ANNUAL FINANCIAL REPORT 2013

Hume

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
Australian Credit Licence No. 244248

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

CONTENTS

Directors' Report

The Directors present their report, together with the financial statements of Hume Building Society Ltd (the 'Company'), for the financial year ended 30 June 2013 and the Auditor's report thereon.

Directors

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

Name and qualifications	*Experience and special responsibilities*
Stuart James Gilchrist B. Eco and Politics Independent, non-executive Director.	Director. Board member since March 2007 and Chairman since July 2012. Chairman of the Remuneration and Succession Committee and member of the Audit 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.
Michael Conrad Gobel B.Sc, MAppFin, FFin, GAICD Independent, non-executive Director.	Board member and Deputy Chairman since November 2012. Member of the Audit Committee. Michael has provided strategic financial advice to the private business sectors, major domestic and international investment funds and government borrowing authorities. Michael is a former Board member of Hothouse Theatre.
Henrietta Rachel Cruddas B. Sc (Hons) Non-independent, non-executive Director.	Solicitor. Board member from May 2011 until August 2012. Former member of the Audit Committee. Henri has been a legal and compliance specialist in the financial services industry for the last 25 years both in Australia and the UK.
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 between August 1998 and June 2012. Member of the Audit Committee and former member of the Remuneration and Succession Committee. Ulf is Chairman of Albury Wodonga Health, member of several committees of Albury Wodonga Health and Board member of the Community Advisory Board for the Albury Wodonga Campus of the University of NSW Rural Clinical School.
William Thomas Hanrahan B Bus, B Leg S, Dip Sec Inst, SF Fin, FCA, FCPA, FCIS, FAICD, B R Studies, Hon D Bus C Sturt Non-independent, non-executive Director.	Former CEO of the Company for 20 years. Board member since June 1985. Member of the Remuneration and Succession Committee and former member of the Audit Committee. Chairman of the Albury Wodonga Corporation and Chair of Albury-Wodonga Land Disposal Advisory Committee. Bill has an ongoing association with Charles Sturt University. Bill has also been involved as a member or chair of other Audit Committees.
Leo Francis O'Reilly GAICD Independent, non-executive Director.	Former Chartered Accountant - former partner of an Accounting Firm. Board member since February 1998. Chairman of the Audit Committee. Leo is the Chairman of the AlburyCity Audit Committee, a Director of Hume Medicare Local and Chairman of Hume Medicare Local Audit and Risk Committee.
Karyl Denise Osborne Independent, non-executive Director.	Board member since March 2007. Member of the Remuneration and Succession Committee. Denise is a Councillor of the Greater Hume Shire and is on the Boards of Albury Wodonga Youth Emergency Services Ltd, Back to Reality, Murray Arts, UPA Murray River Region and ATEL.
Feynella Joy Stocker B. Ed, M Ed (Adult Ed) Independent, non-executive Director.	Joy is a former Director of Educational Planning and Development, TAFE NSW Riverina Institute and maintains ongoing involvement with Charles Sturt University. Board member since October 1993. Deputy Chairman from November 2008 to November 2012 and former Chairman of the Company's former Risk Committee. Member of the Remuneration Committee and former member of the Audit Committee.

Company Secretary

Mr Andrew Glenn Saxby, B Bus was appointed company secretary in June 2004. Mr Saxby is the Chief Executive Officer of the Company. He was previously Company Secretary at another public company for over five years.

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 Committee	Remuneration & Succession Committee
Number of meetings held:	16	5	5
Number of meetings attended:			
Henrietta Rachel Cruddas[1]	2	2	n/a
Ulf Olof Ericson[2]	15	5	2
Stuart James Gilchrist[3]	16	2	5
Michael Conrad Gobel[4]	11	2	n/a
William Thomas Hanrahan[5]	16	3	3
Leo Francis O'Reilly	16	5	n/a
Karyl Denise Osborne	13	n/a	3
Feynella Joy Stocker[5]	13	2	2

[1] Resigned from the Board and Audit Committee in August 2012
[2] Resigned from the Remuneration Committee in November 2012
[3] Appointed to the Audit Committee in November 2012
[4] Appointed to the Board and Audit Committee in November 2012
[5] Resigned from the Audit Committee and appointed to the Remuneration Committee in November 2012

Corporate Governance Statement

The Board's primary responsibility is to the members of the Company to maintain the Company'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 Company to the Chief Executive Officer and Senior Management.

The Board generally meets on a monthly basis and conducts an annual evaluation of its own performance and that of individual Directors. 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

Audit Committee
The Audit Committee is a Board appointed committee comprising of four non-executive Directors. Its principal responsibility is to oversee the Company'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 Company's auditors. The Chief Executive Officer, internal and external auditors are invited to attend meetings; however the Committee can meet without them. The Committee is chaired by Leo O'Reilly.

Remuneration & Succession Committee
The Remuneration and Succession Committee is a Board appointed committee of four 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 as well as the Remuneration and Reward Policy which establishes staff remuneration structures. It also develops Board succession planning for consideration by the Board. The Committee has been chaired by Stuart Gilchrist since August 2012; prior to which the Committee was chaired by Ulf Ericson.

Principal activities

The principal activities of the Company 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 Company that occurred during the financial year under review.

Review and results of operations

The Company achieved a profit before income tax of $4.248 million for the year (2012 - $4.754 million). Net profit after income tax was $2.955 million (2012 - $3.321 million). The result was based on an increase in total assets of 3.9% or $33.063 million to $883.943 million on the back of net loan approvals of $135 million (2012 - $132 million). Net loans and advances outstanding at 30 June 2013 were $676.302 million (2012 - $647.497 million) and deposits by members were $809.025 million (2012 - $782.208 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 Company, the results of those operations, or the state of affairs of the Company, in future financial years.

Likely developments

The Board is recommending that Members approve a change in name to Hume Bank Limited effective from 1 July 2014. The vote will occur at the 2013 Annual General Meeting. Approval to use the word bank will be required from the Australian Prudential Regulation Authority before the name change can occur. Directors expect an increase in the number of customers as a result of the change but there will be no material change to Hume's financial performance.

Directors' benefits

During or since the end of the financial year, no Director of the Company 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 29 of the general purpose financial statements) by reason of a contract entered into by the Company (or an entity that the Company controlled, or a body corporate that was related to the Company 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 5 and forms part of the Directors' report for the financial year ended 30 June 2013. The lead auditor changed its name from WHK Audit & Risk Assessment to Crowe Horwath Albury on 31 July 2013.

Indemnification and insurance of Officers and Auditors

The Company has agreed to indemnify any past, present or future Director, Secretary or Officer of the Company in respect of liabilities to other persons (other than the Company) that may arise from their position as Director, Secretary or Officer of the Company, except where the liability arises out of conduct involving a lack of good faith. The Company has entered into an insurance policy to cover the Company'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 Company has not indemnified its Auditors, Crowe Horwath Albury.

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 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006), unless otherwise stated.

Signed in accordance with a resolution of the Directors:

Stuart Gilchrist Chairman	Michael Gobel Deputy Chairman

Albury, 15 August 2013

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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 2013 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.

CROWE HORWATH ALBURY

BRADLEY D BOHUN
Partner
Albury, 15 August 2013

Statement of Profit or Loss and Comprehensive Income

for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Interest revenue	2	**48,431**	53,080
Interest expense	2	**(28,750)**	(33,123)
Net interest income		**19,681**	19,957
Non-interest income	3	**3,965**	3,607
Total operating income		**23,646**	23,564
Impairment of loans and advances	11	**(104)**	(136)
Other expenses	4	**(19,294)**	(18,674)
Profit before income tax		**4,248**	4,754
Income tax expense	5	**(1,293)**	(1,433)
Profit for the year		**2,955**	3,321
Other comprehensive income			
Other comprehensive income		**-**	-
Other comprehensive income, net of tax		**-**	-
Total comprehensive income for the year		**2,955**	3,321

The statement of profit or loss and comprehensive income is to be read in conjunction with the accompanying notes set out on pages 10 to 40.

Statement of Changes in Equity

for the year ended 30 June 2013

	Note	Retained Earnings $'000	General Reserve for Credit Losses $'000	Asset Revaluation Reserve $'000	Capital Profits Reserve $'000	Total Reserves $'000
2012						
Opening balance at 1 July 2011		48,601	1,056	814	593	2,463
Net profit for the year		3,321	-	-	-	-
Total other comprehensive income		-	-	-	-	-
Transfers to/(from) reserves		(74)	74	-	-	74
Closing balance at 30 June 2012	22, 23	51,848	1,130	814	593	2,537
2013						
Opening balance at 1 July 2012		**51,848**	**1,130**	**814**	**593**	**2,537**
Net profit for the year		**2,955**		**-**	**-**	**-**
Total other comprehensive income		**-**	**-**	**-**	**-**	**-**
Transfers to/(from) reserves		**(44)**	**44**	**-**	**-**	**44**
Closing balance at 30 June 2013	22, 23	**54,759**	**1,174**	**814**	**593**	**2,581**

The statement of changes in equity is to be read in conjunction with the accompanying notes set out on pages 10 to 40.

Statement of Financial Position

as at 30 June 2013

	Note	2013	2012
		$'000	$'000
Assets			
Cash and cash equivalents	6	**37,575**	43,703
Receivables due from other financial institutions	7	**56,601**	58,935
Investment securities	8	**102,624**	90,570
Trade and other receivables	9	**1,191**	1,210
Loans and advances	10	**676,302**	647,497
Other investments	12	**204**	204
Property, plant and equipment	13	**7,732**	7,189
Intangible assets	14	**400**	342
Deferred tax assets	15	**1,314**	1,230
Total assets		**883,943**	850,880
Liabilities			
Deposits	16	**809,025**	782,208
Trade and other payables	17	**13,032**	11,957
Income tax payable	18	**456**	399
Deferred tax liabilities	19	**144**	142
Provision for employee benefits	20	**1,946**	1,789
Borrowings	21	**2,000**	-
Total liabilities		**826,603**	796,495
Net assets		**57,340**	54,385
Members' funds			
Reserves	22	**2,581**	2,537
Retained earnings	23	**54,759**	51,848
Total members' funds		**57,340**	54,385

The statement of financial position is to be read in conjunction with the accompanying notes set out on pages 10 to 40.

Statement of Cash Flows

for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Interest received		**48,393**	52,858
Interest paid		**(29,171)**	(33,245)
Other non-interest revenue received		**4,013**	3,677
Cash paid to suppliers and employees		**(16,199)**	(17,177)
Fees and commissions paid		**(35)**	(35)
Income tax paid	18	**(1,318)**	(1,614)
		5,683	4,464
(Increase)/decrease in operating assets:			
Net (increase)/decrease in loans and advances		**(28,909)**	(36,617)
Net increase/(decrease) in deposits		**26,817**	78,981
Net cash flows from operating activities	24(b)	**3,591**	46,828
Cash flows from investing activities			
Net (increase)/decrease in receivables due from other financial institutions		**(19,000)**	-
Net (increase)/decrease in investment securities		**-**	8,000
Payments for property, plant and equipment		**(1,824)**	(998)
Proceeds from sale of property, plant and equipment		**117**	19
Payments for intangible assets		**(292)**	(245)
Net cash flows from investing activities		**(20,999)**	6,776
Cash flows from financing activities			
Proceeds from borrowings		**2,000**	-
Net cash flows from financing activities		**2,000**	-
Net increase/(decrease) in cash held		**(15,408)**	53,604
Cash at the beginning of the financial year		**193,208**	139,604
Cash at the end of the financial year	24(a)	**177,800**	193,208

The statement of cash flows is to be read in conjunction with the accompanying notes set out on pages 10 to 40.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Hume Building Society Ltd (the 'Company') 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') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The financial statements of the Company 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 15 August 2013.

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 33 - 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 profit or loss and comprehensive income. The fair value of equity investments classified as held for trading and available-for-sale is their quoted bid price at balance date.

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

Receivables due from other financial institutions (FI's)

Receivables due from other financial institutions are held-to-maturity investments which the Company 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment securities

Investment securities are held-to-maturity investments which the Company 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 determined based on an analysis of the Company'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.

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 made.
- 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 Company 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 the loans 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.

Reserve for credit losses

Company policy requires that a general reserve for credit losses, sufficient to cover estimated future credit losses, be maintained. This Company maintains a general reserve for credit losses of 0.3% (2012 - 0.3%) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Recognition and measurement
Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent accumulated depreciation for buildings.

All other items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Assets less than $500 are not capitalised.

Revaluation of land and buildings
Any revaluation increment is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

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 – 7 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 Company 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 Company'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 profit or loss and 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 profit or loss and comprehensive income.

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.

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 Company 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 Company 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 Company'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 Company's obligations.

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

Goods and services tax

As a financial institution the Company is input taxed on all income except for income from commissions, rents and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

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. 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 in the period in which it is incurred. Interest payable is included in the amount of payables in the statement of financial position.

Leases

Leases under which the Company 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.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to the purchase of property, plant and equipment are included in liabilities as deferred income and are credited to profit or loss on a straight-line basis over the estimated useful lives of the related assets.

Revenue

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

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 standards and interpretations not yet adopted

The following standards have been identified as ones which may impact the Company in the period of initial application. They are available for early adoption, 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 2015. It provides revised guidance on the classification and measurement of financial assets and 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. This standard was revised in December 2010 to include new requirements for the measurement and classification of financial liabilities. The Company has not fully yet determined the potential effect of the standard. The Company does not have any financial liabilities measured at fair value through profit or loss. There will therefore be no impact on the financial statements when these amendments to AASB 9 are first adopted.

- AASB 13 *Fair Value Measurement* - A new standard was issued in September 2011 and is mandatory for annual reporting periods beginning on or after 1 January 2013. It defines fair value, and sets out in a singled standard a framework for measuring fair value. AASB 13 requires inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy. It also requires enhanced disclosures regarding all assets and liabilities. When this standard is adopted for the first time, additional disclosures may be required about fair values.

- AASB 119 *Employee Benefits* - A revised standard was issued in September 2011 and is mandatory for annual reporting periods beginning on or after 1 January 2013. The standard introduces a number of changes to the accounting and presentation of defined benefit plans. It also changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. Employee benefits expected to be settled (as opposed to due to settled under current standard) within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used within 12 months of end of reporting period will in future be discounted when calculating leave liability. The Company has determined that there will be no material effect from this standard when first adopted.

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 Company's operations during the period.

	Average balance $'000	Interest $'000	Average interest rate %
Interest revenue 2013			
Cash at authorised deposit-taking institutions	**34,403**	**1,203**	**3.50**
Receivables due from other financial institutions	**62,223**	**2,472**	**3.97**
Investment securities	**101,548**	**4,034**	**3.97**
Loans and advances	**659,597**	**40,722**	**6.17**
	857,771	**48,431**	**5.65**
Interest expense 2013			
Members' deposits	**805,330**	**28,634**	**3.56**
Borrowings	**1,289**	**116**	**9.00**
	806,619	**28,750**	**3.56**
Interest revenue 2012			
Cash at authorised deposit-taking institutions	42,274	1,984	4.69
Receivables due from other financial institutions	41,534	2,292	5.52
Investment securities	82,343	4,543	5.52
Loans and advances	627,569	44,261	7.05
	793,720	53,080	6.69
Interest expense 2012			
Members' deposits	749,965	33,123	4.42
Borrowings	-	-	-
	749,965	33,123	4.42

	2013	2012
	$'000	$'000

3. NON-INTEREST INCOME

	2013 $'000	2012 $'000
Fees and commissions from members		
- Loan and overdraft fees	**244**	193
- Transaction fees	**716**	644
- Credit card fees	**10**	9
- Other fees	**487**	476
	1,457	1,322
Fees and commissions from non-members		
- Fees for service	**836**	758
- Commissions	**1,579**	1,460
	2,415	2,218
Total fees and commissions	**3,872**	3,540
Other non-interest income		
- Income from property	**28**	26
- Bad debts recovered	**30**	12
- Profit on disposal of property, plant and equipment	**10**	7
- Government grants	**20**	20
- Sundry income	**5**	2
	93	67
Total non-interest income	**3,965**	3,607

Government Grants

A Green Building Fund grant of $20,000 (2012 – $20,000) was recognised as other income during the financial year. There are no unfulfilled conditions or other contingencies attached to the grant. The Company did not benefit directly from any other forms of government assistance.

	Note	2013	2012
		$'000	$'000

4. OTHER EXPENSES

	Note	2013 $'000	2012 $'000
Amortisation – leasehold improvements	13	**184**	235
Amortisation – intangible assets	14	**234**	215
Depreciation			
- Plant and equipment	13	**907**	989
- Buildings	13	**73**	68
Total depreciation		**980**	1,057
Fees and commissions		**35**	35
Personnel costs			
- Provision for long service leave		**91**	81
- Provision for annual leave		**9**	107
- Superannuation contributions		**825**	778
- Salaries and wages		**7,680**	7,261
- Payroll tax		**420**	401
- Other		**611**	641
Total personnel costs		**9,636**	9,269
Marketing expenses		**796**	742
Information technology expenses		**959**	924
Occupancy costs			
- Rental – operating leases		**1,246**	1,139
- Other occupancy costs		**1,066**	979
Total occupancy costs		**2,312**	2,118
ATM, Eftpos and electronic transaction processing costs		**1,364**	1,438
Other administration expenses		**2,785**	2,621
Loss on disposal of property, plant and equipment		**9**	20
Total other expenses		**19,294**	18,674

	Note	2013 $'000	2012 $'000
4. OTHER EXPENSES			
Amortisation – leasehold improvements	13	**184**	235
Amortisation – intangible assets	14	**234**	215
Depreciation			
- Plant and equipment	13	**907**	989
- Buildings	13	**73**	68
Total depreciation		**980**	1,057
Fees and commissions		**35**	35
Personnel costs			
- Provision for long service leave		**91**	81
- Provision for annual leave		**9**	107
- Superannuation contributions		**825**	778
- Salaries and wages		**7,680**	7,261
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Loss on disposal of property, plant and equipment		**9**	20
Total other expenses		**19,294**	18,674

	Note	2013 $'000	2012 $'000
5. INCOME TAX EXPENSE			
Income tax expense		**1,293**	1,433
Recognised in statement of profit or loss and comprehensive income			
Income tax expense comprises amounts set aside as:			
Income tax payable – current year	18	**1,375**	1,537
Under/(over) provision in prior years		**-**	-
Increase/(decrease) in deferred tax liabilities		**2**	(7)
(Increase)/decrease in deferred tax assets		**(84)**	(97)
		1,293	1,433
Reconciliation between tax expense and pre-tax profit			
Profit before income tax		**4,248**	4,754
Prima facie income tax expense calculated at 30%		**1,274**	1,426
Increase/(decrease) in income tax expense due to:			
Non-deductible expenses		**33**	25
Other deductible expenses		**(14)**	(18)
Non-assessable income		**-**	-
		1,293	1,433
Income tax (over)/under provided in prior period		**-**	-
Income tax expense attributable to profit		**1,293**	1,433
Dividend franking account			
Franking credits held at balance date		**24,979**	23,661
6. CASH AND CASH EQUIVALENTS			
Cash on hand and at authorised deposit-taking institutions at call		**37,575**	43,703
7. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS			
Interest earning deposits		**56,601**	58,935
Maturity analysis			
Not later than 1 month		**22,601**	30,935
Later than 1 and not later than 3 months		**15,000**	28,000
Later than 3 and not later than 12 months		**19,000**	-
Later than 1 and not later than 5 years		**-**	-
		56,601	58,935

	Note	2013 $'000	2012 $'000
7. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS (continued)			
Credit rating of receivables due from other financial institutions			
Authorised Deposit-taking Institutions rated A and above		**25,000**	27,000
Authorised Deposit-taking Institutions rated below A		**11,000**	9,000
Unrated Authorised Deposit-taking Institutions		**20,601**	22,935
		56,601	58,935
8. INVESTMENT SECURITIES			
Negotiable certificates of deposit		**102,624**	90,570
Maturity analysis			
Not later than 1 month		**33,703**	27,741
Later than 1 and not later than 3 months		**68,921**	62,829
Later than 3 and not later than 12 months		**-**	-
Later than 1 and not later than 5 years		**-**	-
		102,624	90,570
Credit rating of investment securities			
Authorised Deposit-taking Institutions rated A and above		**-**	-
Authorised Deposit-taking Institutions rated below A		**102,624**	90,570
Unrated Authorised Deposit-taking Institutions		**-**	-
		102,624	90,570
9. TRADE AND OTHER RECEIVABLES			
Interest receivable on investments		**1,048**	1,009
Sundry debtors, accrued income and prepayments		**143**	201
		1,191	1,210
10. LOANS AND ADVANCES			
Overdrafts and Credit Cards		**9,695**	9,768
Term loans		**667,422**	638,624
Loans and advances before deferred fees and costs		**677,117**	648,392
Deferred loan transaction costs		**391**	330
Deferred loan origination fees		**(923)**	(975)
Deferred fixed rate loan renegotiation fees		**(1)**	(5)
Total loans and advances		**676,584**	647,742
Provision for impairment	11	**(282)**	(245)
Net loans and advances		**676,302**	647,497

	2013 $'000	2012 $'000

10. LOANS AND ADVANCES (continued)

Maturity analysis

	2013 $'000	2012 $'000
Not later than 1 month	**11,823**	11,799
Later than 1 and not later than 3 months	**4,055**	3,740
Later than 3 and not later than 12 months	**18,889**	17,513
Later than 1 and not later than 5 years	**96,772**	90,377
Later than 5 years	**545,045**	524,313
	676,584	647,742

Concentration of risk

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

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

	2013 $'000	2012 $'000
- Southern NSW	**417,607**	409,041
- North East Victoria	**207,136**	197,920
- Other – non-concentrated	**52,374**	41,431
	677,117	648,392

Security held against loans and advances

	2013 $'000	2012 $'000
Secured by mortgage over residential property	**622,553**	597,472
Secured by mortgage over commercial property	**36,397**	31,617
Total loans and advances secured by real estate	**658,950**	629,089
Secured by funds	**562**	477
Partly secured by goods mortgage	**7,252**	8,598
Wholly unsecured	**10,353**	10,228
	677,117	648,392

Credit quality - loan to value ratio on loans and advances secured by real estate

It is not practical to value all collateral as at the balance date due to the variety of assets and their nature and condition. A breakdown of the quality of the mortgage security on a portfolio basis is as follows:

	2013 $'000	2012 $'000
Loan to value ratio of 80% or less	**549,166**	516,974
Loan to value ratio of more than 80% but mortgage insured	**104,580**	107,162
Loan to value ratio of more than 80% not mortgage insured	**5,204**	4,953
	658,950	629,089

11. IMPAIRMENT OF LOANS AND ADVANCES

Provision for impairment

	2013 $'000	2012 $'000
Collective provision	**256**	215
Specific provision	**26**	30
	282	245

	2013	2012
	$'000	$'000

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

Provision for impairment – collective provision		
Opening balance	**215**	237
Bad debts previously provided for written off during the year	**(44)**	(122)
Bad and doubtful debts provided for during the year	**85**	100
Closing balance	**256**	215

Provision for impairment – specific provision		
Opening balance	**30**	22
Bad debts previously provided for written off during the year	**(23)**	(28)
Bad and doubtful debts provided for during the year	**19**	36
Closing balance	**26**	30

Bad and doubtful debts expense comprises:		
Collective provision increase/(decrease)	**85**	100
Specific provision increase/(decrease)	**19**	36
Total bad debts expense/(benefit)	**104**	136

Ageing analysis of loans and advances past due

Loans and advances past due and not impaired		
Up to 30 days	**13,577**	15,915
More than 30 days but less than 90 days	**3,501**	3,382
More than 90 days but less than 180 days	**1,408**	1,078
More than 180 days but less than 270 days	**521**	244
More than 270 days but less than 365 days	**301**	-
More than 365 days	**460**	286
Accounts overdrawn and overdrafts over limit less than 14 days	**23**	42
	19,791	20,947
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	**80**	66
More than 180 days but less than 270 days	**41**	2
More than 270 days but less than 365 days	**20**	42
More than 365 days	**71**	133
Accounts overdrawn and overdrafts over limit less than 14 days	**212**	235
	424	478
Total past due loans and advances	**20,215**	21,425

	2013 $'000	2012 $'000

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

Security analysis of loans and advances past due

	2013 $'000	2012 $'000
Loans and advances past due and not impaired		
Secured by mortgage over real estate	**19,189**	20,475
Secured by funds	**-**	2
Partly secured by goods mortgage	**344**	255
Wholly unsecured	**258**	215
	19,791	20,947
Loans and advances past due and impaired		
Secured by mortgage over real estate	**-**	81
Secured by funds	**-**	-
Partly secured by goods mortgage	**147**	142
Wholly unsecured	**277**	255
	424	478
Total past due loans and advances	**20,215**	21,425
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	**87**	120
Net fair value of other assets acquired through the enforcement of security during the financial period	**-**	-

12. OTHER INVESTMENTS

	2013 $'000	2012 $'000
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 company that supplies services to Authorised Deposit-taking Institutions and is regulated by APRA. The shares are not tradeable and are not redeemable. The Company does not intend to dispose of these shares.

The financial reports of this company record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of the Company, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market, a market value is not able to be determined readily.

13. PROPERTY, PLANT AND EQUIPMENT

	2013 $'000	2012 $'000
Land and buildings		
At fair value	**5,139**	4,145
Provision for depreciation	**(141)**	(68)
Total freehold land and buildings	**4,998**	4,077

	2013	2012
	$'000	$'000

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Leasehold improvements		
At cost	**1,454**	1,483
Provision for amortisation	**(1,086)**	(929)
Total leasehold improvements	**368**	554
Plant and equipment		
At cost	**7,002**	6,517
Provision for depreciation	**(4,636)**	(3,959)
Total plant and equipment	**2,366**	2,558
Total property, plant and equipment at net book value	**7,732**	7,189

Reconciliations

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

Land and buildings		
Carrying amount at the beginning of the year	**4,077**	4,145
Additions	**994**	-
Revaluations	**-**	-
Depreciation	**(73)**	(68)
Transfers to plant & equipment	**-**	-
Carrying amount at the end of the year	**4,998**	4,077
Leasehold improvements		
Carrying amount at the beginning of the year	**554**	785
Additions	**105**	4
Disposals	**(107)**	-
Amortisation	**(184)**	(235)
Carrying amount at the end of the year	**368**	554
Plant and equipment		
Carrying amount at the beginning of the year	**2,558**	2,584
Additions	**725**	994
Disposals	**(10)**	(31)
Depreciation	**(907)**	(989)
Transfers from land and buildings	**-**	-
Carrying amount at the end of the year	**2,366**	2,558

Valuations

The freehold land and buildings were valued in June 2011 by Cosgraves Property Advisers, accredited independent valuers.

The valuation basis of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

In the opinion of the Directors there have been no significant changes in market value since this date.

	2013 $'000	2012 $'000

14. INTANGIBLE ASSETS

Computer software and licences		
At cost	**2,134**	2,154
Provision for amortisation	**(1,734)**	(1,812)
	400	342

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	**342**	312
Additions	**292**	245
Disposals	**-**	-
Amortisation	**(234)**	(215)
Carrying amount at the end of the year	**400**	342

15. DEFERRED TAX ASSETS

Deferred tax assets	**1,314**	1,230
Deferred tax assets are attributable to the following:		
Property, plant and equipment and intangible assets	**445**	401
Provisions for employee benefits	**521**	489
Provision for impairment on loans	**85**	74
Borrowing Costs	**17**	11
Expenses not currently deductible	**51**	31
Deferred loan fees and transaction costs	**160**	195
Deferred income	**35**	29
	1,314	1,230

16. DEPOSITS

Call deposits	**303,589**	280,813
Term deposits	**505,436**	501,395
	809,025	782,208
Maturity analysis		
Not later than 1 month	**449,242**	437,477
Later than 1 and not later than 3 months	**221,752**	242,237
Later than 3 and not later than 12 months	**128,272**	86,712
Later than 1 and not later than 5 years	**9,759**	15,782
	809,025	782,208
Concentration of deposits		
Southern NSW	**527,638**	516,343
North East Victoria	**214,133**	206,793
Other – non-concentrated	**67,254**	59,072
	809,025	782,208

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

	2013	2012
	$'000	$'000

17. TRADE AND OTHER PAYABLES

Accrued interest payable	**5,798**	6,220
Creditors and other liabilities	**7,234**	5,737
	13,032	11,957

18. INCOME TAX PAYABLE

Income tax payable	**456**	399
Movement during the year was as follows:		
Balance at the beginning of the year	**399**	476
Current year's income tax expense on profit before tax	**1,375**	1,537
Income tax paid – Current year	**(919)**	(1,138)
Income tax paid – Prior year	**(399)**	(476)
Under/(over) provision in prior period	**-**	-
Balance at the end of the year	**456**	399

19. DEFERRED TAX LIABILITIES

Deferred tax liabilities	**144**	142
Deferred tax liabilities are attributable to the following:		
Accrual of short-term bills	**144**	142

20. PROVISION FOR EMPLOYEE BENEFITS

Salaries, wages and other benefits accrued	**233**	176
Provision for annual leave	**760**	751
Provision for long service leave	**953**	862
	1,946	1,789

Included in employee benefits is a non-current amount of $334,000 (2012 - $339,000) relating to long service leave.

21. BORROWINGS

Subordinated debt	**2,000**	-
Movement during the year was as follows:		
Balance at the beginning of the year	**-**	-
Increase due to debt issued	**2,000**	-
Balance at the end of the year	**2,000**	-

	2013 $'000	2012 $'000

21. BORROWINGS (continued)

Maturity analysis

	2013 $'000	2012 $'000
Not later than 1 month	**-**	-
Later than 1 and not later than 3 months	**-**	-
Later than 3 and not later than 12 months	**-**	-
Later than 1 and not later than 5 years	**-**	-
Later than 5 years	**2,000**	-
	2,000	-

The company entered into an agreement to issue subordinated debt in November 2012. The debt instrument has a maturity date of 10 years but may be redeemed earlier subject to prior approval by APRA.

22. RESERVES

	2013 $'000	2012 $'000
General reserve for credit losses	**1,174**	1,130
Asset revaluation reserve	**814**	814
Capital profits reserve	**593**	593
	2,581	2,537

Movements in reserves

General reserve for credit losses

	2013 $'000	2012 $'000
Balance at the beginning of the year	**1,130**	1,056
Transfer from retained earnings	**44**	74
Balance at the end of the year	**1,174**	1,130

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

Asset revaluation reserve

	2013 $'000	2012 $'000
Balance at the beginning of the year	**814**	814
Total other comprehensive income	**-**	-
Balance at the end of the year	**814**	814

This reserve includes gains made on property when a revaluation is carried out in line with Company policy.

Capital profits reserve

	2013 $'000	2012 $'000
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.

23. RETAINED EARNINGS

	2013 $'000	2012 $'000
Retained earnings at the beginning of the year	**51,848**	48,601
Net profit attributable to members	**2,955**	3,321
Transfers from/(to) reserves	**(44)**	(74)
Retained earnings at the end of the year	**54,759**	51,848

		2013	2012
		$'000	$'000

24. 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:

	2013 $'000	2012 $'000
Cash on hand and at authorised deposit-taking institutions	**37,575**	43,703
Receivables due from other financial institutions less than 3 months	**37,601**	58,935
Investment securities less than 3 months	**102,624**	90,570
	177,800	193,208

(b) Reconciliation of cash flows from operating activities

	2013 $'000	2012 $'000
Profit for the year	**2,955**	3,321
Non-cash items		
Charge for bad and doubtful debts	**104**	136
Depreciation	**980**	1,057
Amortisation of leasehold improvements	**184**	235
Amortisation of intangible assets	**234**	215
Provision for employee entitlements	**100**	188
(Profit) on disposal of plant and equipment	**(10)**	(7)
Loss on disposal of plant and equipment	**9**	20
Changes in assets and liabilities		
Interest receivable	**(38)**	(222)
Other receivables	**58**	77
Interest payable	**(422)**	(122)
Income tax payable	**57**	(77)
Trade and other payables	**1,497**	(101)
Provision for employee benefits	**57**	(152)
Deferred tax assets	**(84)**	(97)
Deferred tax liabilities	**2**	(7)
	5,683	4,464
Net (increase)/decrease in loans and advances	**(28,909)**	(36,617)
Net increase/(decrease) in deposits	**26,817**	78,981
Net cash flow from operating activities	**3,591**	46,828

25. AUDITOR'S REMUNERATION

Amounts received or due and receivable by the External Auditor of Hume Building Society Ltd for:

	2013 $	2012 $
– audit of the financial statements of the Company	**62,552**	63,231
– other services in relation to the Company	**17,061**	15,301
	79,613	78,532

26. EMPLOYEE BENEFITS

Superannuation commitments

The Company 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 staff member's account in the fund. No actuarial assessment is required. The Company contributed 9% of each fund staff member's gross salary to cover its occupational superannuation obligations. Staff members may contribute to the fund on a voluntary basis. Staff may request the Company to contribute to an alternative accumulated superannuation fund.

27. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

In the normal course of business the Company 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 Company 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 Company holds collateral supporting these commitments where it is deemed necessary.

	2013	2012
	$'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. They include undrawn balances of overdrafts and credit cards:		
Approved but undrawn loans and credit limits	**42,331**	44,201
Security analysis of credit-related commitments		
Secured by mortgage over real estate	**28,264**	31,133
Secured by funds	**830**	359
Partly secured by goods mortgage	**59**	144
Wholly unsecured	**13,178**	12,565
	42,331	44,201
Financial guarantees		
Financial guarantees written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Security is generally held for these guarantees.	**2,185**	1,744
Security analysis of financial guarantees		
Secured by mortgage over real estate	**1,692**	1,144
Secured by funds	**485**	592
Wholly unsecured	**8**	8
	2,185	1,744

	2013	2012
	$'000	$'000

28. EXPENDITURE COMMITMENTS

Capital expenditure commitments

Estimated capital expenditure contracted for at balance date but not provided for:		
– payable within one year	**174**	283

Operating leases (non-cancellable)

Future operating lease commitments not provided for in the financial statements and payable:		
– within 1 year	**1,351**	1,352
– later than 1 and not later than 2 years	**1,233**	1,207
– later than 2 and not later than 5 years	**1,113**	1,947
– later than 5 years	**80**	149
Aggregate lease expenditure contracted for at balance date	**3,777**	4,655

29. 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 Company, 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 Company.

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

	2013	2012
	$	$
Short-term employee benefits		
- Directors	**339,019**	286,192
- Other key management personnel	**1,075,987**	1,092,578
Post-employment benefits – superannuation contributions		
- Directors	**99,101**	187,800
- Other key management personnel	**94,277**	93,965
Other long-term benefits – net increase in long service leave provision		
- Directors	**-**	-
- Other key management personnel	**40,071**	12,394
	1,648,455	1,672,929

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 Company at the previous Annual General Meeting approved the remuneration of Directors for the period.

29. 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:

	2013		2012	
	$		$	
	Mortgage Secured Loans	**Revolving Credit (unsecured)**	Mortgage Secured Loans	Revolving Credit (unsecured)
Loans to Directors				
Funds available to be drawn	**-**	**23,492**	-	20,167
Balance at reporting date	**178,892**	**1,508**	799,011	4,833
Loans advanced (including redraws)	**8,800**	**27,491**	5,000	40,871
Loan repayments	**30,835**	**30,942**	77,489	38,934
Interest and other revenue earned	**14,422**	**126**	55,054	87
Loans to Director related parties				
Funds available to be drawn	**-**	**1,307**	-	1,508
Balance at reporting date	**322,460**	**693**	621,990	492
Loans advanced (including redraws)	**6,221**	**2,911**	-	3,651
Loan repayments	**340,676**	**2,713**	56,186	3,375
Interest and other revenue earned	**34,925**	**3**	42,410	-
Loans to other key management personnel				
Funds available to be drawn	**-**	**28,935**	-	25,084
Balance at reporting date	**2,246,615**	**26,065**	1,776,398	29,916
Loans advanced (including redraws)	**534,002**	**149,316**	875,252	158,340
Loan repayments	**175,150**	**153,167**	215,468	154,254
Interest and other revenue earned	**111,365**	**-**	87,185	11

The Company's policy for lending to key management personnel is that all loans are approved on the same terms and conditions which apply to customers for each class of loan.

There are no loans to either Directors or 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.

29. 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:

	2013	2012
	$	$
Deposits outstanding at balance date:		
- Directors	**179,411**	95,385
- Director related parties	**9,414,320**	9,534,710
- Other key management personnel	**253,618**	254,769
- Other key management personnel related parties	**322,616**	234,155
Interest paid on deposits:		
- Directors	**3,136**	2,410
- Director related parties	**462,025**	531,475
- Other key management personnel	**2,009**	1,128
- Other key management personnel related parties	**11,508**	16,874

The Company'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 customers.

Other transactions with related parties

There are no benefits paid or payable to 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 Company's key management personnel is also a Director of Abacus Australian Mutuals Pty Ltd. All transactions with this company are on normal terms and conditions.

30. OUTSOURCING ARRANGEMENTS

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

31. SEGMENT INFORMATION

The Company operates exclusively in the finance industry within Australia.

32. FINANCIAL 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 Company.

Risk management policies are established to identify and analyse the risks faced by the Company and to set appropriate risk limits and controls. Procedures are in place to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, 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 Board oversees the development of the risk management framework in relation to the risks faced by the Company. It also reviews and approves policies to require adherence to the requirements of the risk framework.

The Company'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 Company's Audit Committee oversees management's compliance with the Company'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.

Objectives and policies

Managing the risks that affect the Company is a fundamental activity and the success of risk management involves taking an integrated balanced approach to risk and return, and assists in mitigating potential loss or damage while optimising growth opportunity.

The Company's risk appetite statement defines the level of risk that the Board is willing to accept to meet its strategic objectives and outlines the desire to minimise the impact of anything that may have a material impact on the results. The risk appetite statement sets the context for the Company's strategy, financial and capital forecasting processes. It is further defined by the identification of key risk types applicable to the Company, consisting of:

- Credit risk;
- Operational risk;
- Liquidity risk;
- Market risk;
- Capital risk;
- Regulatory & compliance risk; and
- Strategic risk.

The Board's role includes approving key policies and processes including the internal capital adequacy assessment process, the internal liquidity assessment process and in doing so reviewing the outcomes of stress testing completed.

An overview of risk management approaches to the Company's key risk types are detailed below. Further quantitative disclosures are included throughout these financial statements.

Credit risk

Credit risk is the risk of failure by a counterparty to perform according to a contractual arrangement. This risk applies to loans either on and off balance sheet exposures such as guarantees, acceptances and securities investments.

Credit risk arises principally from the Company's loans, advances and liquid investments.

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

Credit risk – loans and advances

The risk of losses from loans and advances 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 Company has established policies over:

- Credit assessment and approval of loans and facilities including acceptable risk assessment and security requirements. Credit assessment includes ensuring borrowers are creditworthy and capable of meeting the loan repayments;
- Requirements for lenders' mortgage insurance;
- Limits of acceptable exposure to individual borrowers, non-mortgage secured loans and advances, commercial lending and industry groups considered at high risk of default;
- Reassessing and reviewing 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 with these policies is conducted by Internal Audit.

The Company minimises concentrations of credit risk in relation to loans and advances receivable by lending to a large number of customers within each specified category. 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 the notes.

Credit risk – liquid investments

The risk of losses from liquid investments held is reduced by the nature and credit rating of the investee and the limits of concentration to each entity. The Board's appetite 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, dependent upon their credit rating. Given the high quality and/or relatively short duration of these investments, the Company does not expect any counterparty to fail to meet its obligation. Details of exposures to liquidity investments are set out in notes.

Liquidity risk

Liquidity risk is the risk that there is insufficient funds in a given period to meet the operational and funding needs of the Company in both normal and an adverse operating environment.

The Company 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 and other liquidity ratios daily.

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

As at 30 June 2013, the Company held 15.69% of total adjusted liabilities as liquid assets (2012 – 15.76%). The average during the financial year was 16.18% (2012 – 16.20%).

The Company also maintains 1.80% of total adjusted liabilities as liquid assets (2012 – 1.80%) as part of an internal standby facility.

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

32. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Internal securitisation and RBA repurchase

During the year the Company commenced a project which involves the creation of a trust to hold rights to a portfolio of mortgage secured loans to enable the Company to secure funds from the Reserve Bank of Australia if required to meet emergency liquidity requirements. This project is expected to be completed during the 2013/2014 financial year.

Market risk and hedging policy

Market risk is the risk that fluctuating interest rates lead to a change in underlying value of assets and liabilities as well as an increase/decrease in profit.

The Company does not trade in the financial instruments it holds and is not exposed to currency risk. It is exposed 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 Company maintains a balanced ‘on book’ hedging strategy by ensuring the net difference between asset and liability maturities are not excessive. The gap is monitored monthly to identify any large exposure 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 33(b).

Value at Risk (VaR) and Earnings at Risk (EaR) are calculated monthly using internal models and managed within established 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 2013 using a 20 day holding period, 99% confidence level and a 250 day observation period, the VaR was 1.48% of capital. VaR as at 31 March 2012 was 1.54% of capital using the same parameters.

Based on independent EaR calculations as at 31 March 2013 using a shift in interest rates of 200 basis points for one year, EaR was a $4,178,641 variation or 21.31% from the base case. EaR as at 31 March 2012 was a $3,266,490 variation or 16.30% from the base case, using the same parameters.

The internal model identifies that there has only been minimal change in VaR and EaR from 31 March 2013 to 30 June 2013.

Operational risk

Operational risk is the risk of direct or indirect loss from inadequate or failed internal processes, systems, human error, inadequate staff resourcing, or from external events. The definition includes legal risk and reputational risk.

The Company’s objective is to manage operational risk to balance the avoidance of financial losses through implementation of controls and the avoidance of procedures that inhibit innovation, creativity and service. Operational risks are managed through the implementation of policies and systems to monitor the likelihood of events and minimise the consequences of them should they occur. Systems of internal control are enhanced through:

- Segregation of duties between employees and functions, including approval and processing duties;
- Documented 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 Company has an extensive business continuity policy and plan which are regularly tested to provide assurance that the Company’s operations can be maintained.

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

32. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Regulatory & compliance risk

Regulatory & Compliance risk is the risk of failing to comply with regulatory requirements.

The Company's compliance program identifies the key legislative and regulatory obligations that impact the Company and identifies the measures in place to ensure compliance with them.

Strategic Risk

Strategic risk is the risk to current or prospective earnings and capital, resulting from unexpected or adverse changes in the business environment with respect to the economy, the political landscape, regulation, technology, social mores, the actions of competitors and business decisions.

Strategic risk is constantly considered through business strategy, i.e. planning and, where applicable, monitored via the quarterly risk report with additional commentary on emerging issues included in the monthly report.

Capital risk

Capital risk is the risk that there is insufficient capital available to protect against unexpected loss.

Company policy is to maintain a strong capital base and 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 Company's capital management objectives are to:

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

The Company is subject to minimum capital requirements imposed by APRA based on the guidelines developed by the Basel Committee on Banking Supervision. The Company reports to APRA under Basel III capital requirements and uses the standardised approach for credit 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 ADI specific minimum capital ratios which may be higher than these levels.

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

The Company's capital contains tier 1 and tier 2 capital. Tier 1 capital can contain both common equity tier 1 capital and additional tier 1 capital. Common equity tier 1 capital comprises the highest quality components of capital that fully satisfy all of the following characteristics:

(a) provide a permanent and unrestricted commitment of funds;
(b) are freely available to absorb losses;
(c) do not impose any unavoidable servicing charge against earnings; and
(d) rank behind the claims of depositors and other creditors in the event of winding-up of the issuer.

Common equity tier 1 capital consists of retained earnings and realised reserves. From 1 January 2013 it also consists of the asset revaluation reserve. Deductions from tier 1 capital are made for intangible assets, certain capitalised expenses, deferred tax assets and equity investments in other ADIs.

Tier 2 capital includes the reserve for credit losses and tier 2 capital instruments including subordinated debt. Tier 2 capital instruments combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption features of equity.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital adequacy ratio calculation

	2013 $'000	2012 $'000
Tier 1 capital		
Common equity tier 1 capital		
Retained earnings	**54,759**	51,848
Capital profits reserve	**593**	593
Deferred fee income	**533**	650
Asset revaluation reserve (2012 – tier 2)	**814**	-
	56,699	53,091
Less prescribed deductions	**(1,774)**	(1,531)
Net tier 1 capital	**54,925**	51,560
Tier 2 capital		
General reserve for credit losses	**1,174**	1,130
Asset revaluation reserve (2012 – 45% of reserve)	**-**	366
Subordinated debt	**1,800**	-
	2,974	1,496
Less prescribed deductions	**-**	(103)
Net tier 2 capital	**2,974**	1,393
Total capital	**57,899**	52,953
Risk profile		
Credit risk	**340,351**	329,604
Operational risk	**50,894**	46,817
Total risk weighted assets	**391,245**	376,421
Capital adequacy ratio	**14.80%**	14.07%

33. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

The Company'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 135 days with effective interest rates of 2.50% to 4.16% (2012: 3.25% to 5.95%).
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 33(d). Interest revenue is recognised when earned.	Negotiable certificates of deposit have an average maturity of 90 days and effective interest rates of 3.11% to 3.70% (2012: 3.81% to 5.25%).
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 Company.	Trade liabilities are normally settled on 30-day terms.
Subordinated debt	21	Subordinated debt is recorded at the principal amount. Interest is calculated on the daily balance outstanding.	Details of maturity terms are set out in note 21.

33. **FINANCIAL INSTRUMENTS (continued)**

(b) Effective interest rates and repricing analysis

Interest rate risk in the statement of financial position 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 Company's assets, liabilities and equity, and in the mismatch in repricing dates of its assets and liabilities. The tables for both the 2012 and 2013 financial years detail the exposure of the Company'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	%
2013								
Financial assets								
Cash and cash equivalents	**26,627**					**10,948**	**37,575**	**3.15**
Receivables due from FI's	**22,601**	**17,000**	**17,000**				**56,601**	**3.84**
Negotiable certificates of deposit	**33,703**	**68,921**					**102,624**	**3.44**
Trade and other receivables						**1,191**	**1,191**	**n/a**
Loans and advances	**600,670**	**3,796**	**27,213**	**45,368**	**70**	**(815)**	**676,302**	**5.81**
Other investments						**204**	**204**	**n/a**
Total financial assets	**683,601**	**89,717**	**44,213**	**45,368**	**70**	**11,528**	**874,497**	
Financial liabilities								
Deposits	**449,242**	**221,752**	**128,272**	**9,759**			**809,025**	**3.12**
Trade and other payables						**13,032**	**13,032**	**n/a**
Subordinated debt		**2,000**					**2,000**	**8.75**
Total financial liabilities	**449,242**	**223,752**	**128,272**	**9,759**	**-**	**13,032**	**824,057**	

2012								
Financial assets								
Cash and cash equivalents	32,520					11,183	43,703	4.08
Receivables due from FI's	30,935	28,000					58,935	4.96
Negotiable certificates of deposit	27,741	62,829					90,570	4.41
Trade and other receivables						1,210	1,210	n/a
Loans and advances	578,179	4,738	25,430	39,918	127	(895)	647,497	6.39
Other investments						204	204	n/a
Total financial assets	669,375	95,567	25,430	39,918	127	11,702	842,119	
Financial liabilities								
Deposits	437,477	242,237	86,712	15,782			782,208	4.05
Trade and other payables						11,957	11,957	n/a
Subordinated debt							-	n/a
Total financial liabilities	437,477	242,237	86,712	15,782	-	11,957	794,165	

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

33. 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
2013								
Financial assets								
Cash and cash equivalents	**37,670**						**37,670**	**37,575**
Receivables due from FI's	**22,779**	**15,193**	**19,478**				**57,450**	**56,601**
Negotiable certificates of deposit	**34,000**	**69,500**					**103,500**	**102,624**
Trade and other receivables	**121**						**121**	**1,191**
Loans and advances	**15,030**	**10,599**	**47,098**	**232,279**	**595,667**		**900,673**	**676,302**
Other investments						**204**	**204**	**204**
Total financial assets	**109,600**	**95,292**	**66,576**	**232,279**	**595,667**	**204**	**1,099,618**	**874,497**
Financial liabilities								
Deposits	**451,391**	**225,587**	**133,276**	**10,286**			**820,540**	**809,025**
Trade and other payables	**7,234**						**7,234**	**13,032**
Subordinated debt		**44**	**131**	**700**	**2,763**		**3,638**	**2,000**
On balance sheet	**458,625**	**225,631**	**133,407**	**10,986**	**2,763**	**-**	**831,412**	**824,057**
Undrawn credit commitments	**42,331**						**42,331**	**42,331**
Total financial liabilities	**500,956**	**225,631**	**133,407**	**10,986**	**2,763**	**-**	**873,743**	**866,388**

2012								
Financial assets								
Cash and cash equivalents	43,784						43,784	43,703
Receivables due from FI's	31,257	28,409					59,666	58,935
Negotiable certificates of deposit	28,000	63,500					91,500	90,570
Trade and other receivables	201						201	1,210
Loans and advances	15,230	10,751	47,765	236,112	578,536		888,394	647,497
Other investments						204	204	204
Total financial assets	118,472	102,660	47,765	236,112	578,536	204	1,083,749	842,119
Financial liabilities								
Deposits	440,299	247,125	90,892	16,958			795,274	782,208
Trade and other payables	5,737						5,737	11,957
Subordinated debt							-	-
On balance sheet	446,036	247,125	90,892	16,958	-	-	801,011	794,165
Undrawn credit commitments	44,201						44,201	44,201
Total financial liabilities	490,237	247,125	90,892	16,958	-	-	845,212	838,366

Directors' Declaration

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

1. the financial statements and notes, set out on pages 6 to 40, are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the financial position of the Company as at 30 June 2013 and of its performance, for the financial year ended on that date; and

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

2. the financial statements also comply with International Financial Reporting Standards; and

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

Signed in accordance with a resolution of Directors:

Stuart Gilchrist Chairman	Michael Gobel Deputy Chairman

Albury, 15 August 2013

Crowe Horwath.

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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 2013, the statement of profit or loss and 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 33 and the directors' declaration set out on pages 6 to 41.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. 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 controls relevant to the entity's preparation of the financial statements that give a true and fair view 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 controls. 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 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 2013 and of its performance for the year ended on that date; and

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

(b) the financial statements also comply with *International Financial Reporting Standards*.

CROWE HORWATH ALBURY

BRADLEY D BOHUN
Partner
Albury, 15 August 2013

SENIOR MANAGERS

ANDREW SAXBY
Chief Executive Officer

JESSIE ARNEY
General Manager
Human Resources

WAYNE NAGLE
General Manager
Finance and Administration

ALISON PRENTICE
Risk Manager

DAVID ROWE
General Manager
Information Technology

MELISSA SWEETLAND
General Manager
Customer Service,
Sales and Marketing

MANAGEMENT TEAM

OLYMPIA ANDRONICOS
Regional Manager
Southern NSW

DYANI BONACCI
Marketing Manager

CARLY BROWN
Regional Manager Victoria

JUDY CLOHESY
Support Services Manager

ALISON EATON
Human Resources Consultant

DALE JOHNSTONE
Financial and Management
Accountant

JARROD O'NEILL
Finance Manager

TYLER PEACHEY
Credit Manager

KEVIN PHILLIPS
Management
Accountant

BILL QUINN
Information Technology
Manager

MELISSA RALPH
Compliance Manager

SIMON REID
Third Party Relationship
Manager

JUSTIN RYNEHART
Regional Manager
Wagga

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

SERVICE CENTRES

ALBURY

HEAD OFFICE
492 Olive Street,
Albury NSW 2640
Phone (02) 6051 3211
Fax (02) 6051 3255

Myer City Centre
David & Swift Streets,
Albury NSW 2640
Phone (02) 6051 3306
Fax (02) 6041 3314

Centro Albury Shopping Centre
487 Kiewa Street,
Albury NSW 2640
Phone (02) 6051 3308
Fax (02) 6041 5697

Centro Lavington Shopping Centre
Griffith Road,
Lavington NSW 2641
Phone (02) 6051 3302
Fax (02) 6040 3508

Thurgoona Plaza
Shuter Avenue,
Thurgoona NSW 2640
Phone (02) 6051 3325
Fax (02) 6043 3140

WODONGA

131 High Street,
Wodonga VIC 3690
Phone (02) 6051 3309
Fax (02) 6022 9066

Centro Wodonga Shopping Centre
Elgin Street,
Wodonga VIC 3690
Phone (02) 6051 3303
Fax (02) 6022 9022

Birallee Shopping Centre
97 Melrose Drive,
Wodonga VIC 3690
Phone (02) 6051 3304
Fax (02) 6043 4304

White Box Rise Shopping Centre
Shop 12,
Victoria Cross Parade
Wodonga VIC 3690
Phone (02) 6051 3326
Fax (02) 6024 3462

WANGARATTA

56-58 Murphy Street,
Wangaratta VIC 3677
Phone (03 5723 7666
Fax (03) 5721 3977

WAGGA WAGGA

115 Baylis Street,
Wagga Wagga NSW 2650
Phone (02) 6939 7440
Fax (02) 6971 8134

Kooringal Mall
269 Lake Albert Road,
Kooringal NSW 2650
Phone (02) 6939 7442
Fax (02) 6926 6936

Southcity Shopping Centre
1 Tanda Place,
Glenfield Park NSW 2650
Phone (02) 6939 7441
Fax (02) 6971 2897

Regional

COROWA

79 Sanger Street,
Corowa NSW 2646
Phone (02) 6051 3305
Fax (02) 6033 4312

CULCAIRN

50 Balfour Street,
Culcairn NSW 2660
Phone (02) 6051 3310
Fax (02) 6029 8121

HOWLONG

45 Hawkins Street,
Howlong NSW 2643
Phone (02) 6051 3317
Fax (02) 6026 8322

JINDERA

8-9 Jindera Plaza,
Jindera NSW 2642
Phone (02) 6051 3323
Fax (02) 6026 3718

RUTHERGLEN

128-130 Main Street,
Rutherglen VIC 3685
Phone (02) 6051 3321
Fax (02) 6032 7017

YACKANDANDAH

10 High Street,
Yackandandah VIC 3749
Phone (02) 6051 3311
Fax (02) 6027 1184

Hume

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