ANNUAL REPORT

HUME BUILDING SOCIETY

2006

Looking forward

Looking forward

Hume Building Society - part of your life

ANNUAL REPORT

HUME BUILDING SOCIETY

Looking forward

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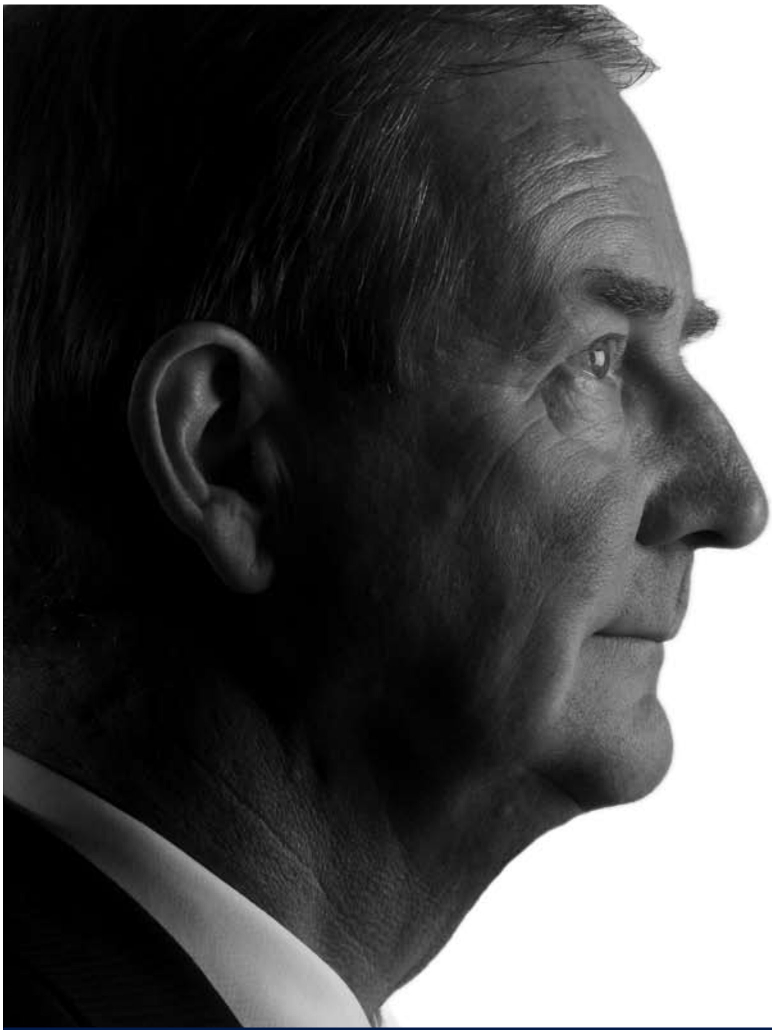
2006



Ulf Ericson Chairman, Hume Builidng Society

Looking forward

"The Society has worked to improve convenience & service for both new & existing members".

On behalf of the Board of Directors, I am very pleased to present the results and achievements of Hume Building Society for the year to June 2006. Hume has been serving the people in our community for over 50 years and the successful way it has achieved that is the result of hard work by many people – from those that deal with members on a daily basis, the Customer Service Officers, through to my fellow Directors. The record profit achieved for the year resulted from more people conducting more of their banking with Hume. As has been the case in recent years, the Society has worked to improve convenience and service for both new and existing members. The upgrade of the Lavington Branch, Hume's busiest branch, was completed in July 2005 and the Culcairn Branch was relocated in October – continuing the trend of recent years of upgrading and extending branch services. Both refurbishments included ATMs, and Lavington now has three ATMs at the branch. The first 24-hour ATM in Culcairn was part of that branch upgrade and, in June 2006, Hume installed the first 24-hour access ATM in Yackandandah. Other ATMs were installed at the Albury Sports Stadium and in the Borella Road shopping strip during the year.
We have an ongoing commitment to upgrading and improving all our services.

The upgraded branches make it easier for members to bank with Hume and the increased number of ATMs means it is easier for members to bank with Hume totally free of fees. Allowing an unlimited number of free Hume ATM transactions and unlimited BPay payments and internal transfers via the Internet is one way Hume provides a measurable benefit to members. The combination of low fees, high deposit interest rates and generally low loan interest rates is calculated to save members $7.9 million per annum (as measured by independent firm Cannex based on data as at 31st May 2006) – an increase of 18% from the $6.7million in 2005. This is in addition to the convenience of the extensive branch network and extended hours of operation.

The Society's assets increased by 10% to $481 million and pre-tax operating profit increased by 11% to $4.3 million. Members' funds – the Society's Reserves and retained profit – increased by 10% to $33 million.

INDUSTRY

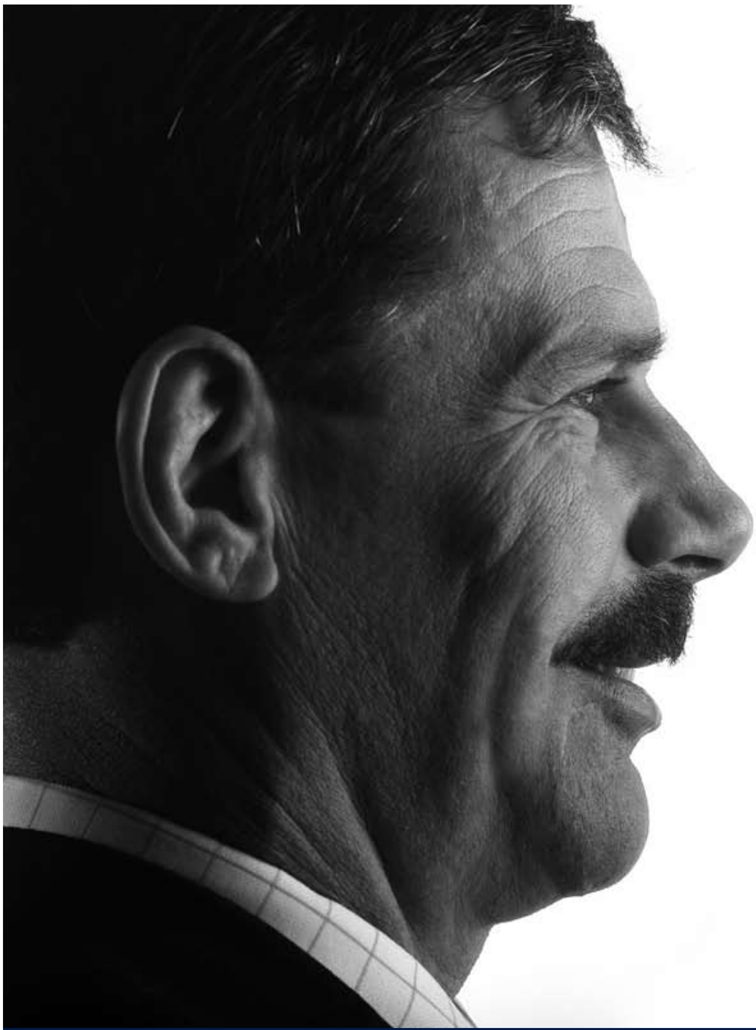
During the past year there has been a significant coming together of mutual building societies and credit unions in Australia. Both building societies and credit unions had separate Industry Associations that, among other things, represented mutual organisations at various legislative and regulatory bodies. Increasingly, the Australian Association of Permanent Building Societies (AAPBS) and Credit Union Industry Association (CUIA) made joint submissions and presentations. On 29th June 2006 a new joint venture– Abacus Australian Mutuals – was announced to represent the combined membership of AAPBS and CUIA from 1st July 2006. Hume Building Society, through its Chief Executive Officer, took an active role in establishing Abacus, demonstrating the contribution that Hume has made, and will continue to make, on the national stage. It is a momentous and exciting change that will ensure the secure future of mutual financial institutions in Australia.

CHALLENGES

Mutual financial institutions, indeed all companies within Australia, are facing increased compliance and regulatory burden. The Board of Hume Building Society takes its Governance obligations very seriously and, as I noted last year, a number of improvements to Board processes resulted from a review completed by a nationally recognised firm of consultants. This review puts the Society in a sound position as it faces new APRA Prudential Regulations on Fit and Proper and on Governance. The Society has adapted to the new requirements of Australian equivalents of International Financial Reporting Standards and is preparing for new anti-money laundering legislation and changes to APRA capital adequacy requirements as the Basel II Capital Accord is implemented.

I would like to acknowledge the efforts of my fellow Directors and all staff for their contributions to the Society's success in 2006. I would also like to thank you, the members, for your ongoing and continued support.

Andrew Saxby CEO, Hume Builidng Society



Looking forward

"A friendly organisation that cares for its members, people and the community"

FINANCIAL PERFORMANCE

Hume Building Society achieved very satisfactory results during the past 12 months.

New accounting standards apply from this year – and have also been used to provide the comparative results for 2005. Operating profit has increased by 10.7% to $4.337 million from $3.915 million. Total loans outstanding increased by $43.015 million on the back of loan approvals of $137.343 million – a record amount in a highly competitive marketplace. Total assets at 30th June 2006 were $481.150 million, an increase of $43.900 million or 10.0%.

Its not just about profit however, with Hume deliberately pricing its accounts so that members receive better value than they would receive if they had banked with the average of the four major banks. Hume calls this "Member Benefits" and, if combined with after tax profit, gives a good indication of the member value that Hume Building Society provides and of who gains that benefit.

	2005	**2006**
	$'000	**$'000**
After Tax Profit	$2,750	$2,971
Member Benefit	$6,645	$7,860
Member Value	$9,395	$10,831

After tax profit forms part of the Society's capital base and therefore contributes to the Society's capital adequacy ratio. Capital adequacy is a measure of soundness and the Australian Prudential Regulatory Authority (APRA) requires all authorised deposit taking institutions in Australia to maintain a capital adequacy ratio in excess of 8%. Hume Building Society comfortably achieves that, with its capital ratio at 13.0% at June 2006 (13.0% at June 2005). The Society's liquidity ratio also exceeded the minimum required by APRA.

ECONOMIC CLIMATE

Australia's economy continues to expand at a very acceptable rate. Unemployment is at 30-year lows and the exchange rate has meant that the price of many imported goods is lower than it was a year ago. Recently, the dollar has stabilised against other currencies and inflationary pressures are starting to emerge. As a result, the Reserve Bank increased the official cash rate at its May meeting and again at its meeting in August. The many Australians who rely on investment earnings for their income have welcomed the rate increases. For those with loans, however, it is less pleasing. Many of Hume's members have been encouraged to make additional loan repayments during the period of lower interest rates and they will not necessarily be affected by the increases. To date, Hume has not noticed a significant increase in the number of loans in arrears despite higher interest rates and higher petrol prices.

PEOPLE

The reason Hume Building Society exists is to provide personalised financial services that are convenient and affordable. To provide those services, Hume Building Society believes its people need to be well trained, well equipped and, most importantly, happy at work.

The success that Hume Building Society continues to achieve is a reflection of the people that work within the various branches and departments. Selecting the right people for the role is easier when people want to work at Hume. New employees provide a variety of reasons when asked "why Hume".

"A friendly organisation that cares for its members, people and the community" is a common answer and provides an insight into why more and more people choose to have their banking relationship with Hume Building Society. Although the number of people working at Hume continues to grow – with 101 on the payroll at June 2006, there is a tangible sense of belonging within the Society. Indeed, when saying his goodbyes on retiring after 34 years with Hume Building Society, the Society's (then) longest serving employee, David Fara, said it had been a tough decision to leave Hume Building Society. He said it was like leaving his family.

That doesn't mean the 101 people who spend their working days at Hume have similar interests. Just like the wider community, Hume is well represented in many sports including hockey, Australian rules, soccer, cricket, running, equestrian events, netball and tennis. Add to that list amateur theatrics, a concert band, dance classes, meals on wheels, service clubs and community events like Clean up Australia and National Tree-planting Day and it becomes apparent that Hume and its people are very much a part of the local community. In fact, making our communities better benefits us all and that is why Hume supports and values its people.

COMMUNITY SUPPORT

Hume supports the contribution that its people make in many ways. Financial support of groups and clubs by way of sponsorship is very visible support, however the Society also contributes in other ways. People are encouraged to have a day-off in lieu for hours spent in their own time on community activity. On a monthly basis people make gold coin donations to a charity chosen by a committee of their peers – and Hume matches those contributions on a dollar for dollar basis. After the Nail Can Hill Run each year, Hume provides a barbeque for those 20 or so staff who participate and for those there to cheer their workmates on. The Society also contributes to a charity chosen by the winning team in a corporate challenge held in conjunction with the event.

CONVENIENCE

As outlined above, people are the cornerstone of Hume's success. During the past financial year the Society's busiest branch was relocated to bigger, brighter premises at Centro Lavington. Although there are now three Hume ATMs in the branch, many members continue to transact within the branch so the counter was extended to improve the service provided. Hume isn't just about face-to-face service however and the number of members using the Society's internet banking service, I-Bank, increased by more than 25% during the year. The number of transactions conducted over the Internet increased by 45%! The ability to pay bills over the internet via BPay is not only convenient; it is fee free, regardless of the number of accounts paid.

For those requiring cash, Hume's ATMs are also free for members using a Hume Cashcard. ATMs were installed at Culcairn, Lavington, the Albury Sports Stadium, Borella Road and the Society's refurbished branch at Yackandandah during the past year. This increased convenience contributed to the 19% increase in members' use of Hume ATMs. Free of fees.

TRANSACTION FEES

In recent years the Reserve Bank of Australia (RBA) has designated the credit card interchange commission paid between financial institutions in Australia. Although the RBA expected the cost of credit card transactions would decrease as a result, several retail organisations now impose a surcharge if credit cards are used. Regardless of this outcome, the RBA has announced it will act to reduce the commissions paid on transactions made with debit cards – including Hume's Cashcard. Hume Building Society welcomes the announced change and expects the transaction cost it recovers from its members who make such transactions to reduce considerably – perhaps by as much as 50%.

There is also a push to introduce "direct charging" for ATM transactions. When using a non-Hume ATM, members would be alerted to the possibility of a fee before the transaction is completed (allowing them to cancel the transaction and avoid the fee). The owner of the other ATM would no longer charge Hume a fee and, as a result, Hume would be in a position to reduce or remove its transaction fee for foreign ATM use.

It should be highlighted that less than 17% of the transaction and savings accounts at Hume were charged fees during 2006 and that the Society hasn't increased its transaction fees for several years. Although a full review of costs charged to Hume and the amount recovered from members is overdue, in light of the expected impact of the changes noted above, the next change in fees could well be down.

Looking forward

“Making our communities better benefits us all”

PRODUCTS AND SERVICES

In March 2006, the Society recommenced offering Financial Planning advice to members. The Society entered into a relationship with national firm Bridges Financial Services whereby Bridges has employed an experienced Financial Planner to meet the needs of Hume's members. Two Hume staff, who it is expected will be able to meet 60% of members' financial advice needs, support the Bridges' Planner. The Financial Services Officers are licensed by Executive Wealth Management and are supported by full compliance and product information and review from the national office in Sydney.

This has been an important step in enabling Hume to fulfil all of its members' financial needs. Another step was the introduction of a high interest internet account called iSave which provides term deposit like interest with at call access via the Internet.

Finally, after two years intensive research and negotiation, the Society is well advanced in its development of a Hume Visa credit card. The Society has been granted associate membership of Visa International and anticipates having credit cards available for members toward Christmas 2006. The costs of joining Visa and developing the systems to allow credit card transactions to be processed have been included in the 2006 results.

LEGISLATIVE REQUIREMENTS

Australian industry is facing ever-increasing legislative reform or regulation. The Australian Prudential Regulatory Authority (APRA) supervises financial institutions in Australia and has released new Prudential Standards on Governance and also on Fit and Proper during the year. Both come into effect in October 2006. The Society is well prepared for both, having engaged a nationally recognised consulting firm in April 2005. A number of changes have been implemented as a result of that review however, as members would expect, Hume constantly reviews best practice and it is expected that changes will continue.

The implementation of the Australian Equivalents of International Financial Reporting Standards (AIFRS) has also meant that APRA has reviewed and reissued many Prudential Standards. Changes relating to the new, internationally adopted method of calculating capital adequacy (known as the Basel II Capital Accord) has also been made. All of these take considerable Board and Management time to review and consider. Anti-Money Laundering legislation (AML) will impose huge workloads on all financial institutions and many other businesses. The Society is well aware of many of the requirements but is still awaiting the detail due to be released in Regulations before it can commence final assessment and begin implementation. It will be a project that is likely to take several years to fully implement and members will be impacted by the additional responsibility imposed upon the Society. Hume will endeavour to keep the impact to a minimum – in keeping with members' requests for simple, face-to-face banking without too much bureaucratic paperwork. The formation of Abacus Australian Mutuals is a critical way that smaller, community focussed organisations like Hume can work together to develop best practice solutions to regulatory requirements like AML. The transfer of AAPBS staff to Abacus will provide continuity of the standard of advice and support.

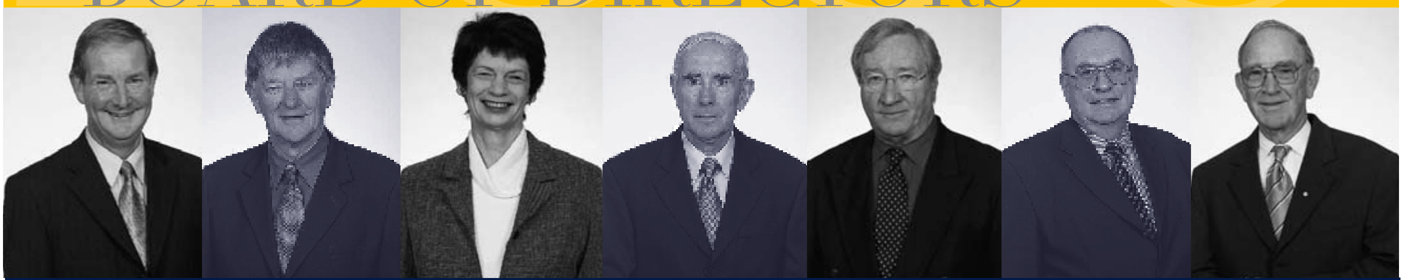
LOOKING FORWARD

The 2005/06 year has been another year of success for Hume Building Society. The level of service provided to members has been maintained or improved. The benefits of banking with Hume (as measured by Cannex) have also improved – as has the Society's financial performance.

Based on the achievements of the past 50 years and the new services and products recently implemented or about to be offered, Hume Building Society's future – and the peace of mind that provides to its members – is assured.

2006

BOARD OF DIRECTORS



Ulf Ericson	John Knobel	Joy Stocker	Bill Hanrahan	Lou Lieberman	Leo O'Reilly	Les Boyes
CHAIRMAN	**DEPUTY CHAIRMAN**					

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2006

HUME BUILDING SOCIETY LTD
ABN 85 051 868 556
AFSL NO. 244248

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Directors' Report

The Directors present their report, together with the financial report of Hume Building Society Ltd (the Society), for the year ended 30 June 2006 and the Auditors' report thereon.

Directors

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

Name and qualifications	*Age*	*Experience and special responsibilities*
Ulf Olof Ericson B Ec, B Comm, Grad Dip Advanced Taxation Law, Dip Law, FCA, FAIM, MAICD, FTIA	59	Chartered Accountant. Board member for 18 years and Chairman since 1998. Chairman of the Remuneration & Human Resources Committee and member of the Audit & Risk Committee. Ulf is a Committee Member of the Albury-Wodonga Branch of the Institute of Chartered Accountants and a member of community and educational organisations.
John Albert Knobel CPA	68	Certified Practising Accountant. Board member for 31 years and Deputy Chairman for 21 years. Chairman of the Audit & Risk Committee. John has a wide range of community involvements throughout the local region.
Leslie Charles Boyes	75	Grazier and local businessman. Board member for 21 years. Member of the Remuneration & Nominations Committee. Former Councillor and Mayor of the Rural City of Wodonga.
Feynella Joy Stocker B Ed, M Ed (Adult Ed)	60	Director, Educational Planning & Development, TAFE NSW Riverina Institute. Board member for 13 years. Member of the Remuneration & Human Resources Committee. Joy is a member of the Charles Sturt University Regional Consultative Committee and Deputy Chair of the Scots School Board.
Leo Francis O'Reilly FCA	62	Chartered Accountant - former partner of an Accounting Firm. Board member for 8 years. Member of the Audit & Risk Committee. Previous Board member of Albury Services Board and member of AlburyCity Audit Committee.
Louis Stuart Lieberman Dip Law (SAB), FAICD	68	Director, Mediator and Facilitator Board member for 7 years. Member of the Remuneration & Human Resources Committee. Lou has had a long career in business, the law, community affairs and has helped to develop and improve regional communities and services. He is a former State and Federal Member for Benambra and Indi and State Minister for Health, Local Government, Planning and Minerals and Energy and Mines and a Parliamentary Secretary and Chair of Committees in the Federal Parliament.
William Thomas Hanrahan B Bus, Cost Acc P Cert, FCA, FSIA, FCPA, FCIS, FAICD, B R Studies, B Leg S, Hon D Bus *CSturt*	63	Former CEO of the Society for 20 years. Board member for 21 years. Member of the Audit & Risk Committee. Chairperson of the Albury Wodonga Corporation; Chairman of AlburyCity Audit Committee; member of Council of Charles Sturt University and Chair of the University's Audit and Risk Committee.

Company Secretary

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

Officers who were previously partners of the audit firm

Mr Leo F O'Reilly was previously a partner of the current audit firm, KPMG Albury, at a time when KPMG undertook an audit of the Society. Mr O'Reilly retired from KPMG in 1996 and was appointed as a Director of the Society in 1998.

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 were as follows:

	Board of Directors	*Audit & Risk Committee*	*Remuneration & Human Resources Committee*
Number of meetings held:	13	6	3
Number of meetings attended:			
Ulf Olof Ericson	13	6	3
John Albert Knobel	13	6	1*
William Thomas Hanrahan	13	6	n/a
Leslie Charles Boyes	13	2*	3
Feynella Joy Stocker	10	2*	3
Leo Francis O'Reilly	13	6	n/a
Louis Stuart Lieberman	12	1*	3

* retired from the committee in October 2005.

Committees of Directors

Audit & Risk Committee
The Audit & Risk Committee is a Board appointed committee comprising a majority of non-executive Directors. Its principal responsibility is to oversee the risk management, financial reporting and auditing processes of the Society. It also enables the Board to assess internal controls, have an increased focus on corporate risk and to provide a forum for contact with the Society's auditors. The auditors are present at periodic meetings and the Chief Executive Officer is invited to attend all meetings, however the Committee can meet without Management representation. The committee is chaired by John Knobel.

Remuneration & Human Resources Committee
The Remuneration and Human Resources Committee 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. The Committee also reviews staff remuneration structures for submission to the Board. The committee is chaired by Ulf Ericson.

Principal activities

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

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

Review and results of operations

The Society achieved an operating profit before income tax of $4.337 million for the year (2005 - $3.915 million). The result for the prior year included profits on the sale of shares of $123,000 which gives an underlying operating profit before income tax for 2005 of $3.792 million. The net underlying increase in profit for 2006 is 14.4%. Net profit after income tax was $2.958 million (2005 - $2.770 million).

The result was based on an increase in total assets of 10.04% or $43.923 million to $481.252 million on the back of record net loan approvals of $137 million (2005 - $134 million). Net loans and advances outstanding at 30 June 2006 were $403.104 million (2005 - $360.089 million) and deposits by members $438.325 million (2005 - $399.116 million).

State of affairs

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

Events subsequent to reporting date

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

Likely developments

The Society's focus will remain on the delivery of personal banking services to its members. Other distribution channels - including internet and telephone banking, EFTPOS and a growing ATM network - will provide added convenience for members. New banking products will continue to be developed and implemented to improve services to members.

Directors' benefits

During or since the end of the financial year, no Director of the Society has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of compensation paid or payable to Key Management Personnel as shown on page 36 of the general purpose financial statements) by reason of a contract entered into by the Society (or an entity that the Society controlled, or a body corporate that was related to the Society when the contract was made, or when the Director received, or became entitled to receive, the benefit) with:

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

Auditor independence declaration

The Auditor's independence declaration is set out on page 15 and forms part of the Directors' report for the financial year ended 30 June 2006.

Indemnification and insurance of Officers and Auditors

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

The Society has not indemnified its Auditors, KPMG.

Rounding

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

Signed in accordance with a resolution of the Directors:

U.O. Ericson
Chairman

J.A. Knobel
Deputy Chairman

Albury, 17 August 2006

Chartered Accountants
491 Smollett Street
Albury NSW 2640

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Albury NSW 2640
Australia

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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 2006 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.

KPMG
Chartered Accountants

Timothy S. Frazer, Partner
Albury, 17 August 2006

Income Statement

for the year ended 30 June 2006

	Note	2006 $'000	2005 $'000
Interest revenue	2	**31,064**	27,490
Interest expense	2	**(17,226)**	(15,041)
Net interest revenue		**13,838**	12,449
Non-interest income	3	**2,399**	2,236
Total operating income		**16,237**	14,685
Bad and doubtful debts	11	**(31)**	(3)
Other expenses	4	**(11,869)**	(10,767)
Profit before income tax		**4,337**	3,915
Income tax expense	5	**(1,379)**	(1,145)
Profit for the year		**2,958**	2,770

The income statement is to be read in conjunction with the accompanying notes set out on pages 20 to 44.

Statement of Changes in Equity

for the year ended 30 June 2006

	Note	Retained Profits	Fair Value Reserve	General Reserve for Credit Losses
		$'000	$'000	$'000
Opening balance at 1 July 2004		26,550	-	868
Net Profit for the year		2,770	-	-
Transfers to/(from) reserves		(338)	91	125
Closing balance at 30 June 2005	21, 22	28,982	91	993
Opening balance at 1 July 2005		**28,982**	**91**	**993**
Net Profit for the year		**2,958**	**-**	**-**
Transfers to/(from) reserves		**(203)**	**84**	**119**
Closing balance at 30 June 2006	21, 22	**31,737**	**175**	**1,112**

The statement of changes in equity is to be read in conjunction with the accompanying notes set out on pages 20 to 44.

Balance Sheet

as at 30 June 2006

	Note	2006 $'000	2005 $'000
Assets			
Cash and cash equivalents	6	**10,059**	9,077
Receivables due from other financial institutions	7	**12,000**	16,500
Investment securities	8	**44,513**	42,540
Accrued receivables	9	**1,205**	653
Loans and advances	10	**403,104**	360,089
Other investments	12	**1,530**	1,509
Investment property	13	**2,120**	2,000
Property, plant and equipment	14	**6,121**	4,532
Deferred tax assets	15	**600**	429
Total assets		**481,252**	437,329
Liabilities			
Deposits	16	**438,325**	399,116
Trade and other payables	17	**7,868**	6,276
Income tax payable	18	**499**	468
Deferred tax liabilities	19	**144**	102
Provision for employee benefits	20	**1,027**	936
Total liabilities		**447,863**	406,898
Net assets		**33,389**	30,431
Members' funds			
Reserves	21	**1,652**	1,449
Retained earnings	22	**31,737**	28,982
Total members' funds		**33,389**	30,431

The balance sheet is to be read in conjunction with the accompanying notes set out on pages 20 to 44.

Statement of Cash Flows

for the year ended 30 June 2006

	Note	2006 $'000	2005 $'000
Cash flows from operating activities			
Interest received		**31,076**	27,416
Interest paid		**(16,132)**	(14,687)
Dividends received		**1**	20
Other non-interest revenue received		**1,715**	2,286
Cash paid to suppliers and employees		**(10,256)**	(9,509)
Fees and commissions paid		**(22)**	(36)
Income tax paid	18	**(1,477)**	(1,417)
Net cash from revenue activities		**4,905**	4,073
Net (increase)/decrease in loans and advances		**(43,045)**	(47,475)
Net increase/(decrease) in deposits		**39,208**	35,063
Net cash flows from operating activities	24	**1,068**	(8,339)
Cash flows from investing activities			
Net (increase)/decrease in receivables due from other financial institutions		**5,500**	500
Net (increase)/decrease in investment securities		**1,000**	(8,882)
Proceeds from sale of other investments		**-**	990
Payments for other investments		**(20)**	-
Payments for property, plant and equipment		**(2,645)**	(987)
Proceeds from sale of property, plant and equipment		**52**	114
Net cash flows from in investing activities		**3,887**	(8,265)
Net increase/(decrease) in cash held		**4,955**	(16,604)
Cash at the beginning of the financial year		**48,779**	65,383
Cash at the end of the financial year	24	**53,734**	48,779

The statement of cash flows is to be read in conjunction with the accompanying notes set out on pages 20 to 44.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

Hume Building Society Ltd (the 'Company' or 'Society') is a company limited by shares and guarantee domiciled in Australia. No shares have been issued.

The financial report was authorised for issue in accordance with a resolution by the Directors on 17 August 2006.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. International Financial Reporting Standards ('IFRSs') form the basis of Australian Accounting Standards ('AASBs') adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ('AIFRS') to distinguish from previous Australian GAAP. The financial reports of the Company also comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

This is the Company's first financial report prepared in accordance with Australian Accounting Standards, being AIFRS and IFRS, and AASB 1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 32.

Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis except for investment properties, which are stated at their fair value.

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 report 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 report and in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS. The Society has elected to early adopt all issued applicable revised accounting standards as at 30 June 2006 except for AASB 7 – Financial Instruments: Disclosures.

Property, plant and equipment

Owned Assets
Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Certain items of property that had been revalued to fair value on or prior to 1 July 2004, the date of transition to Australian Accounting Standards – AIFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Depreciation
With the exception of freehold land, depreciation is charged to the income statement 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	the lease term

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

Disposal
The gain or loss on disposal is included in the income statement and is 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).

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. An external, independent valuer, having an appropriately recognised professional qualification and recent experience in the location and category of property being valued, values the property every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is applied to the net annual rentals to determine the property valuation.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for as described in the revenue accounting policy.

Loans and advances

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

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

The interest on loans and advances is calculated on the daily balance outstanding and is charged in arrears to a member's account on the last day of each month. All housing loans are secured by registered mortgages.

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

- Non-accrual loans – are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful and hence provisions for impairment are recognised.
- Restructured loans – arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms and the revised terms are not comparable to new facilities. Loans with revised terms are included in non-accrual loans when impairment provisions are required.
- Assets acquired through the enforcement of security – are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.
- Past-due loans – are loans where payments of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected. If a provision for impairment is required, the loan is included in non-accrual loans.

Loan impairment – specific provision

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

The Australian Prudential Regulatory Authority (APRA) requires that a general reserve for credit losses, sufficient to cover estimated future credit losses, be maintained. This Society maintains a general reserve for credit losses of 0.5% of risk weighted loans.

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 in the income statement.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in equity securities

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

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

Receivables due from other financial institutions

Receivables due from other financial institutions are held-to-maturity investments which the Society has a positive intention and ability to hold to maturity.

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

Investment securities

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

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

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.

Impairment

The carrying amounts of the Society's assets, other than investment property and 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 income statement 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 income statement.

Employee benefits

Wages, salaries and annual leave
Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Society expects to pay as at that date including related on-costs such as workers compensation insurance and payroll tax.

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

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

Goods and services tax

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

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

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.

Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement 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. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet 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 reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Leases

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

Operating leases
Payments made under operating leases are expensed on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

Revenue

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

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

Rental income
Rental income from investment property is recognised in the income statement 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.

2. INTEREST REVENUE AND INTEREST EXPENSE

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

	Average balance $'000	Interest $'000	Average interest rate %
Interest revenue 2006			
Cash at bank	**6,252**	**339**	**5.42**
Receivables due from other financial institutions	**16,952**	**1,003**	**5.91**
Investment securities	**50,296**	**2,974**	**5.91**
Loans and advances	**377,571**	**26,748**	**7.08**
	451,071	**31,064**	**6.89**
Interest expense 2006			
Members' deposits	**422,444**	**17,226**	**4.08**
Interest revenue 2005			
Cash at bank	7,100	367	5.17
Receivables due from other financial institutions	19,965	1,143	5.73
Investment securities	48,013	2,749	5.73
Loans and advances	335,936	23,231	6.92
	411,014	27,490	6.69
Interest expense 2005			
Members' deposits	385,969	15,041	3.90

	Note	2006 $'000	2005 $'000
3. NON-INTEREST INCOME			
Fees and commissions from members			
- Loan fees		**34**	17
- Transaction fees		**949**	897
- Other fees		**182**	154
		1,165	1,068
Fees and commissions from non-members			
- Fees for service		**327**	260
- Commissions		**621**	478
		948	738
Total fees and commission		**2,113**	1,806
Dividends		**1**	20
Bad debts recovered		**-**	3
Net gain from sale of other investments		**-**	123
Fair value adjustment of investment property	13	**120**	125
Income from property		**160**	159
Sundry income		**5**	-
Total non-interest income		**2,399**	2,236

4. OTHER EXPENSES

	Note	2006 $'000	2005 $'000
Amortisation – leasehold improvements	14	**133**	33
Depreciation			
- Plant and equipment	14	**828**	833
- Buildings	14	**51**	40
		879	873
Fees and commissions		**22**	36
Personnel costs			
- Provision for long service leave		**58**	50
- Provision for annual leave		**(5)**	(5)
- Superannuation contributions		**568**	467
- Salaries and wages		**4,288**	3,835
- Other		**729**	695
		5,638	5,042
Marketing expenses		**375**	314
Information technology expenses		**462**	349
Occupancy costs			
- Rental – operating leases		**411**	399
- Other occupancy costs		**661**	567
		1,072	966
ATM, Eftpos & electronic transaction processing costs		**1,262**	1,259
Other administration expenses		**2,011**	1,852
Net loss on disposal of property, plant & equipment		**15**	43
Total other expenses		**11,869**	10,767

	Note	2006 $'000	2005 $'000
5. INCOME TAX EXPENSE			
Income tax expense		**1,379**	1,145
Recognised in income statement			
Income tax expense comprises amounts set aside as:			
Income tax payable – current year	18	**1,508**	1,421
Under/(over) provision in prior years		**-**	1
Increase/(decrease) in deferred tax liabilities		**42**	(167)
(Increase)/decrease in deferred tax assets		**(171)**	(110)
		1,379	1,145
Reconciliation between tax expense and pre-tax profit			
Profit before income tax		**4,337**	3,915
Prima facie income tax expense calculated at 30% (2005 – 30%)		**1,301**	1,175
Increase/(decrease) in income tax expense due to:			
Non-deductible expenses		**78**	10
Non-assessable items		**-**	(32)
Franking credits on dividends received		**-**	(9)
		1,379	1,144
Income tax (over)/under provided in prior period		**-**	1
Income tax expense attributable to profit		**1,379**	1,145

6. CASH AND CASH EQUIVALENTS		
Cash on hand and at bank	**10,059**	9,077

7. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS		
Interest earning deposits	**12,000**	16,500
Maturity analysis		
Not longer than 1 month	**6,000**	6,000
Longer than 1 and not longer than 3 months	**4,000**	3,000
Longer than 3 and not longer than 12 months	**2,000**	7,500
Longer than 1 and not longer than 5 years	**-**	-
	12,000	16,500

	Note	2006 $'000	2005 $'000
8. INVESTMENT SECURITIES			
Bills of exchange		**1,961**	3,961
Negotiable certificates of deposit		**42,552**	38,579
		44,513	42,540
Maturity analysis			
Not longer than 1 month		**19,773**	21,773
Longer than 1 and not longer than 3 months		**13,901**	8,929
Longer than 3 and not longer than 12 months		**8,839**	7,838
Longer than 1 and not longer than 5 years		**2,000**	4,000
		44,513	42,540
9. ACCRUED RECEIVABLES			
Interest receivable on investments		**414**	425
Sundry debtors, accrued income and prepayments		**791**	228
		1,205	653
10. LOANS AND ADVANCES			
Overdrafts		**3,612**	3,123
Term loans		**399,849**	357,202
Loans and advances before deferred fees and costs		**403,461**	360,325
Deferred loan transaction costs		**256**	322
Deferred origination fees		**(597)**	(534)
Total loans and advances		**403,120**	360,113
Provision for impairment	11	**(16)**	(24)
Net loans and advances		**403,104**	360,089
Maturity analysis			
Not longer than 1 month		**4,884**	4,430
Longer than 1 and not longer than 3 months		**2,866**	2,765
Longer than 3 and not longer than 12 months		**11,327**	11,065
Longer than 1 and not longer than 5 years		**58,906**	58,014
Longer than 5 years		**325,137**	283,839
		403,120	360,113

Concentration of risk

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

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

	2006 $'000	2005 $'000
- Albury-Wodonga region (including Corowa and Culcairn)	**369,874**	331,450
- Other – non-concentrated	**33,587**	28,875
	403,461	360,325

		2006	2005
		$'000	$'000
11.	**IMPAIRMENT OF LOANS AND ADVANCES**		
	Provision for impairment		
	Opening balance	**24**	47
	Bad debts previously provided for written off during the period	**(34)**	(25)
	Bad and doubtful debts provided for during the period	**26**	2
	Closing balance	**16**	24
	Bad and doubtful debts expense comprises:		
	Specific provision	**26**	2
	Bad debts recognised directly to income statement	**5**	1
	Total bad debts expense	**31**	3
	Non-accrual loans		
	Balances with specific provisions for impairment	**30**	26
	Specific provision for impairment	**(16)**	(19)
	Net non-accrual loans	**14**	7
	Restructured loans		
	Balance	**-**	-
	Assets acquired through enforcement of security		
	Real estate acquired through enforcement of security	**-**	-
	Specific provision for impairment	**-**	-
	Balance	**-**	-
	Past-due loans		
	Balance	**39**	207
	Interest revenue on non-accrual and restructured loans	**1**	1
	Interest foregone on non-accrual and restructured loans	**-**	-
	Other revenue on assets acquired through security enforcement	**-**	-
	Net fair value of assets acquired through the enforcement of security during the financial period. These assets include land and buildings which have since been sold or are in the process of being sold.	**-**	-
12.	**OTHER INVESTMENTS**		
	Unlisted shares – at cost	**205**	204
	Collateral deposit – at cost	**1,325**	1,305
		1,530	1,509

	2006 $'000	2005 $'000
13. INVESTMENT PROPERTY		
Balance at the beginning of the year	**2,000**	1,875
Fair value adjustments	**120**	125
Balance at the end of the year	**2,120**	2,000

The carrying amount of investment property is the fair value of the property as determined by a registered independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Society's investment property.

Investment property comprises one commercial property that is strategically located and leased to a third party.

	2006 $'000	2005 $'000
14. PROPERTY, PLANT AND EQUIPMENT		
Land & Buildings		
At cost	**3,262**	2,470
Provision for depreciation	**(91)**	(40)
Total freehold land and buildings	**3,171**	2,430
Leasehold improvements		
At cost	**757**	365
Provision for amortisation	**(233)**	(116)
Total leasehold improvements	**524**	249
Plant and equipment		
At cost	**5,793**	4,836
Provision for depreciation	**(3,367)**	(2,983)
Total plant and equipment	**2,426**	1,853
Total property, plant and equipment at net book value	**6,121**	4,532

Reconciliations

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

	2006 $'000	2005 $'000
Land and Buildings		
Carrying amount at the beginning of the year	**2,430**	2,597
Additions	**792**	-
Disposals	**-**	(127)
Depreciation	**(51)**	(40)
Carrying amount at the end of the year	**3,171**	2,430

		2006 $'000	2005 $'000
14.	**PROPERTY, PLANT AND EQUIPMENT (continued)**		
	Leasehold improvements		
	Carrying amount at the beginning of the year	**249**	114
	Additions	**409**	173
	Disposals	**(1)**	(5)
	Amortisation	**(133)**	(33)
	Carrying amount at the end of the year	**524**	249
	Plant and equipment		
	Carrying amount at the beginning of the year	**1,853**	1,974
	Additions	**1,469**	736
	Disposals	**(68)**	(24)
	Depreciation	**(828)**	(833)
	Carrying amount at the end of the year	**2,426**	1,853
15.	**DEFERRED TAX ASSETS**		
	Deferred tax assets	**600**	429
	Deferred tax assets are attributable to the following items:		
	Depreciation of property, plant and equipment	**112**	73
	Provisions for employee benefits	**264**	248
	Provision for impairment on loans	**5**	7
	Accrued expenses not currently deductible	**52**	37
	Deferred loan fees and transaction costs	**102**	64
	Deferred income	**65**	-
		600	429
16.	**DEPOSITS**		
	Call deposits	**165,789**	155,373
	Term deposits	**272,536**	243,743
		438,325	399,116
	Maturity analysis		
	Not longer than 1 month	**216,305**	218,151
	Longer than 1 and not longer than 3 months	**143,410**	100,408
	Longer than 3 and not longer than 12 months	**73,865**	74,001
	Longer than 1 and not longer than 5 years	**4,745**	6,556
		438,325	399,116
	Concentration of deposits		
	Albury-Wodonga region (including Corowa and Culcairn)	**417,441**	374,501
	Other – non-concentrated	**20,884**	24,615
		438,325	399,116

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

		2006 $'000	2005 $'000
17.	**TRADE AND OTHER PAYABLES**		
	Accrued interest payable	**4,177**	3,083
	Creditors and other liabilities	**3,691**	3,193
		7,868	6,276

18.	**INCOME TAX PAYABLE**		
	Income tax payable	**499**	468
	Movement during the year was as follows:		
	Balance at the beginning of the year	**468**	463
	Current year's income tax expense on profit before tax	**1,508**	1,421
	Income tax paid – Current year	**(1,009)**	(953)
	Income tax paid – Prior year	**(468)**	(464)
	Under/(over) provision in prior period	**-**	1
		499	468

19.	**DEFERRED TAX LIABILITIES**		
	Deferred tax liabilities	**144**	102
	Deferred tax assets are attributable to the following items:		
	Fair value increment of investment property	**41**	6
	Accrual of short-term bills	**103**	96
		144	102

20.	**PROVISION FOR EMPLOYEE BENEFITS**		
	Salaries, wages and other benefits accrued	**148**	110
	Provision for annual leave	**410**	415
	Provision for long service leave	**469**	411
		1,027	936

Included in employee benefits is a non-current amount of $414,000 (2005 - $407,000).

		2006	2005
		$'000	$'000
21.	**RESERVES**		
	General reserve for credit losses	**1,112**	993
	Capital profits reserve	**365**	365
	Fair value reserve	**175**	91
		1,652	1,449

Movements in reserves

General reserve for credit losses

	2006	2005
Balance at the beginning of the year	**993**	868
Transfer from retained profits	**119**	125
Balance at the end of the year	**1,112**	993

This reserve is required to be maintained to comply with APRA's prudential standards.

Capital profits reserve

	2006	2005
Balance at the beginning of the year	**365**	243
Transfer from retained profits	**-**	122
Balance at the end of the year	**365**	365

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

Fair value reserve

	2006	2005
Balance at the beginning of the year	**91**	-
Transfer from retained profits	**84**	91
Balance at the end of the year	**175**	91

This reserve includes the cumulative net change in fair value of investment property until the property is derecognised.

		2006	2005
22.	**RETAINED PROFITS**		
	Retained profits at the beginning of the year	**28,982**	26,550
	Net profit attributable to members	**2,958**	2,770
	Transfers from/(to) reserves	**(203)**	(338)
	Retained profits at the end of the year	**31,737**	28,982

		2006	2005
		$	$
23.	**AUDITORS' REMUNERATION**		
	Amounts received or due and receivable by the External Auditors of Hume Building Society Ltd for:		
	– audit of the financial statements of the Society	**49,607**	48,400
	– other services in relation to the Society	**12,310**	11,805
		61,917	60,205

		2006	2005
		$'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:

	2006 $'000	2005 $'000
Cash on hand and at bank	**10,059**	9,077
Receivables due from other financial institutions less than 3 months	**10,000**	9,000
Investment securities less than 3 months	**33,675**	30,702
	53,734	48,779

(b) Reconciliation of cash flows from operating activities

	2006 $'000	2005 $'000
Profit for the year	**2,958**	2,770
Non-cash items		
Charge for bad and doubtful debts	**31**	3
Depreciation	**879**	873
Amortisation	**133**	33
Provision for employee entitlements	**53**	45
Net (profit)/loss on disposal of plant and equipment	**15**	43
Net (profit)/loss on disposal of other investments	**-**	(123)
Net (increase)/decrease in fair value of investment property	**(120)**	(125)
Changes in assets and liabilities		
Interest receivable	**11**	(74)
Other receivables	**(563)**	318
Interest payable	**1,094**	354
Income tax payable	**31**	5
Trade and other payables	**475**	118
Provision for employee benefits	**37**	110
Deferred tax assets	**(171)**	(110)
Deferred tax liabilities	**42**	(167)
Net cash from revenue activities	**4,905**	4,073
Net (increase)/decrease in loans and advances	**(43,045)**	(47,475)
Net increase/(decrease) in deposits	**39,208**	35,063
Net cash flow from operating activities	**1,068**	(8,339)

Special finance line – standby facility

The Society has a special finance line – standby facility with ANZ Bank available to the extent of $6.0 million (2005 - $6.0 million). This facility is unsecured. As at 30 June 2006 this facility was undrawn (2005 undrawn).

25. EMPLOYEE BENEFITS

Superannuation commitments

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

26. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

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

	2006	2005
	$'000	$'000
Credit-related commitments		
Binding commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements:		
Approved but undrawn loans and credit limits	**27,230**	23,905
Financial guarantees		
Financial guarantees written are conditional commitments issued by the Society to guarantee the performance of a customer to a third party. Security is generally held for these guarantees.	**1,350**	973

27. EXPENDITURE COMMITMENTS

Capital expenditure commitments

	2006	2005
Estimated capital expenditure contracted for at balance date but not provided for:		
– payable within one year	**90**	189
Operating leases (non-cancellable)		
Future operating lease commitments not provided for in the financial statements and payable:		
– within 1 year	**415**	504
– later than 1 and not later than 2 years	**327**	322
– later than 2 and not later than 5 years	**545**	461
Aggregate lease expenditure contracted for at balance date	**1,287**	1,287

28. KEY MANAGEMENT PERSONNEL DISCLOSURE

Key management personnel compensation

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

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

	2006	2005
	$	$
Short-term employee benefits	**1,135,408**	1,066,133
Other long term benefits	**1,986**	14,485
	1,137,394	1,080,618

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

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

Loans to key management personnel and other related parties

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

	2006	2005
	$	$
Loan balances outstanding at balance date:		
- Key management personnel	**1,900,374**	1,652,233
- Related parties	**573,938**	564,877
Loans advanced (including redraws) during the year:		
- Key management personnel	**522,593**	128,093
- Related parties	**163,630**	188,440
Loan repayments received during the year:		
- Key management personnel	**288,613**	252,543
- Related parties	**191,438**	188,440
Interest and other revenue earned:		
- Key management personnel	**126,998**	109,482
- Related parties	**36,869**	36,264

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

Key management personnel, other than the Chief Executive Officer, who are not Directors may receive a concessional rate of interest on their loans up to a maximum of $75,000, subject to qualifying period of employment. Other staff are eligible for concessions on loans on the same terms and conditions. Any benefits received are subject to fringe benefits tax and are included in key management personnel compensation.

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

28. KEY MANAGEMENT PERSONNEL DISCLOSURE (continued)

There are no benefits or concessional terms and conditions applicable to the close family members of Directors and other key management personnel, with the exception of one close family member of a Director who is an employee of the Society and is eligible for a concessional rate loan under the same terms and conditions as other employees.

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

Deposits from key management personnel and other related parties

Details of deposit with key management personnel and related parties are as follows:

	2006 $'000	2005 $'000
Deposits outstanding at balance date:		
- Key management personnel	**186,213**	246,980
- Related parties	**2,135,643**	2,094,571
Interest paid on deposits:		
- Key management personnel	**5,383**	2,212
- Related parties	**103,238**	105,277

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

Other transactions with related parties

A close family member of a Director is employed by the Society. The employment contract is on the same terms and conditions as other employees of the Society.

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

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

29. ECONOMIC DEPENDENCY

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

30. SEGMENT INFORMATION

The Society operates predominantly in the finance industry within Australia. The operations comprise the acceptance of deposits and the provision of loans. Specific segmentation of deposits and loans are set out in notes 10 and 16.

31. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

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

Recognised financial instruments	Balance sheet note	Accounting policies	Terms and conditions
(i) Financial assets			
Loans and advances	10	The loan 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. 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. Certain 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 111 days and effective interest rates of 5.79% to 6.10% (2005: 5.72% to 6.31%).
Bills of exchange	8	Bills of exchange and promissory notes are held to maturity and are stated at cost. Net realisable value is stated in note 31(c). The discount amount is amortised over the life of the bill.	Bills of exchange have an average maturity of 120 days with effective interest rates of 5.93% to 6.01% (2005: 5.59% to 5.65%).
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. Interest revenue is recognised when earned.	Negotiable certificates of deposit have an average maturity of 121 days and effective interest rates of 5.75% to 6.33% (2005: 5.67% to 6.13%).
(ii) 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.
Accounts payable and other liabilities	17	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Society.	Trade liabilities are normally settled on 30-day terms.

31. FINANCIAL INSTRUMENTS (continued)

(b) Effective interest rates and repricing analysis

Interest rate risk in the balance sheet arises from the potential for a change in interest rates to have an adverse affect on the net interest earnings in the current reporting period and in future years. Interest rate risk arises from the structure and characteristics of the Society's assets, liabilities and equity, and in the mismatch in repricing dates of its assets and liabilities. The tables for both the 2005 and 2006 financial years detail the exposure of the Society's assets and liabilities to interest rate risk. The amount shown represents the face value of assets and liabilities.

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

	Within 1 month		From 1 to 3 months		From 3 to 12 months		From 1 to 5 years		More than 5 years		Non-interest bearing		Total carrying amount as per the balance sheet		Weighted average effective interest rate	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000	**2006 %**	2005 %
(i) Assets																
Cash and cash equivalents	**5,824**	4,700									**4,235**	4,377	**10,059**	9,077	**5.60**	5.30
Receivables - financial institutions	**6,000**	8,500	**4,000**	6,000	**2,000**	2,000							**12,000**	16,500	**5.98**	5.87
Bills of exchange			**990**	3,961	**971**	-							**1,961**	3,961	**6.09**	5.63
Negotiable certificates of deposit	**19,774**	17,812	**14,911**	15,885	**7,867**	4,882							**42,552**	38,579	**6.07**	5.86
Accrued receivables											**1,205**	653	**1,205**	653	**n/a**	n/a
Loans and advances	**344,608**	295,209	**3,334**	5,365	**14,412**	22,124	**40,928**	37,146	**179**	481	**(357)**	(236)	**403,104**	360,089	**7.21**	7.08
Other investments	**1,325**	1,305									**205**	204	**1,530**	1,509	**5.75**	5.25
Investment property											**2,120**	2,000	**2,120**	2,000	**n/a**	n/a
Property, plant & equipment											**6,121**	4,532	**6,121**	4,532	**n/a**	n/a
Deferred tax assets											**600**	429	**600**	429	**n/a**	n/a
Total assets	**377,531**	327,526	**23,235**	31,211	**25,250**	29,006	**40,928**	37,146	**179**	481	**14,129**	11,959	**481,252**	437,329		

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

(ii) liabilities																
Deposits	**216,305**	218,151	**143,410**	100,408	**73,865**	74,001	**4,745**	6,556					**438,325**	399,116	**4.24**	4.03
Trade and other payables											**7,868**	6,276	**7,868**	6,276	**n/a**	n/a
Income tax payable											**499**	468	**499**	468	**n/a**	n/a
Deferred tax liabilities											**144**	102	**144**	102	**n/a**	n/a
Provision for employee benefits											**1,027**	936	**1,027**	936	**n/a**	n/a
Total liabilities	**216,305**	218,151	**143,410**	100,408	**73,865**	74,001	**4,745**	6,556			**9,538**	7,782	**447,863**	406,898		

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

31. FINANCIAL INSTRUMENTS (continued)

(c) Net fair values

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

Financial instruments	Note	Total carrying amount as per the balance sheet		Aggregate net fair value	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
(i) Financial assets					
Cash and cash equivalents	6	**10,059**	9,077	**10,059**	9,077
Other investments	12	**1,530**	1,509	**1,530**	1,509
Receivables due from other financial institutions	7	**12,000**	16,500	**12,069**	16,588
Bills of exchange	8	**1,961**	3,961	**1,966**	3,987
Negotiable certificates of deposit	8	**42,552**	38,579	**42,882**	38,855
Loans and advances	10	**403,104**	360,089	**403,104**	360,089
Accrued receivables	9	**1,205**	653	**791**	228
Total financial assets		**472,411**	430,368	**472,401**	430,333
(ii) Financial liabilities					
Deposits	16	**438,325**	399,116	**438,325**	399,116
Trade and other payables	17	**7,868**	6,276	**7,868**	6,276
Provision for employee benefits	20	**1,027**	936	**1,027**	936
Total financial liabilities		**447,220**	406,328	**447,220**	406,328

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

Recognised financial instruments

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

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

Deposits
The carrying amount approximates fair value because of their short term to maturity.

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

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

Accrued receivables
The carrying amount approximates fair value as they are short-term in nature.

Accounts payable and other liabilities
The carrying amount approximates fair value as they are short-term in nature.

31. FINANCIAL INSTRUMENTS (continued)

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

(d) Risk management objectives and policies

Risk management overview
The Society's risk management system incorporates a thorough analysis of all risks identified that are likely to have an impact. Controls that mitigate risk are implemented and tested and are supported by documented policies and procedures. An adequately resourced internal audit function has been established to test the effectiveness of controls and adherence to policy.

An extensive business continuity policy has been adopted and regular testing is conducted to provide assurance that the Society's operations can be maintained.

An overview of risk management approaches to industry specific risks are detailed below.

Market risk and hedging policy
The Society is not exposed to currency risk and any other price risk. The Society does not trade in the financial instruments it holds on its books.

The Society is exposed to interest rate risk arising from changes in market interest rates.

The policy of the Society is to maintain a balanced 'on book' hedging strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The gap is monitored monthly to identify any large exposures to the 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.

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

Details of the interest rate risk profile are set out in Note 31(b).

Based on independent Value at Risk (VaR) calculations as at 31 March 2006, the VAR for a 2% movement in interest rates was 2.81% of capital.

Credit risk – loans
The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken.

Credit risk in loans receivable is managed in the following ways:
- a risk assessment process is used for all customers; and
- credit insurance is obtained for higher risk customers and/or where the Society's policies require it.

The Society minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of customers within the specified category. However, the majority of customers are concentrated in the Albury-Wodonga region.

Details of concentrations of credit risk on loans receivable are set out in note 10.

Credit risk – liquid investments
The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration on one entity. The Board policy is to maintain counterparty limits with Australian banks to a maximum of 50% of capital and other non-bank financial institutions to a maximum of 25% of capital.

31. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

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

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

32. EXPLANATION OF TRANSITION TO AIFRS

As stated in note 1, this is the Society's first financial report prepared in accordance with Australian Accounting Standards – AIFRS.

An explanation of how the transition from previous AGAAP to AIFRS has affected the Society's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity – 1 July 2004

	Note	AGAAP $'000	Effect of Transition $'000	AIFRS $'000
Assets				
Cash and cash equivalent		10,901	-	10,901
Receivables due from other financial institutions		19,500	-	19,500
Investment securities		45,938	-	45,938
Accrued receivables		897	-	897
Loans and advances	(i),(ii)	311,832	785	312,617
Other investments	(v)	1,756	619	2,375
Investment property	(iii, (iv))	-	1,875	1,875
Property, plant and equipment	(iii)	6,528	(1,843)	4,685
Deferred tax assets	(ii), (iv)	275	46	321
Total assets		397,627	1,482	399,109
Liabilities				
Deposits		364,054	-	364,054
Trade and other payables		5,880	-	5,880
Income tax payable		463	-	463
Deferred tax liabilities	(iv), (v)	72	198	270
Provision for employee benefits		781	-	781
Total liabilities		371,250	198	371,448
Net assets		26,377	1,284	27,661
Members' funds				
Reserves	(i), (iii), (iv)	2,394	(1,283)	1,111
Retained profits	(ii), (iv)	23,983	2,567	26,550
Total members' funds		26,377	1,284	27,661

32. EXPLANATION OF TRANSITION TO AIFRS (continued)

Reconciliation of equity – 30 June 2005

	Note	AGAAP $'000	Effect of Transition $'000	AIFRS $'000
Assets				
Cash and cash equivalent		9,077	-	9,077
Receivables due from other financial institutions		16,500	-	16,500
Investment securities		42,540	-	42,540
Accrued receivables		653	-	653
Loans and advances	(i),(ii)	359,308	781	360,089
Other investments		1,509	-	1,509
Investment property	(iii)	-	2,000	2,000
Property, plant and equipment	(iii)	6,702	(2,170)	4,532
Deferred tax assets	(ii), (iv)	350	79	429
Total assets		436,639	690	437,329
Liabilities				
Deposits		399,116	-	399,116
Trade and other payables		6,276	-	6,276
Income tax payable		468	-	468
Deferred tax liabilities	(iii)	96	6	102
Provision for employee benefits		936	-	936
Total liabilities		406,892	6	406,898
Net assets		29,747	684	30,431
Members' funds				
Reserves	(i), (iii)	2,753	(1,304)	1,449
Retained profits	(ii), (iii), (iv)	26,994	1,988	28,982
Total members' funds		29,747	684	30,431

Reconciliation of profit for the year ended 30 June 2005

	Note	AGAAP $'000	Effect of Transition $'000	AIFRS $'000
Interest revenue	(ii)	27,456	34	27,490
Interest expense		(15,041)	-	(15,041)
Net interest revenue		12,415	34	12,449
Non-interest revenue	(ii), (iii), (v)	2,988	(752)	2,236
Total operating income		15,403	(718)	14,685
Bad and doubtful debts	(i)	(128)	125	(3)
Other expenses	(ii), (iii)	(10,893)	126	(10,767)
Profit before income tax		4,382	(467)	3,915
Income tax expense	(iii), (iv), (v)	(1,371)	226	(1,145)
Profit after income tax		3,011	(241)	2,770

32. EXPLANATION OF TRANSITION TO AIFRS (continued)

Notes to reconciliation of equity and profit

(i) Impairment

The Society previously carried a general provision for doubtful debts under AGAAP. AIFRS prohibits a general provision for impairment. The general provision was transferred to a reserve for credit losses. At 1 July 2004, $868,000 was transferred from the general provision for impairment to a general reserve for impairment. The 2005 profit contained an expense of $125,000 for the general provision for impairment. This amount has been excluded from the profit under AIFRS and included as a transfer to reserves from retained profits.

(ii) Effective interest rate

The Society previously recognised as income and expenses certain upfront fees and associated transaction costs on the origination of loans in the period they were received or incurred.

Under AIFRS, these fees and associated transaction costs have been capitalised and included in the loan's effective interest rate and recognised over the expected life of the loan. The expected life of the loan has been based on an analysis of the Society's loan portfolio.

As at 1 July 2004 the carrying value of loans and equity were decreased by $83,000 for the effective interest rate method. The 2005 profit was adjusted by $259,000 for origination fees on loans, $169,000 for expenses relating to loans and $34,000 for interest relating to the amortisation of deferred loan fees and costs. The net of these adjustments was deducted from the carrying value of loans.

Deferred tax assets and retained profits were increased by $25,000 as at 1 July 2004 in relation to the effective interest rate method.

(iii) Investment property

The Society previously carried the investment property as property, plant and equipment on a revalued basis, valued every two years with depreciation charged annually. Under AIFRS, the investment property is to be carried at fair value. As at 1 July 2004 investment property increased by $1,875,000, property, plant and equipment decreased by $1,920,000 and asset revaluation reserve decreased by $45,000. The 2005 profit was adjusted by $125,000 for the increase in fair value, income tax expense by $6,000 and deferred taxes by $6,000. The 2005 operating profit also increased due to the reversal of $30,000 depreciation previously charged. A transfer from retained profits to the fair value reserve of $84,000 was made.

(iv) Property, plant and equipment

The Society previously carried property, plant and equipment on a revalued basis, valued every two years with depreciation charged annually. Under AIFRS, property was elected to be carried at deemed cost. The balance of the asset revaluation reserve was transferred to retained profits.

(v) Other investments

As at 1 July 2004, the Society held listed shares for sale. Under AGAAP these were carried at cost. Under AIFRS the Society revalued the shares to market value. Other investments were increased by $619,000 and deferred tax liabilities increased by $205,000. The 2005 profit was decreased by $619,000 and income tax expense decreased by $205,000.

(vi) Taxation

Under AIFRS income tax is calculated based on the "balance sheet" approach, in which temporary differences are identified for each asset and liability rather than accounting for the effects of timing and permanent differences between taxable income and accounting profit. Adjustment to the tax accounts are noted above.

Directors' Declaration

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

1. the financial statements and notes, set out on pages 16 to 44, are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the financial position of the Society as at 30 June 2006 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and

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

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

Signed in accordance with a resolution of Directors:

U.O. Ericson Chairman	J.A. Knobel Deputy Chairman

Albury, 17 August 2006

Chartered Accountants
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Albury NSW 2640

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Australia

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Independent Audit Report

To the members of Hume Building Society Ltd:

Scope
We have audited the financial report of Hume Building Society Ltd for the financial year ended 30 June 2006, consisting of the income statement, statement of changes in equity, balance sheet, statement of cash flows, accompanying notes and the Directors' declaration, as set out on pages 16 to 45. The Society's Directors are responsible for the financial report. The Directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time Adoption of Australian equivalents to International Financial Reporting Standards*. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Society.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Society's financial position, and performance as represented by the results of its operations and its cash flows and whether the remuneration disclosures comply with Australian Accounting Standard AASB 124 and ASIC Class Order 06/105.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion
In our opinion, the financial report of Hume Building Society Ltd is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the Society's financial position as at 30 June 2006 and of its performance for the financial year ended on that date; and

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

(b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG
Chartered Accountants

Timothy S. Frazer, Partner
Albury, 17 August 2006

BRANCH AND ATM LOCATIONS

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

MYER CITY CENTRE
ATM
David & Swift Streets,
Albury NSW 2640
Phone (02) 6051 3300
Fax (02) 6051 3322

CENTRO ALBURY
ATM
Centro Albury
Shopping Centre
487 Kiewa Street,
Albury NSW 2640
Phone (02) 6051 3399
Fax (02) 6051 3366

CENTRO LAVINGTON
3 ATMS
Centro Lavington
Shopping Centre
Griffith Road,
Lavington NSW 2641
Phone (02) 6025 7877
Fax (02) 6040 3508

WODONGA CENTRAL
ATM
131 High Street,
Wodonga NSW 3690
Phone (02) 6022 9088
Fax (02) 6022 9066

CENTRO WODONGA
ATM
Elgin Street,
Wodonga VIC 3690
Phone (02) 6022 9000
Fax (02) 6022 9022

CENTRO BIRALLEE
ATM
Centro Birallee
Shopping Centre
97 Melrose Drive,
Wodonga VIC 3690
Phone (02) 6043 4300
Fax (02) 6043 4304

COROWA
ATM
79 Sanger Street,
Corowa NSW 2646
Phone (02) 6033 2688
Fax (02) 6033 4312

CULCAIRN
ATM
50 Balfour Street,
Culcairn NSW 2660
Phone (02) 6029 8083
Fax (02) 6029 8121

HOWLONG
ATM
1/45 Hawkins Street,
Howlong NSW 2643
Phone (02) 6026 8222
Fax (02) 6026 8322

JINDERA
ATM
Shop 8-9 Jindera Plaza,
Jindera NSW 2642
Phone (02) 6026 3720
Fax (02) 6026 3718

YACKANDANDAH
ATM
10 High Street,
Yackandandah VIC 3749
Phone (02) 6027 1171

NON BRANCH
ATM LOCATIONS

ALBURY AIRPORT
ATM
Borella Road, Albury

WEST DEAN ST.
ATM
Dean Street, Albury

FEDERATION PARK
ATM
Federation Park Store,
Barton Street, Wodonga

THURGOONA PLAZA
ATM
PP's Café, Shuter Avenue,
Thurgoona

REGENT CINEMA
ATM
Dean Street, Albury

ALBURY SPORTS
STADIUM
ATM
North Street, Albury

CHARCOAL CHICKEN
SHOP ATM
Borella Road, Albury

HUME
Building Society