transaction costs to be capitalised as part of the loan balance and amortised over the expected life of the loan as part of the loan's effective interest rate. The expected life of the loan has been based on an analysis of the Society's loan portfolio.

The interest on loans and overdrafts is calculated on the daily balance outstanding and is charged in arrears to a member's account on the last day of each month. The interest on revolving credit cards is calculated on the daily balance outstanding and is charged in arrears to a member's account on the 15th day of each month. Purchases are granted up to 55 days interest free until the due date for payment. All housing loans are secured by registered mortgages.

The fees charged on loans after origination of the loan are recognised as income when the service is provided or costs are incurred.

All loans and advances are reviewed and graded according to the determined level of credit risk. The classification adopted is described below:

- Impaired loans – are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful and hence provisions for impairment are recognised.
- Renegotiated loans – arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms and the revised terms are not comparable to new facilities. Loans with revised terms are included in impaired loans when impairment provisions are required.
- Assets acquired through the enforcement of security – are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.
- Past-due loans – are loans where payments of principal and/or interest are at least 1 day or more in arrears. Full recovery of both principal and interest is expected. If a provision for impairment is required, the loan is included in impaired loans.

Loan impairment – collective provision

The collective provision for impairment is determined as per Society policy which is consistent with that required by the Prudential Standards issued by the Australian Prudential Regulatory Authority (APRA). Specific percentages are applied to loan balances outstanding based on the length of time repayments are in arrears and the security held.

Loan impairment – specific provision

Specific impairment of a loan is recognised when there is objective evidence that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans.

1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Reserve for credit losses

Society policy requires that a general reserve for credit losses, sufficient to cover estimated future credit losses, be maintained. This Society maintains a general reserve for credit losses of 0.3% (2009 - 0.5%) of risk weighted assets.

Bad Debts

Bad debts are written off when identified. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses.

Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property at 1 July 2004, the date of transition to AABSs, was determined by reference to its fair value at that date.

Depreciation
With the exception of freehold land, depreciation is charged on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

- Buildings — 40 years
- Plant and equipment — 3 – 10 years
- Leasehold improvements — 3 – 6 years (the lease term)

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Disposal
Gains or losses on disposal are calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs) and are recognised net within non-interest income in profit or loss.

Intangible assets

Items of computer software which are not integral to the computer hardware owned by the Society are classified as intangible assets.

Computer software is amortised over the expected useful life of the software. These lives range from 3 to 5 years.

Impairment

The carrying amounts of the Society's assets, other than deferred tax assets, are reviewed at each balance date to assess whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is determined.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation. Any excess is recognised through the statement of comprehensive income.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Employee benefits

Wages, salaries and annual leave
Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Society expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

A provision is recognised for the amount to be paid under short-term cash bonus or profit-sharing plans if the Society has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long service leave
The Society's obligation in respect of long service leave is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates and is discounted using the rates attached to the Commonwealth Government bonds at the balance date which have maturity dates approximating to the terms of the Society's obligations.

Superannuation plan
Contributions to the employees' superannuation fund are recognised as an expense as they are made.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Borrowings

All borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised as an expense over the period of the loans and borrowings using the effective interest method. Interest payable is included in the amount of payables in the statement of financial position.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

For the purpose of the statement of cash flows, cash and cash equivalents includes cash balances, call deposits, investment securities and receivables due from other financial institutions that are due to mature in less than three months.

Leases

Leases under which the Society assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Operating leases
Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the lease term.

Revenue

Dividends
Revenue from dividends is recognised when dividends are received net of franking credits.

Fees and commissions
Fees and commissions are recognised as revenues or expenses on an accrual basis.

Rental income
Rental income is recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

New and revised standards applicable for the current year

The Society applied the following revised accounting standards applicable for financial years commencing on or after 1 January 2009:

- AASB 101 *Presentation of Financial Statements* which amended the name of some statements such as the balance sheet and the cash flow statement.

- AASB 7 *Financial Instruments*: *Disclosures* which amended disclosures about financial instruments measured at fair value and enhanced the disclosures over liquidity risks.

New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Society in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing the financial statements.

- AASB 9 *Financial Instruments* - A new standard was issued in December 2009 and is mandatory for annual reporting periods beginning on or after 1 January 2013. It provides revised guidance on the classification and measurement of financial assets, which is the first phase of a multi-phase project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. Under the new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are to be measured at fair value. The Society has not yet determined the potential effect of the standard.

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* – The amendments affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which will become mandatory for the Society's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.

2. INTEREST REVENUE AND INTEREST EXPENSE

The following tables show the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate. Most averages are monthly averages. Daily or weekly averages are also used provided they are representative of the Society's operations during the period.

	Average balance $'000	Interest $'000	Average interest rate %
Interest revenue 2010			
Cash at authorised deposit-taking institutions	**9,068**	**327**	**3.60**
Receivables due from other financial institutions	**86,984**	**4,230**	**4.86**
Investment securities	**22,608**	**1,099**	**4.86**
Loans and advances	**534,889**	**33,545**	**6.27**
	653,549	**39,201**	**6.00**
Interest expense 2010			
Members' deposits	**615,608**	**21,797**	**3.54**
Deposits from other financial institutions	**-**	**-**	**-**
Borrowings	**-**	**-**	**-**
	615,608	**21,797**	**3.54**
Interest revenue 2009			
Cash at authorised deposit-taking institutions	10,983	548	4.99
Receivables due from other financial institutions	65,646	3,861	5.88
Investment securities	42,570	2,504	5.88
Loans and advances	495,722	34,976	7.06
	614,921	41,889	6.81
Interest expense 2009			
Members' deposits	557,722	26,409	4.74
Deposits from other financial institutions	49	4	7.75
Borrowings	10,334	820	7.94
	568,105	27,233	4.79

3. NON-INTEREST INCOME

	2010 $'000	2009 $'000
Fees and commissions from members		
- Loan and overdraft fees	**168**	142
- Transaction fees	**499**	712
- Credit card fees	**7**	8
- Other fees	**401**	285
	1,075	1,147
Fees and commissions from non-members		
- Fees for service	**660**	604
- Commissions	**1,179**	1,025
	1,839	1,629
Total fees and commissions	**2,914**	2,776
Other non-interest income		
- Income from property	**23**	19
- Sundry income	**77**	3
	100	22
Total non-interest income	**3,014**	2,798

	Note	2010	2009
		$'000	$'000

4. OTHER EXPENSES

	Note	2010 $'000	2009 $'000
Amortisation – leasehold improvements	13	**205**	223
Amortisation – intangible assets	14	**256**	244
Depreciation			
- Plant and equipment	13	**817**	791
- Buildings	13	**94**	74
Total depreciation		**911**	865
Fees and commissions		**26**	27
Personnel costs			
- Provision for long service leave		**73**	107
- Provision for annual leave		**31**	34
- Superannuation contributions		**656**	672
- Salaries and wages		**6,005**	5,685
- Payroll tax		**355**	335
- Other		**691**	374
Total personnel costs		**7,811**	7,207
Marketing expenses		**745**	579
Information technology expenses		**673**	734
Occupancy costs			
- Rental – operating leases		**625**	600
- Other occupancy costs		**774**	796
Total occupancy costs		**1,399**	1,396
ATM, Eftpos and electronic transaction processing costs		**1,098**	1,224
Other administration expenses		**2,148**	2,124
Net loss on disposal of property, plant and equipment		**3**	23
Total other expenses		**15,275**	14,646

	Note	2010 $'000	2009 $'000
5. INCOME TAX EXPENSE			
Income tax expense		**1,428**	823
Recognised in statement of comprehensive income			
Income tax expense comprises amounts set aside as:			
Income tax payable – current year	18	**1,555**	1,134
Under/(over) provision in prior years		**(37)**	-
Increase/(decrease) in deferred tax liabilities		**(5)**	(152)
(Increase)/decrease in deferred tax assets		**(85)**	(159)
		1,428	823
Reconciliation between tax expense and pre-tax profit			
Profit before income tax		**5,013**	2,752
Prima facie income tax expense calculated at 30%		**1,504**	826
Increase/(decrease) in income tax expense due to:			
Non-deductible expenses		**35**	26
Other deductible expenses		**(51)**	(29)
Non-assessable income		**(23)**	-
		1,465	823
Income tax (over)/under provided in prior period		**(37)**	-
Income tax expense attributable to profit		**1,428**	823
6. CASH AND CASH EQUIVALENTS			
Cash on hand and at authorised deposit-taking institutions		**23,547**	16,927
7. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS			
Interest earning deposits		**95,693**	74,334
Maturity analysis			
Not later than 1 month		**46,693**	30,834
Later than 1 and not later than 3 months		**45,000**	39,500
Later than 3 and not later than 12 months		**4,000**	4,000
Later than 1 and not later than 5 years		**-**	-
		95,693	74,334
Credit rating of receivables due from other financial institutions			
Authorised Deposit-taking Institutions rated A and above		**70,000**	53,000
Authorised Deposit-taking Institutions rated below A		**23,000**	19,000
Unrated Authorised Deposit-taking Institutions		**2,693**	2,334
		95,693	74,334

	Note	2010	2009
		$'000	$'000

8. INVESTMENT SECURITIES

	Note	2010	2009
Bills of exchange		**-**	6,961
Negotiable certificates of deposit		**13,936**	30,349
		13,936	37,310
Maturity analysis			
Not later than 1 month		**1,973**	10,937
Later than 1 and not later than 3 months		**3,963**	18,373
Later than 3 and not later than 12 months		**-**	-
Later than 1 and not later than 5 years		**8,000**	8,000
		13,936	37,310
Credit rating of investment securities			
Authorised Deposit-taking Institutions rated A and above		**-**	6,961
Authorised Deposit-taking Institutions rated below A		**13,936**	30,349
Unrated Authorised Deposit-taking Institutions		**-**	-
		13,936	37,310

9. TRADE AND OTHER RECEIVABLES

	Note	2010	2009
Interest receivable on investments		**964**	557
Sundry debtors, accrued income and prepayments		**323**	210
		1,287	767

10. LOANS AND ADVANCES

	Note	2010	2009
Overdrafts and Credit Cards		**8,498**	7,190
Term loans		**555,319**	505,324
Loans and advances before deferred fees and costs		**563,817**	512,514
Deferred loan transaction costs		**351**	377
Deferred loan origination fees		**(1,003)**	(916)
Deferred fixed rate loan renegotiation fees		**(60)**	(141)
Total loans and advances		**563,105**	511,834
Provision for impairment	11	**(218)**	(116)
Net loans and advances		**562,887**	511,718
Maturity analysis			
Not later than 1 month		**10,222**	8,852
Later than 1 and not later than 3 months		**3,289**	3,173
Later than 3 and not later than 12 months		**15,415**	14,857
Later than 1 and not later than 5 years		**78,047**	75,961
Later than 5 years		**456,132**	408,991
		563,105	511,834

	2010 $'000	2009 $'000

10. LOANS AND ADVANCES (continued)

Concentration of risk

The loan portfolio of the Society does not include any loan which represents 10% or more of capital.

The Society has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:

	2010 $'000	2009 $'000
- Southern NSW and North East Victoria	**525,646**	479,030
- Other – non-concentrated	**38,171**	33,484
	563,817	512,514

Security held against loans and advances

	2010 $'000	2009 $'000
Secured by mortgage over residential property	**515,115**	469,988
Secured by mortgage over commercial property	**30,988**	28,035
Total loans and advances secured by real estate	**546,103**	498,023
Secured by funds	**388**	447
Partly secured by goods mortgage	**9,142**	7,399
Wholly unsecured	**8,184**	6,645
	563,817	512,514

Loan to value ratio on loans and advances secured by real estate

	2010 $'000	2009 $'000
Loan to value ratio of 80% or less	**458,923**	427,682
Loan to value ratio of more than 80% but mortgage insured	**83,891**	66,105
Loan to value ratio of more than 80% not mortgage insured	**3,289**	4,236
	546,103	498,023

11. IMPAIRMENT OF LOANS AND ADVANCES

Provision for impairment

	2010 $'000	2009 $'000
Collective provision	**203**	89
Specific provision	**15**	27
	218	116

Provision for impairment – collective provision

	2010 $'000	2009 $'000
Opening balance	**89**	52
Bad debts previously provided for written off during the year	**(18)**	(12)
Bad and doubtful debts provided for during the year	**132**	49
Closing balance	**203**	89

Provision for impairment – specific provision

	2010 $'000	2009 $'000
Opening balance	**27**	20
Bad debts previously provided for written off during the year	**(10)**	-
Bad and doubtful debts provided for during the year	**(2)**	7
Closing balance	**15**	27

	2010	2009
	$'000	$'000

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

	2010 $'000	2009 $'000
Bad and doubtful debts expense comprises:		
Collective provision increase/(decrease)	**132**	49
Specific provision increase/(decrease)	**(2)**	7
Total bad debts expense/(benefit)	**130**	56

Ageing analysis of loans and advances past due

	2010 $'000	2009 $'000
Loans and advances past due and not impaired		
Up to 30 days	**13,953**	9,823
More than 30 days but less than 90 days	**2,215**	1,973
More than 90 days but less than 180 days	**1,897**	1,410
More than 180 days but less than 270 days	**283**	22
More than 270 days but less than 365 days	**-**	164
More than 365 days	**-**	-
Accounts overdrawn and overdrafts over limit less than 14 days	**104**	387
	18,452	13,779
Loans and advances past due and impaired		
Up to 30 days	**-**	-
More than 30 days but less than 90 days	**-**	-
More than 90 days but less than 180 days	**54**	49
More than 180 days but less than 270 days	**52**	14
More than 270 days but less than 365 days	**40**	2
More than 365 days	**25**	-
Accounts overdrawn and overdrafts over limit less than 14 days	**205**	114
	376	179
Total past due loans and advances	**18,828**	13,958

Security analysis of loans and advances past due

	2010 $'000	2009 $'000
Loans and advances past due and not impaired		
Secured by mortgage over real estate	**17,683**	13,284
Secured by funds	**12**	24
Partly secured by goods mortgage	**605**	301
Wholly unsecured	**152**	170
	18,452	13,779

	2010	2009
	$'000	$'000

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

	2010	2009
Loans and advances past due and impaired		
Secured by mortgage over real estate	**-**	22
Secured by funds	**-**	-
Partly secured by goods mortgage	**125**	46
Wholly unsecured	**251**	111
	376	179
Total past due loans and advances	**18,828**	13,958

It is not practicable to determine the fair value of all security as at the balance date.

	2010	2009
Renegotiated loans		
Loans renegotiated during the financial year	**-**	-
Balance at the end of the financial year	**-**	-
Assets acquired through enforcement of security		
Real estate acquired through enforcement of security	**-**	-
Specific provision for impairment	**-**	-
Balance at the end of the financial year	**-**	-
Net fair value of real estate assets acquired through the enforcement of security during the financial period	**-**	-
Net fair value of other assets acquired through the enforcement of security during the financial period	**-**	-

12. OTHER INVESTMENTS

	2010	2009
Unlisted shares – at cost	**204**	204

The unlisted shares are measured at cost as their fair value cannot be measured reliably. The shares are in a not for profit company that supplies services to Authorised Deposit-taking Institutions. The shares are not tradeable and are not redeemable. The Society does not intend to dispose of these shares.

	2010	2009
	$'000	$'000

13. PROPERTY, PLANT AND EQUIPMENT

	2010	2009
Land and buildings		
At cost	**3,949**	3,756
Provision for depreciation	**(384)**	(290)
Total freehold land and buildings	**3,565**	3,466
Leasehold improvements		
At cost	**932**	1,186
Provision for amortisation	**(524)**	(765)
Total leasehold improvements	**408**	421
Plant and equipment		
At cost	**5,711**	5,598
Provision for depreciation	**(3,663)**	(3,102)
Total plant and equipment	**2,048**	2,496
Total property, plant and equipment at net book value	**6,021**	6,383

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	2010	2009
Land and buildings		
Carrying amount at the beginning of the year	**3,466**	3,176
Additions	**193**	364
Disposals	**-**	-
Depreciation	**(94)**	(74)
Carrying amount at the end of the year	**3,565**	3,466
Leasehold improvements		
Carrying amount at the beginning of the year	**421**	634
Additions	**194**	10
Disposals	**(2)**	-
Amortisation	**(205)**	(223)
Carrying amount at the end of the year	**408**	421
Plant and equipment		
Carrying amount at the beginning of the year	**2,496**	2,390
Additions	**451**	929
Disposals	**(82)**	(32)
Depreciation	**(817)**	(791)
Carrying amount at the end of the year	**2,048**	2,496

	2010	2009
	$'000	$'000

14. INTANGIBLE ASSETS

Computer software and licences		
At cost	**1,824**	1,615
Provision for amortisation	**(1,514)**	(1,257)
	310	358

Reconciliations

Reconciliations of the carrying amounts for each class of intangible assets are set out below:

Computer software and licences		
Carrying amount at the beginning of the year	**358**	356
Additions	**208**	246
Disposals	**-**	-
Amortisation	**(256)**	(244)
Carrying amount at the end of the year	**310**	358

15. DEFERRED TAX ASSETS

Deferred tax assets	**966**	881

Deferred tax assets are attributable to the following:

Property, plant and equipment and intangible assets	**271**	247
Provisions for employee benefits	**385**	352
Provision for impairment on loans	**65**	35
Accrued expenses not currently deductible	**26**	19
Deferred loan fees and transaction costs	**214**	204
Deferred income	**5**	24
	966	881

16. DEPOSITS

Call deposits	**224,085**	218,261
Term deposits	**410,747**	378,319
	634,832	596,580

Maturity analysis		
Not later than 1 month	**320,040**	352,752
Later than 1 and not later than 3 months	**193,568**	154,237
Later than 3 and not later than 12 months	**113,853**	79,168
Later than 1 and not later than 5 years	**7,371**	10,423
	634,832	596,580

Concentration of deposits		
Southern NSW and North East Victoria	**584,727**	555,729
Other – non-concentrated	**50,105**	40,851
	634,832	596,580

The Society's deposit portfolio does not include any deposit which represents 5% or more of total liabilities.

		2010	2009
		$'000	$'000

17. TRADE AND OTHER PAYABLES

	2010	2009
Accrued interest payable	**5,715**	3,227
Creditors and other liabilities	**16,145**	4,816
	21,860	8,043

18. INCOME TAX PAYABLE

	2010	2009
Income tax payable	**467**	480
Movement during the year was as follows:		
Balance at the beginning of the year	**480**	230
Current year's income tax expense on profit before tax	**1,555**	1,134
Income tax paid – Current year	**(1,088)**	(654)
Income tax paid – Prior year	**(443)**	(230)
Under/(over) provision in prior period	**(37)**	-
	467	480

19. DEFERRED TAX LIABILITIES

	2010	2009
Deferred tax liabilities	**18**	23
Deferred tax liabilities are attributable to the following:		
Accrual of short-term bills	**18**	23

20. PROVISION FOR EMPLOYEE BENEFITS

	2010	2009
Salaries, wages and other benefits accrued	**373**	144
Provision for annual leave	**568**	537
Provision for long service leave	**696**	623
	1,637	1,304

Included in employee benefits is a non-current amount of $296,000 (2008 - $246,000) relating to long service leave.

		2010	2009
		$’000	$’000

21. RESERVES

	2010	2009
General reserve for credit losses	**973**	1,299
Capital profits reserve	**593**	593
	1,566	1,892

Movements in reserves

General reserve for credit losses

	2010	2009
Balance at the beginning of the year	**1,299**	1,119
Transfer from retained earnings	**(326)**	180
Balance at the end of the year	**973**	1,299

This reserve is required to be maintained to comply with Society policy.

Capital profits reserve

	2010	2009
Balance at the beginning of the year	**593**	593
Transfer from retained earnings	**-**	-
Transfer from fair value reserve	**-**	-
Balance at the end of the year	**593**	593

This reserve includes the cumulative capital profits made on the disposal of assets.

22. RETAINED EARNINGS

	2010	2009
Retained earnings at the beginning of the year	**40,560**	38,811
Net profit attributable to members	**3,585**	1,929
Transfers from/(to) reserves	**326**	(180)
Retained earnings at the end of the year	**44,471**	40,560

		2010	2009
		$'000	$'000
23.	**STATEMENT OF CASH FLOWS**		
(a)	**Reconciliation of cash**		
	Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the financial statements as follows:		
	Cash on hand and at authorised deposit-taking institutions	**23,547**	16,927
	Receivables due from other financial institutions less than 3 months	**91,693**	70,333
	Investment securities less than 3 months	**5,936**	29,310
		121,176	116,570
(b)	**Reconciliation of cash flows from operating activities**		
	Profit for the year	**3,585**	1,929
	Non-cash items		
	Charge for bad and doubtful debts	**130**	56
	Depreciation	**911**	865
	Amortisation of leasehold improvements	**205**	223
	Amortisation of intangible assets	**256**	244
	Provision for employee entitlements	**104**	141
	Net (profit)/loss on disposal of plant and equipment	**3**	23
	Changes in assets and liabilities		
	Interest receivable	**(407)**	296
	Other receivables	**(113)**	45
	Interest payable	**2,488**	(2,707)
	Income tax payable	**(13)**	250
	Trade and other payables	**11,330**	(235)
	Provision for employee benefits	**229**	(121)
	Deferred tax assets	**(85)**	(159)
	Deferred tax liabilities	**(5)**	(152)
		18,618	698
	Net (increase)/decrease in loans and advances	**(51,299)**	(42,638)
	Net increase/(decrease) in deposits	**38,252**	79,593
	Net increase/(decrease) in deposits from other financial institutions	**-**	(500)
	Net cash flow from operating activities	**5,571**	37,153

		2010	2009
		$	$
24.	**AUDITOR'S REMUNERATION**		
	Amounts received or due and receivable by the External Auditor of Hume Building Society Ltd for:		
	– audit of the financial statements of the Society	**54,648**	51,700
	– other services in relation to the Society	**12,426**	14,140
		67,074	65,840

25. EMPLOYEE BENEFITS

Superannuation commitments

The Society contributes to the Hume Building Society Staff Superannuation Fund which is an accumulation fund. The benefits provided are based on the amounts credited to each member's account in the fund. No actuarial assessment is required. The Society contributed 9% of each fund member's gross salary to cover its occupational superannuation obligations. Members may contribute to the fund on a voluntary basis. Staff may request the Society to contribute to an alternative superannuation fund.

26. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

In the normal course of business the Society enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of customers. The Society uses the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet loan assets. The Society holds collateral supporting these commitments where it is deemed necessary.

	2010	2009
	$'000	$'000
Credit-related commitments		
Binding commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements:		
Approved but undrawn loans and credit limits	**37,739**	31,663
Security analysis of credit-related commitments		
Secured by mortgage over real estate	**26,696**	21,796
Secured by funds	**206**	526
Partly secured by goods mortgage	**447**	914
Wholly unsecured	**10,390**	8,427
	37,739	31,663
Financial guarantees		
Financial guarantees written are conditional commitments issued by the Society to guarantee the performance of a customer to a third party. Security is generally held for these guarantees.	**2,403**	2,296
Security analysis of financial guarantees		
Secured by mortgage over real estate	**1,126**	945
Secured by funds	**1,239**	1,313
Wholly unsecured	**38**	38
	2,403	2,296

	2010	2009
	$'000	$'000

27. EXPENDITURE COMMITMENTS

Capital expenditure commitments

	2010 $'000	2009 $'000
Estimated capital expenditure contracted for at balance date but not provided for:		
– payable within one year	**305**	369

Operating leases (non-cancellable)

	2010 $'000	2009 $'000
Future operating lease commitments not provided for in the financial statements and payable:		
– within 1 year	**867**	716
– later than 1 and not later than 2 years	**805**	407
– later than 2 and not later than 5 years	**1,506**	543
– later than 5 years	**7**	-
Aggregate lease expenditure contracted for at balance date	**3,185**	1,666

28. KEY MANAGEMENT PERSONNEL DISCLOSURE

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Society, directly or indirectly and has been taken to comprise the Directors and the members of the Senior Management team who are responsible for the day to day financial and operational management of the Society.

The aggregate compensation of key management personnel during the year comprising amounts paid, payable or provided for was as follows:

	2010	2009
	$	$
Short-term employee benefits		
- Directors	**257,686**	214,186
- Other key management personnel	**861,783**	797,626
Post-employment benefits – superannuation contributions		
- Directors	**207,501**	248,049
- Other key management personnel	**82,835**	96,444
Other long-term benefits – net increase in long service leave provision		
- Directors	**-**	-
- Other key management personnel	**16,852**	13,565
	1,426,657	1,369,870

Short term employee benefits include (where applicable) wages, salaries, paid annual and sick leave, bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

The members of the Society at the previous Annual General Meeting approved the remuneration of Directors for the period.

28. KEY MANAGEMENT PERSONNEL DISCLOSURE (continued)

Loans to key management personnel and other related parties

Loan transactions with key management personnel and related parties are as follows:

	2010 $		2009 $	
	Mortgage Secured Loans	**Revolving Credit (unsecured)**	Secured Loans	Revolving Credit (unsecured)
Loans to Directors				
Funds available to be drawn	**-**	**19,967**	-	20,264
Balance at reporting date	**199,165**	**5,033**	245,488	4,736
Loans advanced (including redraws)	**6,000**	**48,373**	20,000	59,958
Loan repayments	**65,581**	**48,149**	200,729	56,728
Interest and other revenue earned	**13,257**	**73**	26,821	37
Loans to Director related parties				
Funds available to be drawn	**-**	**1,716**	-	7,802
Balance at reporting date	**643,045**	**284**	810,744	4,198
Loans advanced (including redraws)	**28,200**	**4,382**	314,400	30,461
Loan repayments	**46,056**	**4,196**	348,220	26,515
Interest and other revenue earned	**36,411**	**-**	53,925	18
Loans to other key management personnel				
Funds available to be drawn	**-**	**36,348**	-	41,881
Balance at reporting date	**1,131,896**	**18,652**	1,197,874	13,119
Loans advanced (including redraws)	**7,389**	**153,712**	915,444	99,076
Loan repayments	**134,529**	**148,275**	527,711	98,529
Interest and other revenue earned	**61,163**	**96**	67,221	24

The Society's policy for lending to Directors is that all loans are approved on the same terms and conditions which apply to members for each class of loan.

Key management personnel, other than Directors and the Chief Executive Officer, may receive a concessional rate of interest on their loans up to a loan maximum of $75,000, subject to a qualifying period of employment. Other staff are eligible for concessions on loans on the same terms and conditions. Any benefits received are subject to fringe benefits tax and are included in key management personnel compensation.

There are no loans to either Directors and other key management personnel that are impaired in relation to the loan balances or interest.

There are no benefits or concessional terms and conditions applicable to the close family members of Directors and other key management personnel.

There are no loans to close family relatives or other related parties of key management personnel which are impaired in relation to the loan balances or interest.

28. KEY MANAGEMENT PERSONNEL DISCLOSURE (continued)

Deposits from key management personnel and other related parties

Details of deposits from key management personnel and related parties are as follows:

	2010	2009
	$	$
Deposits outstanding at balance date:		
- Directors	**169,370**	179,525
- Director related parties	**8,839,169**	8,720,091
- Other key management personnel	**212,163**	366,239
- Other key management personnel related parties	**204,456**	103,238
Interest paid on deposits:		
- Directors	**6,194**	7,025
- Director related parties	**386,026**	357,442
- Other key management personnel	**3,829**	6,235
- Other key management personnel related parties	**6,449**	3,307

The Society's policy on deposit accounts from key management personnel and their related parties, is that all transactions are on the same terms and conditions as those entered into by other members.

Other transactions with related parties

There are no benefits paid or payable to the close family members or other related parties of key management personnel other than those disclosed in this note.

There are no service contracts to which key management personnel, their close family members or other related parties are an interested party other than those disclosed in this note.

A member of the Society's key management personnel is also a Director and Chairman of Abacus Australian Mutuals Pty Ltd. All transactions with this company are on normal terms and conditions.

29. ECONOMIC DEPENDENCY

The Society has an economic dependency on First Data Resources Australia Limited for the provision of ATM and Eftpos network services, ANZ Bank for cheque clearing services and Ultradata Australia Pty Ltd for computer software services.

30. SEGMENT INFORMATION

The Society operates exclusively in the finance industry within Australia.

31. RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management overview

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has adopted an overarching risk management policy and framework suitable for the risk profile of the Society.

Risk management policies are established to identify and analyse the risks faced by the Society, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Society's activities. The Society, through staff training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Society's Risk Committee oversees the development of the risk management framework in relation to the risks faced by the Society. The Committee also reviews and approves policies to require adherence to the requirements of the risk framework.

The Society's risk management system incorporates a thorough analysis of all risks identified that are likely to have an impact. Controls that mitigate risk are implemented and tested and are supported by documented policies and procedures.

The Society's Audit Committee oversees management's monitoring of compliance with the Society's risk management policies and procedures. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

An overview of risk management approaches to industry specific risks are detailed below. Further quantitative disclosures are included throughout these financial statements.

Credit risk

Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to the Society which may result in financial losses. Credit risk arises principally from the Society's loans and advances and liquid investments.

Credit risk – loans and advances

The risk of losses from the loans undertaken is reduced by assessing the character of borrowers, their capacity to service the debt and the nature and quality of security taken.

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loan is approved and close monitoring of loan repayments thereafter. The Board has approved the credit policy.

The Society has established policies over:

- Credit assessment and approval of loans and facilities including acceptable risk assessment and security requirements. Credit assessment includes ensuring all members are creditworthy and capable of meeting the loan repayments;
- Requirements for lenders' mortgage insurance;
- Limits of acceptable exposure over the value to individual borrowers, non mortgage secured loans and advances, commercial lending and industry groups considered at high risk of default;
- Reassessing and review of the credit exposures on certain loans and advances;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures; and
- Review of compliance with the above policies.

A regular review of compliance is conducted by Internal Audit.

The Society minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of customers within the specified category. However, the majority of customers are concentrated in the North-east Victoria and Southern NSW region. Details of concentrations of credit risk on loans and advances receivable are set out in note 10.

31. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk – liquid investments

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits of concentration to one entity. The Board's policy is to maintain counterparty limits with Australian banks to a maximum of 50% of capital and other non-bank financial institutions to a maximum of 20% of capital, dependant upon rating. Given the high quality of these investments, the Society does not expect any counterparty to fail to meet its obligation. Details of exposures to liquidity investments are set out in notes 7 and 8.

Liquidity risk

Liquidity risk is the risk that the Society may encounter difficulties raising funds to meet its financial obligations as they fall due.

The Society manages liquidity risk by:

- Monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate cash reserves; and
- Monitoring the prudential ratio daily.

The Society is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours to satisfy APRA's prudential standards, however, the Society's policy is to invest 12% of liabilities as liquid assets to maintain adequate funds for meeting member withdrawal requests. Should the liquidity ratio fall below this level Management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits and borrowing facilities available.

As at 30 June 2010, the Society held 17.53% of total adjusted liabilities as liquid assets (2009 – 18.48%). The average during the financial year was 17.71% (2009 – 19.10%).

The maturity profile of the financial assets and financial liabilities, based on the contractual repayment terms are set out in the notes.

Market risk and hedging policy

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on the Society's financial condition or results. The Society is not exposed to currency risk or any other price risk. The Society does not trade in the financial instruments it holds. The Society is exposed only to interest rate risk arising from changes in market interest rates due to the mismatches between the repricing date of assets and liabilities.

Interest rate risk in the banking book

The policy of the Society is to maintain a balanced 'on book' hedging strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The gap is monitored monthly to identify any large exposures to interest rate movements and to rectify the excess through targeted fixed interest rate products available through investment assets, and term deposits liabilities to rectify the imbalance to within acceptable levels. Details of the interest rate risk profile are set out in note 32(b).

The Society calculates Value at Risk (VaR) and Earnings at Risk (EaR) monthly using internal models and has established policy limits. The model and limits have been reviewed by external specialist auditors.

An independent review of the risk management profile is also conducted annually by an independent risk management consultant. The Board monitors these risks through the independent reports and other management reports.

Based on independent VaR calculations as at 31 March 2010 using a 20 day holding period, 99% confidence level and a 250 day observation period, the VaR was 1.13% of capital. VaR as at 31 March 2009 was 1.17% of capital using the same parameters.

31. **RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

Based on independent EaR calculations as at 31 March 2010 using a shift in interest rates of 200 basis points for one year, EaR was a $2,867,488 variation or 15.48% from the base case. EaR as at 31 March 2009 was a $2,585,151 variation or 17.99% from the base case, using the same parameters.

The Society's internal model shows that there has only been minimal change in VaR and EaR from 31 March 2010 to 30 June 2010.

Operational risk

Operational risk is the risk of loss to the Society resulting from deficiencies in processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks in the Society relate mainly to those risks arising from a number of sources including legal compliance, business continuity, data infrastructure, outsourced services failures, fraud and employee errors.

The Society's objective is to manage operational risk so as to balance the avoidance of financial losses through implementation of controls, whilst avoiding procedures that inhibit innovation, creativity and service. These risks are managed through the implementation of policies and systems to monitor the likelihood of events and minimise the impact. Systems of internal control are enhanced through:

- Segregation of duties between employees duties and functions, including approval and processing duties;
- Documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour;
- Implementation of a compliance culture and awareness of the duty to report exceptions and breaches;
- Effective dispute resolution procedures to respond to member complaints; and
- Effective insurance arrangements to reduce the impact of losses.

The Society has an extensive business continuity policy and procedures and regular testing is conducted to provide assurance that the Society's operations can be maintained.

Contracts with service providers are maintained. Key contracts include service level agreements and where appropriate, penalties for non-compliance.

Capital management

The Society's policy is to maintain a strong capital base. It seeks to maintain a balance between profitability and benefits provided to members by way of better interest rates, lower fees, convenient locations and superior service.

The Society's capital management objectives are to:

- Ensure there is sufficient capital to support the Society's operational requirements;
- Maintain sufficient capital to exceed externally imposed capital requirements; and
- Safeguard the Society's ability to continue as a going concern in all types of market conditions.

The Society is subject to minimum capital requirements externally imposed by APRA, following the guidelines developed by the Basel Committee on Banking Supervision. The Society reports to APRA under Basel II capital requirements. The Society uses the standardised approach for credit risk and operational risk.

APRA requires Authorised Deposit-taking Institutions ("ADIs") to have a minimum ratio of capital to risk weighted assets of 8%. In addition, APRA imposes ADIs specific minimum capital ratios which may be higher than these levels.

The Society's Board approved internal capital assessment process requires capital to be well above the regulatory required level.

The Society's capital contains tier 1 and tier 2 capital. Tier 1 capital consists of retained earnings and realised reserves. Deductions from tier 1 capital are made for intangibles, certain capitalised expenses, deferred tax assets and 50 per cent of investments in other ADI's. Tier 2 capital includes the reserve for credit losses. Deductions from tier 2 capital include 50 per cent of investments in other ADI's.

31. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital adequacy ratio calculation

	2010 $'000	2009 $'000
Tier 1 capital		
Retained earnings	**44,471**	40,560
Capital profits reserve	**593**	593
Deferred fee income	**712**	680
	45,776	41,833
Less prescribed deductions	**(1,355)**	(1,318)
Net tier 1 capital	**44,421**	40,515
Tier 2 capital		
General reserve for credit losses	**973**	1,299
Less prescribed deductions	**(103)**	(103)
Net tier 2 capital	**870**	1,196
Total capital	**45,291**	41,711
Risk profile		
Credit risk	**285,128**	259,715
Operational risk	**39,005**	35,621
Total risk weighted assets	**324,133**	295,336
Capital adequacy ratio	**13.97%**	14.12%

32. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

The Society's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised financial instruments	Note	Accounting policies	Terms and conditions
Financial assets			
Loans and advances	10	The loan and overdraft interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month. Credit card interest is charged in arrears on daily balance outstanding on revolving credit cards on the 15th day of the month. Loans and advances are recorded at their recoverable amount. For further details on the classification of loans refer to note 1.	All housing loans are secured by registered mortgages. The remaining loans are assessed on an individual basis but most are also secured by registered mortgages. Where appropriate, housing loans are covered by mortgage insurance.
Receivables due from other financial institutions	7	Receivables due from other financial institutions are held to maturity and are stated at cost. Interest revenue is recognised when earned.	Receivables due from other financial institutions have an average maturity of 98 days with effective interest rates of 4.54% to 7.00% (2009: 3.22% to 8.40%).
Bills of exchange	8	Bills of exchange and promissory notes are held to maturity and are stated at cost. Fair value is stated in note 32(d). The discount amount is amortised over the life of the bill.	There were no Bills of Exchange in 2010. In 2009 Bills of exchange had an average maturity of 64 days and an effective interest rate of 3.24%.
Other investments	12	Other investments are carried at the lower of cost or recoverable amount. Interest is recognised when earned.	
Negotiable certificates of deposit	8	Negotiable certificates of deposit are held to maturity and are stated at cost. Fair value is stated in note 32(d). Interest revenue is recognised when earned.	Negotiable certificates of deposit have an average maturity of 234 days and effective interest rates of 5.14% to 5.50% (2009: 3.45% to 3.85%).
Financial liabilities			
Deposits	16	Deposits are recorded at the principal amount. Interest is calculated on the daily balance outstanding or the minimum monthly balance.	Details of maturity terms are set out in note 16.
Trade and other payables	17	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Society.	Trade liabilities are normally settled on 30-day terms.

32. FINANCIAL INSTRUMENTS (continued)

(b) **Effective interest rates and repricing analysis**

Interest rate risk in the balance sheet arises from the potential for a change in interest rates to have an adverse affect on the net interest earnings in the current reporting period and in future years. Interest rate risk arises from the structure and characteristics of the Society's assets, liabilities and equity, and in the mismatch in repricing dates of its assets and liabilities. The tables for both the 2009 and 2010 financial years detail the exposure of the Society's assets and liabilities to interest rate risk. The amount shown represents the face value of assets and liabilities.

The interest rate shown is the effective interest rate or weighted average effective interest rate in respect of a class of assets or liabilities. For floating rate instruments the rate is the current market rate; for fixed rate instruments the rate is a historical rate. The bandings reflect the earlier of the next contractual repricing date or the maturity date of the asset or liability.

	Within 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Non-interest bearing	Total carrying amount	Weighted average effective interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
2010								
Financial assets								
Cash and cash equivalents	**8,087**					**15,460**	**23,547**	**4.48**
Receivables due from FI's	**46,693**	**45,000**	**4,000**				**95,693**	**5.40**
Bills of exchange							**-**	**-**
Negotiable certificates of deposit	**5,473**	**8,463**					**13,936**	**5.72**
Trade and other receivables						**1,287**	**1,287**	**n/a**
Loans and advances	**486,441**	**4,678**	**17,052**	**54,912**	**734**	**(930)**	**562,887**	**6.97**
Other investments						**204**	**204**	**n/a**
Total financial assets	**546,694**	**58,141**	**21,052**	**54,912**	**734**	**16,021**	**697,554**	
Financial liabilities								
Deposits	**320,040**	**193,568**	**113,853**	**7,371**			**634,832**	**4.25**
Trade and other payables						**21,860**	**21,860**	**n/a**
Total financial liabilities	**320,040**	**193,568**	**113,853**	**7,371**		**21,860**	**656,692**	

2009								
Financial assets								
Cash and cash equivalents	9,959					6,968	16,927	2.85
Receivables due from FI's	30,834	39,500	4,000				74,334	3.95
Bills of exchange		6,961					6,961	3.24
Negotiable certificates of deposit	14,437	15,912					30,349	4.79
Trade and other receivables						767	767	n/a
Loans and advances	439,456	5,129	14,756	52,937	236	(796)	511,718	5.67
Other investments						204	204	n/a
Total financial assets	494,686	67,502	18,756	52,937	236	7,143	641,260	
Financial liabilities								
Deposits	352,752	154,237	79,168	10,423			596,580	3.10
Trade and other payables						8,043	8,043	n/a
Total financial liabilities	352,752	154,237	79,168	10,423		8,043	604,623	

n/a – not applicable for non-interest bearing financial instruments.

32. **FINANCIAL INSTRUMENTS (continued)**

(c) **Maturity profile of financial assets and liabilities**

Monetary assets and liabilities have differing maturity profiles depending on the contractual term, and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in the event that current repayment conditions are varied. Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly these values will not agree to the statement of financial position.

	Within 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total cash flows	Total carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2010								
Financial assets								
Cash and cash equivalents	**23,547**						**23,547**	**23,547**
Receivables due from FI's	**47,281**	**45,586**	**4,280**				**97,147**	**95,693**
Bills of exchange							**-**	**-**
Negotiable certificates of deposit	**2,422**	**4,260**	**319**	**8,821**			**15,822**	**13,936**
Trade and other receivables	**323**						**323**	**1,287**
Loans and advances	**13,469**	**9,909**	**43,975**	**216,018**	**507,330**		**790,701**	**562,887**
Other investments						**204**	**204**	**204**
Total financial assets	**87,042**	**59,755**	**48,574**	**224,839**	**507,330**	**204**	**927,744**	**697,554**
Financial liabilities								
Deposits	**321,906**	**198,128**	**118,643**	**8,077**			**646,754**	**634,832**
Trade and other payables	**16,145**						**16,145**	**21,860**
On balance sheet	**338,051**	**198,128**	**118,643**	**8,077**			**662,899**	**656,692**
Undrawn credit commitments	**37,739**						**37,739**	**37,739**
Total financial liabilities	**375,790**	**198,128**	**118,643**	**8,077**			**700,638**	**694,431**

2009								
Financial assets								
Cash and cash equivalents	16,927						16,927	16,927
Receivables due from FI's	31,167	39,851	4,050				75,068	74,334
Bills of exchange		7,000					7,000	6,961
Negotiable certificates of deposit	11,011	11,563	226	8,579			31,379	30,349
Trade and other receivables	210						210	767
Loans and advances	11,268	8,086	36,014	176,931	446,867		679,166	511,718
Other investments						204	204	204
Total financial assets	70,583	66,500	40,290	185,510	446,867	204	809,954	641,260
Financial liabilities								
Deposits	354,151	156,601	81,888	11,140			603,780	596,580
Trade and other payables	4,816						4,816	8,043
On balance sheet	358,967	156,601	81,888	11,140			608,596	604,623
Undrawn credit commitments	31,663						31,663	31,663
Total financial liabilities	390,630	156,601	81,888	11,140			640,259	636,286

32. FINANCIAL INSTRUMENTS (continued)

(d) Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date, are as follows:

Financial instruments	Note	Total carrying amount		Aggregate net fair value	
		2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Financial assets					
Cash and cash equivalents	6	**23,547**	16,927	**23,547**	16,927
Other investments	12	**204**	204	**204**	204
Receivables due from other FI's	7	**95,693**	74,334	**96,574**	74,782
Bills of exchange	8	**-**	6,961	**-**	6,968
Negotiable certificates of deposit	8	**13,936**	30,349	**13,987**	30,436
Loans and advances	10	**562,887**	511,718	**562,307**	516,005
Trade and other receivables	9	**1,287**	767	**323**	210
Total financial assets		**697,554**	641,260	**696,942**	645,532
Financial liabilities					
Deposits	16	**634,832**	596,580	**632,950**	595,220
Trade and other payables	17	**21,860**	8,043	**21,860**	8,043
Total financial liabilities		**656,692**	604,623	**654,810**	603,263

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised financial instruments

Cash and liquid assets and interest earning deposits
The carrying amounts approximate fair value because of their short term to maturity or are receivable on demand.

Investment securities and receivables due from financial institutions
Trading securities are carried at net market/net fair value.

Deposits
The fair value of deposits are estimated using a method not materially different from discounted cash flow analysis, based on current incremental deposit rates.

Deposits from other financial institutions
The fair value of deposits from other financial institutions are estimated using a method not materially different from discounted cash flow analysis, based on current incremental deposit rates.

Loans and advances
The fair value of loans receivable excluding impaired loans are estimated using a method not materially different from discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated by using a method not materially different from discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Other investments
For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows or the underlying net asset base of the investment/security.

Trade and other receivables
The carrying amount approximates fair value as they are short-term in nature. Interest receivable is included as part of the fair value of the various financial instruments.

32. FINANCIAL INSTRUMENTS (continued)

Trade and other payables
The carrying amount approximates fair value as they are short-term in nature.

Other financial liabilities
This includes interest payable and unrealised expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value. For liabilities which are long-term, net fair values have been estimated using the rates currently offered for similar liabilities with remaining maturities.

Directors' Declaration

In the opinion of the Directors of Hume Building Society Ltd:

1. the financial statements and notes, set out on pages 7 to 41, are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the financial position of the Society as at 30 June 2010 and of its performance, for the financial year ended on that date; and

   (b) complying with Australia Accounting Standards (including Accounting Interpretations) and the Corporations Regulations 2001; and

2. the financial statements also comply with International Financial Reporting Standards as disclosed in note 1.

3. there are reasonable grounds to believe that the Society will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors:

Ulf Ericson
Chairman

Joy Stocker
Deputy Chairman

Albury, 19 August 2010

WHK

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WHK Audit & Risk Assessment
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Independent Auditor's report to the members of Hume Building Society Ltd

Report on the financial statements

We have audited the accompanying financial statements of Hume Building Society Ltd (the Company), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 32 and the directors' declaration, as set out on pages 7 to 42.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Company, comprising the financial statements and notes, comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We performed the procedures to assess whether in all material respects the financial statements present fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australia Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion

In our opinion:

(a) the financial statements of Hume Building Society Ltd are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial statements also complies with International Financial Reporting Standards as disclosed in note 1.

WHK Audit & Risk Assessment

Bradley D Bohun, Partner
Albury, 19 August 2010

NATIONAL CARBON OFFSET STANDARD
CONSUMER

Hume Building Society uses
National Carbon Offset Standard
Certified ENVI Recycled
Super Smooth carbon neutral paper
An Australian Government Initiative

Hume Building Society

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