

GREATER BUILDING SOCIETY LTD.

ANNUAL REPORT 2009/10

FOR THE YEAR ENDED
30 JUNE 2010



Greater Building Society Ltd.
• ABN 88 087 651 956 • AFSL 237476

INDEX

Chairman's Report	4-5
Chief Executive Officer's Report	6-7
Marketing	8-10
Customers	11
Branches	12-13
Products	14-15
Our People	16
Community	17-18
Financial Statements 30 June 2010	19-65



*Providing excellent service and low fees, as well as great products
is how the Greater likes to reward its members.*

CHAIRMAN'S REPORT

I am delighted to report on a very successful year for the Greater in my first full year as Chairman.

Our results are a reflection of the dedication of the Greater's committed and knowledgeable staff and management. On behalf of the Board I thank them for their service to members and congratulate them on their achievements.

The Board has worked closely with management in the first year of implementation of the Greater's new strategic plan. The plan is designed to allow the Greater to continue to grow to become a much needed, viable alternative to the major banks.

The Greater continues to work with its other non- bank mutual peers to ensure more people realise that there are other organisations equipped to offer them an attractive and competitive range of financial products and services. Our CEO Don Magin represents us ably on the Board of ABACUS, Australian Mutuals. The Greater has contributed to the successful ABACUS led campaign launched this year to remind people of the benefits that come to those who choose a mutual institution for their financial services.

Mutuality is fundamental to the success of the Greater. The Board continues to work to ensure the Greater retains that structure to protect the benefits it affords members – low fees, competitive rates, excellent service and member rewards like free holidays.

The other benefit of mutuality is the Greater's support of organisations helping to improve the lives of people in the areas in which we operate.

This year we have strengthened our support for local sport. In addition to increasing our support to the Hunter and Central Coast academies of sport, we are now also supporting academies in the New England and North West region of NSW and on the Gold Coast. Helping athletes and their families in regional Australia to meet the costs of competing at the elite level is important for those individuals, their sport and the community.

The Greater also reached an important milestone in its support for medical research. We became the first organisation to provide more than one million dollars to support life-changing research carried out by the regional Hunter Medical Research Institute (HMRI). This report contains more information about the range of other organisations that the Greater supports on behalf of its members.

The Board has been working to ensure the continued strength and security of the Greater. It has strengthened its approach to risk management through a more rigorous project management structure and through establishing the important role of Chief Risk Officer, a position represented on the Executive. There has also been a strengthening of change management in the information technology area to ensure that we stay at the forefront of new ways to serve members and safely manage member and business data. The Business Continuity Plan has been reviewed to include the impact of malicious internet based attacks to ensure that we have contingencies in place to address any possible interruption to business.

Members can be confident that the Greater complies with Basel II and other regulatory requirements. Our systems and reports have again been enhanced to ensure that they meet Australian Prudential Regulatory Authority (APRA) reporting requirements.

Capital adequacy is a measure of strength within the balance sheet and as at June 30 it was 17.2%. This rate continues to comfortably meet minimum regulatory requirements set by APRA. Our capital adequacy is much higher than the average rate of each of the big four major banks. Tier 1 capital, which includes retained earnings, is the core measure of strength of a financial institution. Again, the Greater has a larger proportion of Tier 1 capital in its capital levels than the average of the big four banks. New regulatory capital requirements are expected to place more emphasis on Tier 1 capital. Given our current capital adequacy levels, the Board is confident the Greater will meet these new requirements.

With several changes under the Board's renewal policy made last year, this financial year there were no changes to the membership of the Board. Since then, Allan McKeown has resigned from the Board to concentrate on his other business interests. Allan made a significant contribution to the Society in the eight years that he was a Director, especially as the Chair of the Audit and Risk Management Committee. I thank all of my fellow Directors for their time and strategic thinking in support of Greater members.

I would also like to thank our dedicated staff for their continued efforts in helping us to achieve our goal of being the most customer-focussed financial institution in Australia.

The Greater, and its Board, continues to invest in measures to ensure that the organisation is stronger in the future, for the benefit of both current and future members.

I commend this report to you following a very exciting and successful year.

John Kilpatrick

John Kilpatrick

Chairman



BOARD OF DIRECTORS



Board of Directors 2010

Back Row L-R

Malcolm McDonald

Russell Ware

Allan McKeown

Scott Robinson

Front Row L-R

Ian Nelmes

Anne Thurlow

John Kilpatrick

CHIEF EXECUTIVE OFFICER'S REPORT

This is the first year under the Greater's new strategic plan. The Plan has five areas under which our team is working to ensure we deliver our members more competitive products and services.

At the time I was writing this report, this work has already been recognised by industry and consumers, with the Greater being announced as Building Society of the Year at the 2010 AFR Smart Investor Blue Ribbon Awards and the 2010 Mozo People's Choice Awards. In the AFR Smart Investor Awards the Greater also won the award for Basic Home Loan of the Year. It was also one of only three finalists in the Variable Home Loan of the Year and the Fixed Rate Home Loan of the Year. In the Mozo awards we were the highest ranked building society and second overall in the Best Home Loans Award.

It is my pleasure to report on what has been another successful year for the Greater under each of the five areas of focus in our strategic plan.

GROWTH AND FINANCIAL STRENGTH

The Greater has made a record profit this year of \$26.7 million increasing retained member funds to \$277 million, up \$23.6 million. Total assets grew by \$134 million to \$4.24 billion.

On the back of the successful Seinfeld campaign, the Greater achieved an impressive 12.5% increase in Net Loan Approvals for the year. The Greater's loan portfolio balance now sits at \$3.48 billion.

As a result of the financial crisis, competition for retail deposits has intensified. To ensure funds were available to service the needs of members wanting to borrow, the Greater secured funding from the Australian Office of Finance Management (AOFM) as an additional funding source to that of its deposit base. We will continue to maintain an equal focus on lending and deposits and will offer highly competitive rates and low fees to provide some of the best products available for our members.

We also expanded our operations into the Townsville region during the year, and we look forward to welcoming many Townsville people to the Greater over the coming years.

The Greater's conservative lending policies continued to stand it in good stead as Australia emerged from the global financial crisis. In times when other lenders have experienced losses our ratio of impaired loans is again at a consistently very low 0.036%.

The Greater has not been significantly impacted by the winding back of Government assistance to first home buyers. While we have, and will continue to, help many first home buyers to achieve the dream of purchasing a home or unit, our lending policies are designed to prevent our members from borrowing more than they can reasonably afford to repay and to protect our strong financial position.

PERCEPTION CHANGE

One of the issues continuing to impact on the Greater is the competitive advantage the major banks have from their dominance of the market. Our plan is for the Greater to continue to be a viable and attractive alternative to the major banks. The Greater aims to fill the gap left as second tier competitors were taken over by the major banks, removing much needed choice and competition for consumers in the market place.

The Greater's new "Ask a Greater Customer" campaign, starring Jerry Seinfeld, as well as the ABACUS led "It all Comes Back to our Members" campaign have both been designed to help remind members and potential customers that the Greater is a competitive option to the major banks.

Our results for the year show that the Greater is a large and strong organisation which is a safe place to borrow from or in which to invest.

BRAND

To help change perceptions and raise awareness of our comprehensive product range, it was important that the Greater's strong brand be raised quickly and cost effectively. This report details how effective the Jerry Seinfeld campaign has been in raising brand awareness by as much as 19%.

We will now use these foundations of increased brand awareness to increase our market penetration and grow our member base.

MUTUALITY

The ongoing success of the Greater is due to our mutual structure. Without the demands of shareholders, the Greater is able to focus on serving the needs of its members. Being a mutual allows us to offer very competitive rates, lower fees and excellent levels of service. Our participation in the previously mentioned ABACUS led campaign is an effective way of promoting this concept to current and prospective members.

CULTURE

The Greater has a very talented and dedicated team that I am very proud to lead.

This year we implemented a new executive structure to further improve internal decision making to provide even better services to more members. My new management team will better support our ambitious plans to take on the major banks to ensure there is more competition in the marketplace for customers.

The executive continues to work to ensure the Greater's family-like and supportive culture continues to ensure we get the best from our people and reward them for their effort. It is also making sure that the Greater continues to employ people that want to work for the organisation and are dedicated to servicing the needs of our members.

One of the best examples of the skill and commitment of our staff is our customer satisfaction rating which in 2009/10 was 95%, well above the satisfaction ratings of the banks.

As well as thanking my dedicated staff, I would also like to thank Chairman John Kilpatrick and Board members for their support and guidance over the past 12 months. Most importantly, I would like to thank our members for continuing to trust and reward us with their business.

I am confident the Greater will continue to grow in a controlled way to meet the long term needs members.



Don Magin

Don Magin

Chief Executive Officer

MANAGEMENT STAFF



Management Staff 2010

Back Row L-R

Phil Baker

Greg Taylor

Scott Morgan

Steve Taylor

Front Row L-R

Chris Hodgins

Doug Williams

Paul Dixon

Don Magin

Lisa Presbury

TAKING ON THE MAJOR BANKS

With the help of global star Jerry Seinfeld and its members, the Greater Building Society is taking on the major banks.

During the global financial crisis the major banks increased their dominance in the Australian financial services market, increasing market share and acquiring several, second tier competitors. The Greater's business plan sees it stepping up to help fill the gap in the marketplace – offering much needed competition and choice to consumers.

To achieve its plan, the Greater has this year embarked on a series of initiatives including refining and expanding its product offering, expanding its ATM network and moving into new geographic areas.

These measures have been supported by an exciting, multi-year marketing campaign starring Jerry Seinfeld designed to quickly raise the profile of the Greater. The campaign is designed to reinforce the Greater's advantage over the big banks in terms of lower home loan interest rates, competitively priced investment and other products, low fees and outstanding customer service. It asks the question: "Why settle for great, when you can have Greater?"

The business plan and associated campaign is a strategic investment in the growth of the Greater for the benefit of current and future members.

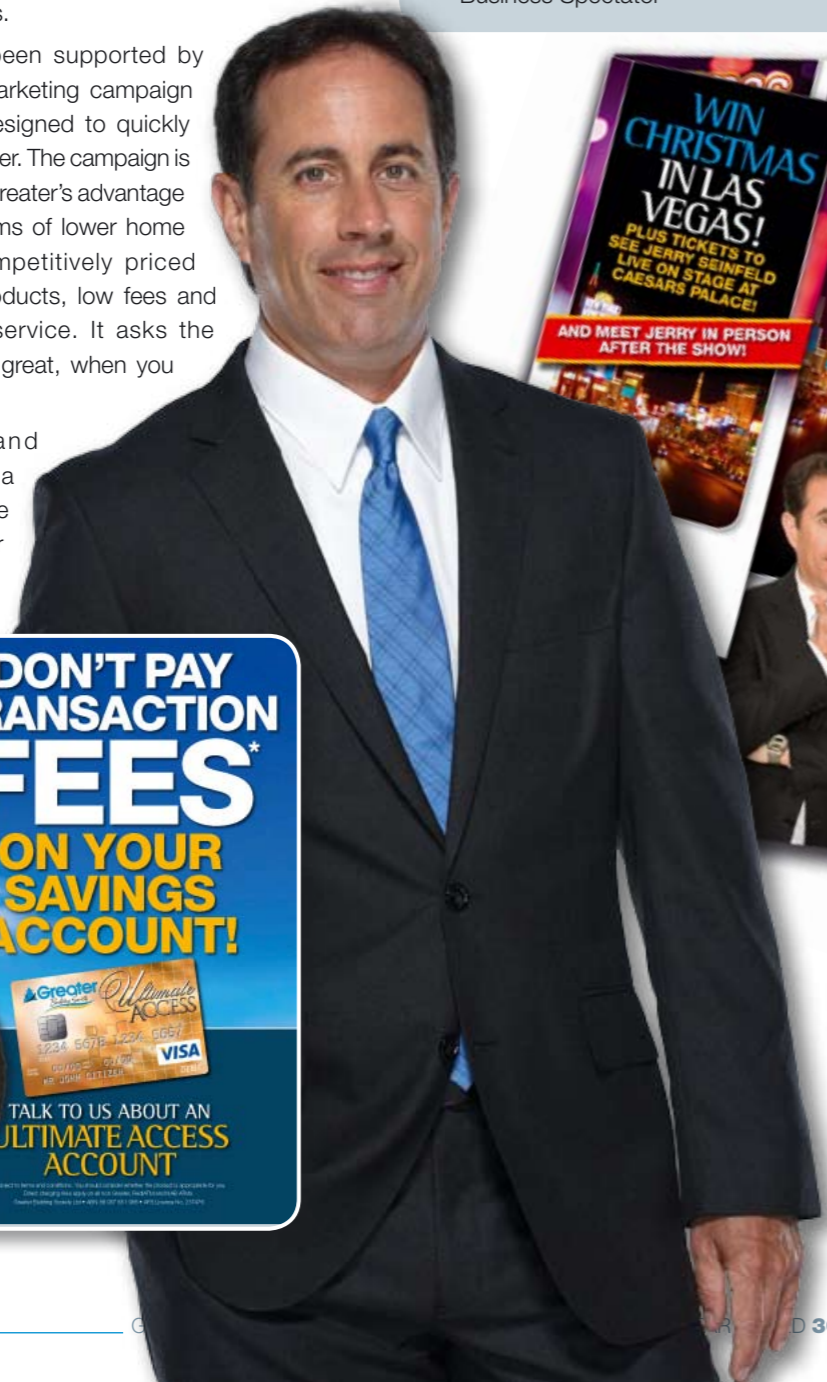


SEINFELD CAMPAIGN A SUCCESS

SEINFELD SUCCESS AT A GLANCE

- **19% increase in brand awareness**
- **Almost \$3million worth of free, positive publicity generated by the campaign launch**
- **Lending increased by 12.5% this year.**
- **"Well done to the Greater Building Society for their clever upcoming marketing campaign featuring Jerry Seinfeld."**

Respected business website
Business Spectator



The real stars of our commercials

The campaign commercials have real customers starring along-side Jerry Seinfeld. The Greater has had its customers star in its advertising for more than 10 years. Some of the customers that featured in our commercials this year included:



- **Steve & Trish Mulcahy**
- **Ann & Andrew Coates**
- **Michelle & Dean Crowley**
- **Peter Carson**
- **Liana & Jye Laidler**

The multi- year "Ask a Greater Customer" campaign starring Jerry Seinfeld and a number of our members has been very successful for the Greater and its members this year.

It was designed to quickly raise the profile of the Greater in and beyond its current area of operations. The Greater commissioned The Financial Research Company to measure changes in brand awareness in existing markets, and to gauge people's level of recall of the new campaign.

The campaign has helped to lift the Greater's brand awareness in its current area of operations by as much as 19% this year – a significant achievement given the Greater already had a relatively well known and respected brand.

Independent research shows that, in the Greater's area of operations, its commercials have the best recall of any financial institution (Greater 23.7%, AAMI 13.2%, CBA 12.4%). The initial survey found that 60% of people were aware of the campaign and that 49% linked the campaign to the Greater. The research company said that 20% would have been a good result and that 49% was a State of Origin type result.

The Greater's Youtube channel was the 25th most watched channel in Australia in the days following the launch – unheard of numbers for a corporate posting.

The campaign was successfully launched on 9 July several days ahead of the first advertisement going to air (12 July). The national and international media and public interest in the campaign was overwhelmingly positive. One media commentator described the campaign as "marketing genius". The launch generated several millions of dollars worth of free publicity for the Greater, before an advert went to air.

The single two day shoot with Seinfeld in the US in 2009 generated enough material for a year's worth of commercials. Additional shoots for the member's components of the commercials were held in Sydney, the Hunter Valley village of Morpeth and in Newcastle during the course of the year.

After focusing on brand building initially, the campaign took on a more retail focus from February 2010 to support the launch of a new Great Rate (basic) Loan and a reinvigoration of the Greater Getaways (standard variable) Home Loan.

Between 1 March and 30 June 2010 the Greater outperformed the banks with higher lending aggregates. Reserve Bank statistics indicate that the Greater's credit growth has exceeded the average of the banks by approximately 10% (2.2% growth for the Greater compared with 2% for the banks.)

The Greater's net loan approvals in 2009/10 grew by 12.5% on the previous year, despite the dominance of the major banks and the impact of the global financial crisis on consumer confidence.

The Seinfeld campaign is a smart, strategic investment in the future of the Greater that will benefit current and future members by allowing the Greater to become even stronger and more competitive.

MARKETING

THE TRIP OF A LIFETIME

The Seinfeld advertising campaign has this year been supported by a number of successful competitions and promotions. These promotions have helped to continue to promote the Greater brand and its products and services in a very cost effective way. As well as bringing new members to the Greater, they have also allowed existing members to take advantage of once in a lifetime holiday offers to thank them for their business.

In late 2009 the Greater gave eight people the Christmas present of a lifetime. They were taken to Las Vegas to see Jerry Seinfeld live on stage and got the opportunity to meet him after the show. The lucky winners had won competitions held by the Greater and three radio stations to celebrate the launch of the Seinfeld campaign.

Seinfeld and the US city of Las Vegas where he regularly appears were also integrated into marketing initiatives and rejuvenation of the Greater's holiday rewards program. In the first half of 2010 the Greater held a number of competitions in conjunction with radio stations across its area of operations as well as with the Townsville Bulletin offering trips to Las Vegas. A number of new members joined the Greater following a highly successful Greater Getaway's Home Loan offer that provided a FREE holiday to Las Vegas for loans of \$250,000 or more.



GREATER WELCOMED INTO TOWNSVILLE

The Greater received a warm welcome from the people of Townsville when it established operations in the Far North Queensland centre in March 2010.

The Greater became Townsville's newest financial services provider, initially offering mobile home loan lending services. Its rediATM partnership provides customers with a ready-made network of 26 ATMs.

Townsville was the first new regional centre in which the Greater had commenced operations since it began its Seinfeld led campaign last year to take on the big banks in regional Australia.

"It is about time that people in Townsville and other regional areas of Australia had more choice when it came to getting a home loan," CEO Don Magin at the commencement of Greater services in Townsville.

INDUSTRY
CAMPAIGN –
IT ALL COMES
BACK TO OUR
MEMBERS

The Greater joined with 82 other mutual building societies and credit unions as well as industry association ABACUS to launch a new profile raising campaign for the sector.

The "It All Comes Back to Our Members" campaign is a multi-year marketing campaign designed to show people that they represent a real alternative to the major banks. The campaign commenced in May 2010 with the first of three rounds of advertising. It is supported by a new industry circle logo and a website (www.comesbacktoyou.com.au) for people to locate their nearest credit union or building society.

The campaign uses independent research from InfoChoice which shows homeowners are significantly better off than major bank customers over the life of the loan. It is designed to increase the number of Australians use of a building society or credit union from 4.5 million. It also is intended to increase the percentage of homeowners using a credit union or building society for their home loan from 10%.



CUSTOMERS

CUSTOMER SERVICE

Providing excellent service and low fees, as well as great products and rewards is how the Greater likes to reward its members. The Greater has implemented a number of improvements to services and continued a number of successful programs this year. These initiatives are designed to ensure it maintains its very high standards of service to members.

This year the Greater maintained its very high customer satisfaction rating. More than 95% of members surveyed said they would recommend the Greater to their families and friends.

Only 1.5% of the 1180 respondents expressed any dissatisfaction at all with the Greater, with the remaining 3.5% remaining neutral. A most pleasing result was that 63.1% said they were very satisfied. This is 1% higher than last year's figure making it the highest ever rating for the Greater and the highest ever recorded by the research company.

The main reason for the high satisfaction rating is the friendly, courteous and helpful service provided by branch staff. The majority (69%) of members are more satisfied with their relationship with the Greater than they are or have been with their bank. The main factors for this result were "exceptional service", "being treated like a customer" and "lower fees".

This independently conducted survey is undertaken by The Financial Research Company every September. The Greater has the highest satisfaction rating ever recorded by the research company – 96%.

The survey is one of a number of tools the Greater uses to help it to improve services to members. It provides information on customer's future intentions, the reasons why they choose the Greater, and a comparison of the Greater against banks. This information is used to measure and refine the Greater's marketing strategies and product development. This year's survey showed that while members are highly satisfied, there is more work that the Greater can do to improve personal service to members as well as improve members' awareness of the Greater's wide range of products and services.



NEW LOOK BRANCHES AND MORE ATMS

BRANCHES AND ATMS

Members "redi" for Greater Access to ATMs

Members now have access to almost 3,200 ATMs Australia-wide, free of direct ATM charges thanks to a partnership negotiated this year between rediATM and the Greater. They may now use their Greater ATM card at any distinctive, red, rediATM without paying a direct ATM charge.

While the Greater prides itself on offering low fees, the introduction of direct charging at ATMs by the Reserve Bank of Australia in 2009 meant its customers were disadvantaged if they had to use an ATM of another financial institution.

When the partnership was launched on 1 June 2010 the number of ATMs that are free of direct ATM charges in the Greater's current area of operations rose by 797 or 938%.



Additional direct fee free ATMs via rediATM network (as at 1 June 2010)

Current area of operations	Greater ATMs	Additional rediATMs	Total ATMs
Hunter	43	78	120
Central Coast	11	50	61
Illawarra/South Coast NSW	9	40	48
Gold Coast	7	58	65
Townsville	0	26	26
Mid Nth Coast/Nth Coast NSW	10	106	116
Sydney	2	375	377
Western/Nth Western NSW	6	64	69
TOTAL	88	797	882

While customers will benefit from having even more convenient access to ATMs free of direct ATM charges locally, they will benefit most when travelling outside regional NSW and the Gold Coast. The move helps customers travelling and doing business in capital cities as well as existing and potential customers living outside the Greater's traditional area of operations, like Brisbane and parts of Sydney.

The partnership with rediATM is another way that the Greater is helping members to avoid fees and to more conveniently access their money.

Members can search for ATMs via ATM locators on the Greater's and rediATM's websites. rediATM also has an SMS locator service and an iPhone application.

Meanwhile, the Greater continued to expand and enhance its own ATM network this financial year to provide better service and greater convenience to members. A total of five new ATMs were installed, taking the total number of Greater ATMs (as at 30 June 2010) to 88 - 71 branch ATMs and 17 at other convenient locations.

Five new Greater ATMS

- Belmont
- Erina
- Cardiff Marketplace
- Waratah Shopping Village
- New Cardiff Branch (existing ATM remains at old branch location)



NEW BRANCHES OF THE FUTURE

In 2010 the Greater unveiled the first two of its new look branches in the Newcastle suburbs of Lambton and Cardiff.

The Greater is redesigning its branches with even more focus on customer and staff amenity.

The branches feature new sit-down counter service areas, a casual meeting area for staff and customers, the introduction of LCD displays and new colour schemes. The new look is designed to make branches more colourful, warm and inviting to better reflect the Greater's friendly service.

The new features will be progressively rolled out across the entire branch network.

The two branches were relocated to improve access and provide better service for customers.

Minor refurbishment work was also undertaken on two Illawarra branches, at Corrimal and Figtree.



PRODUCTS

PRODUCTS

FOR THE YEAR ENDED 30 JUNE 2010

LIVE CHAT



In March 2010 a new and unique way for members and other people to talk to Greater staff about their financial service needs was launched.

“Live Chat” allows people visiting the product pages of the Greater’s website to open a secure chat window to ask questions of a Greater staff member in real time.

At the time of launch, the service was the only one of its kind operating in the Australian banking sector.

Many people are very comfortable with and even prefer to “talk” to someone online these days. “Live Chat” is another way in which the Greater can serve members on their terms, to meet their needs. Online communication is a sign of our times and we are responding to changing customer demands.

The chat system is very safe and easy to use. For added convenience, each chat can be saved, printed or emailed.

“Live Chat” is being introduced only as an addition to the Greater’s highly personalised, and friendly approach to customer service. Greater customers can also talk to Greater staff at any of its 66 branches or via its in-house call centre.



In July 2009, the Greater launched its new look website with improved functionality, making it even easier for current and potential members to use.

PRODUCTS AND SERVICES

ONLINE ACCOUNTS

In November 2009 the Greater took its online term investment (deposit) accounts and popular Bonus Saver Account online for the first time.

The online accounts were put in place to capitalise on the significant rise in its profile delivered by the Jerry Seinfeld campaign. They are another way for the Greater to increase its footprint outside of NSW and South East Queensland, attracting more funding for lending. They also make it simpler and easier for customers in existing areas of operation that wish to save and invest.

The Greater continued this year to offer attractive rates in the deposit market.



The Greater won the 2009 Australian Financial Review’s Smart Investor Blue Ribbon Award for Term Deposits over 360 Days and was a finalist in the incentive saver category.



ULTIMATE ACCESS ACCOUNT

Another key new product developed this year was the Ultimate Access Account. The account offers no monthly account keeping fees and, if at least \$2,000 a month is deposited into the account, no transaction fees.

The Greater expects that the account will appeal to bank customers who pay monthly fees or transaction fees on their everyday account.

Another benefit of the account is that members do not have to maintain a minimum balance to avoid fees and there are no minimum withdrawal requirements.

The account was launched on 1 July 2010. To celebrate the launch, the Greater has offered every member who opens this account between 1 July 2010 and 30 November 2010 and meets the minimum \$2,000 per month deposit requirement, an entry into a draw for a chance to win \$250,000.

STRATEGIC PARTNERSHIPS

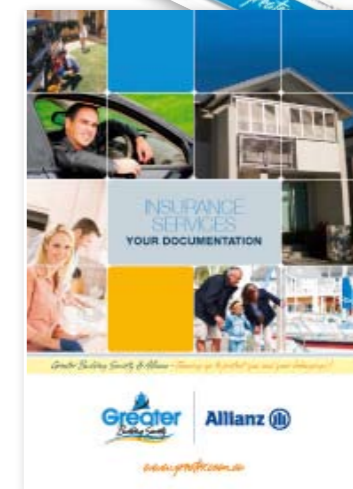
The Greater Building Society and Housing Industry Association (HIA) continued to develop a strong partnership for the benefit of their respective members. Free seminars were held on the Central Coast (September 2009) and the Gold Coast (November 2009) to provide expert advice to community members on renovating or building a home and financing those investments.

In 2009, the Greater teamed up with Bridges Financial Services Pty Ltd (Bridges) to help members in the important area of financial planning. The Greater offers all members a complimentary initial appointment with Bridges. This offer is part of the Greater’s aim to continue to offer a diverse range of services to its members.

An experienced research team with sound investment philosophy and an in-house stock-broking service differentiates Bridges from other financial planning groups. Founded in 1985, Bridges is one of the largest financial planning and stock-broking organisations in Australia, with over 60 offices and more than 50,000 clients.

Bridges can offer members the full spectrum of financial planning and advice about wealth accumulation, superannuation and retirement planning, tax-effective investing and share trading as well as Centrelink strategies and estate planning.

The Greater also continued to work closely with its other strategic partners: Allianz (insurance) and Travelworld (member holiday rewards).



OUR PEOPLE

OUR PEOPLE

The Greater employs more than 700 people across its 66 branches in NSW and South East Queensland, and its Head Office at Hamilton in Newcastle. It has a number of programs to develop and retain its valued staff to provide a sound platform for our future growth. Significant time and resources are also invested in the recruitment and development of our people to maintain our very high standard of customer service.

LONG SERVICE AWARDS

The Greater's Long Service Awards program recognises staff service at 10, 15, 20, 25, 30, 35 and beyond years of service. Below are some of the longer serving staff who were thanked this year for their ongoing contribution to the success of the organisation.

30 Years	Gregory Taylor
	Bruce Taylor
	Paul Harrison
	Mirella Liddell
	Diane Jones
25 Years	Wayne Goodchild
	Christine Mogford
	Kevin Buckley
	Shana Austen
	Sonia Markovska
	Glenda Kopp
	Sharon Wicks
	David Smith
20 Years	Yvonne Folpp
	Yvonne Stone
	Paul Gibson
	David Bryde
	Megan McInnes
	Janelle Haller



COMMUNITY

SUPPORTING YOUR COMMUNITY

As a mutual organisation the Greater exists for the benefit of its members, not shareholders.

Businesses like the Greater have a responsibility to give back to the communities in which they operate. The Greater is able to put back some of its profits each year into supporting organisations that serve its members and the communities in which they live.

Each year the Greater donates more than \$500,000 on behalf of its members supporting charities, community organisations and sporting bodies.

As well as financial support the Greater also provides in kind, staff support in areas such as business administration, marketing, IT and printing services.

The Greater's Workplace Giving Program allows staff to donate to one of four charities (Mayumarri Trust, Wesley Mission, Westpac Rescue Helicopter Service and Hunter Medical Research Institute) through automated payroll deductions. This year more than \$6,000 was donated. Staff also fundraise and do voluntary work for a range of organisations.

Highlights from this year include:

- Continued support for Mayumarri (now known as The Heal for Life Foundation) to enable it to help more survivors of abuse and trauma to heal.
- Again acting as the collection point for Samaritans Winter Food Appeal which in 2010 provided more than two tonnes of much needed food for people struggling financially.
- Extension of its support for the Illawarra based KidzWish Foundation by sponsoring the "The Greater KidzWish Christmas Tree". During the 2009 Christmas period a 15 metre high tree was erected at the WIN Entertainment Centre. It was decorated with 2,500 sparkling lights, which represents the number of children currently involved with the KidzWish Foundation.
- Major sponsor of the 50th Anniversary Mattara Bowls Carnival to ensure the ongoing success of this nationally recognised carnival.
- First - time sponsorship of the Gold Coast Show. The Greater provided more than 5,800 wristbands - a first at the show - to help parents keep track of their children.

Greater support for the community

Here are some of the organisations supported by the Greater and its staff, on behalf of our members.



HUNTER RUGBY UNION NAMING RIGHTS SPONSOR

The Greater this year signed a two year deal with Newcastle and Hunter Rugby Union (NHRU) to be the naming rights sponsor for the 2010 and 2011 seasons. The Greater's support has benefitted local rugby club's, fans and the development of the sport in the region.

The NHRU had struggled without a major naming rights sponsor in the previous year. The organisation was considering having to levy local rugby clubs to fund its administration.

The funding has allowed NHRU to move forward with certainty and focus on key projects like the redevelopment of Newcastle's No. 2 Sportsground as the new home of Hunter rugby and a community facility.

COMMUNITY

HUNTER MEDICAL
RESEARCH MILESTONE

This year the Greater Building Society became the first organisation to reach a million dollar milestone in its support for Hunter Medical Research Institute.

A foundation gold circle sponsor, the Greater has donated more than \$1.12 million over the past 11 years to help establish the renowned medical research institute and fund key research projects in the areas of stroke and melanoma.

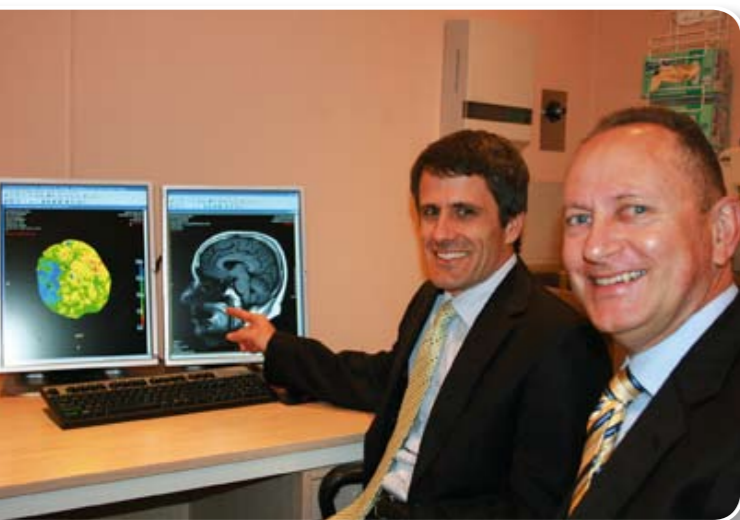
The Greater's investment in HMRI is a sound investment in the future of the Hunter and New England regions as well as the health of its residents and all Australians.

HMRI is attracting world class health researchers. A strong HMRI means new treatments and more medical practitioners to provide care to and help save the lives of local people.

This year the Greater gave \$240,000 to renew its three year funding of work by Dr Neil Spratt and his HMRI Stroke Research Group colleagues who are developing a 'tissue clock' that could overturn the time barrier to treatment.

The Greater was also the major supporter of Associate Professor Darren Shafren and his team's research into how viruses such as the common cold could be harnessed to kill melanoma cells.

HMRI is a partnership between the University of Newcastle, Hunter New England Health and the community.

GIVING REGIONAL
COMMUNITIES A
SPORTING CHANCE

The Greater continues to strengthen its support for regional sports development. This year the Greater became the major sponsor of the Gold Coast Academy of Sport and its preferred financial institution. It also negotiated a new, first time sponsorship of the Northern Inland Academy of Sport and a new four year extension of its sponsorship of the Central Coast Academy of Sport. The Greater doubled its funding to the Hunter Academy of Sport (HAS) in 2009/10, providing its 10 annual Greater Building Society Sports Scholarship winners with \$2,000 towards the cost of preparing for a chance to represent Australia at the Olympics. It also sponsored the HAS annual awards presentation night for the first time and continued its support of the Academy's tennis and athletics programs.

"The Greater's support will help us to bring together the region's motivated athletes in a variety of locally based high performance and educational training programs," Ian Robilliard, chief executive of the Gold Coast and Central Coast academies of sport.

2009/10 Greater Building Society Sports
Scholarship winners

Shaun Fletcher	Age 27	Track and Field
Benn Harradine	Age 26	Track and Field
Billy Jolliffe	Age 22	BMX
Rachel Jones	Age 13	BMX
Shannon Jones	Age 18	Water Polo
Nathan Outteridge	Age 23	Sailing
Jack Rickards	Age 15	Gymnastics
Aaron Royle	Age 19	Triathlon
Jennifer Screen	Age 27	Basketball
Brendan Sexton	Age 24	Triathlon
Liam Speers	Age 17	Track and Field
Ty Swadling	Age 21	Trampolining

GREATER BUILDING SOCIETY LTD AND CONTROLLED ENTITIES

FINANCIAL STATEMENTS
30 JUNE 2010

DIRECTORS' REPORT	20-23
INDEPENDENT AUDIT REPORT TO THE MEMBERS	24-25
DIRECTORS' DECLARATION	26
STATEMENTS OF COMPREHENSIVE INCOME	27
BALANCE SHEETS	28
STATEMENTS OF CHANGES IN EQUITY	29
STATEMENTS OF CASH FLOWS	30
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	31 - 65

DIRECTORS' REPORT

The Directors have much pleasure in presenting their report on the consolidated financial statements consisting of Greater Building Society Ltd (the Society) and the entities it controlled at the end of, or during, the year ended 30 June 2010.

DIRECTORS

The following persons held office as Directors for the whole of the financial year:

J E Kilpatrick, OAM

Mr Kilpatrick practised as a Solicitor in Lake Macquarie for more than 30 years and was Mayor of Lake Macquarie City Council from 1993 to 2004. He is a Trustee of the Anglican Diocese of Newcastle and Chairman of Anglican Care Retirement Villages. Mr Kilpatrick has been a Director of Greater Building Society Ltd since 1998 and was appointed Chairman in 2008.

Special Responsibilities: Chairman of the Succession Planning Committee, Member of the Remuneration Committee, Member of the M&A Strategic Committee, Chairman of the Head Office Strategy Committee.

I I Nelmes, FCPA, MIIA (Aust)

Mr Nelmes is a Fellow of CPA Australia and has been a Director of Greater Building Society Ltd since 1980 and was Chairman of the Board from 1986 to 2008. Mr Nelmes is a member of the Institute of Internal Auditors (Aust).

Special Responsibilities: Member of the Audit & Risk Management Committee, Member of the Remuneration Committee, Member of the Succession Planning Committee, Chairman of the M&A Strategic Committee.

A Thurlow, B.Comm Grad Dip (Tech Ed)

Mrs Thurlow joined the Board in 1996. Mrs Thurlow is the Managing Director of accounting firm A Thurlow Pty Ltd. She has over twenty years experience as a Public Accountant and was a lecturer in Accounting at the Hunter Institute of Technology.

Special Responsibilities: Member of the Audit & Risk Management Committee, Member of the Remuneration Committee.

A J McKeown, B.Comm FCA, FAICD

Mr McKeown is Chief Executive of Prosperity Advisers Pty Ltd. He has more than 20 years experience in Chartered Accounting, which includes international secondments. He is Deputy Chairman of the Newcastle Knights Ltd and has been a Director of Greater Building Society Ltd since 2002. Mr McKeown resigned on 6 September 2010.

Special Responsibilities: Deputy Chairman, Member of the Succession Planning Committee, Chairman of the Audit & Risk Management Committee, Member of the M&A Strategic Committee, Member of the Head Office Strategy Committee.

D S Robinson, B.Surveying (Hons)

Mr Robinson joined the Board in October 2007 and has 30 years experience in surveying, town planning and land development. He is the Managing Director of ADW Johnson, a leading Hunter based consultancy in surveying, town planning, engineering and land development. Mr Robinson has also previously worked as a part-time teacher at TAFE and was a Junior Officer in the Royal Australian Navy.

Special Responsibilities: Chairman of the IT Steering Committee, Member of the M&A Strategic Committee, Member of the Head Office Strategy Committee.

W R Ware, LL.M.(Hons), FAICD

Mr Ware joined the Board in February 2009. He practised law for 14 years until 1987 when he became a professional Company Director and Business Consultant. He has served on the boards of a number of public companies and consults to businesses, particularly in the areas of strategic advice and succession planning.

Special Responsibilities: Chairman of the Remuneration Committee, Member of the Succession Planning Committee, Member of the Head Office Strategy Committee.

M L McDonald, B Ec. FCA

Mr McDonald joined the Board in May 2009. He has practiced as a Chartered Accountant for over 30 years, and was a Partner in the Newcastle Offices of Touche Ross & Co and KPMG Peat Marwick until his resignation in 1994. He has since that date practised on his own account. He is a Trustee of the Anglican Diocese of Newcastle and has considerable involvement in the Not for Profit sector.

Special Responsibilities: Member of the Audit & Risk Management Committee.

Mr A J McKeown was a director from the beginning of the financial year until his resignation on 6 September 2010.

All other Directors held office as Directors for the whole of the financial year and as at the date of this report.

DIRECTORS' REPORT (Continued)

COMPANY SECRETARY

The company secretary is Mr P W Baker, PNA. Mr Baker is a member of the National Institute of Accountants. He has over 30 years of experience in banking and finance, having joined Greater Building Society Ltd in 1978 as an Assistant Accountant and being appointed to the role of Company Secretary in 1991.

CORPORATE OBJECTIVES

The Society's long term objective is to ensure the financial viability of the Society and to provide a range of financial services to members that are competitive and meet their needs. Short term objectives involve seeking opportunities to grow the business, either by new products or services or by an expansion of distribution networks. Growth aspirations are however, sought in a prudent and sustainable manner. Current strategies to achieve these objectives are to maintain a network of well presented and convenient locations; to continue to expand the Greater's branch network into new areas; to expand the range of products and services to meet the demands of members; to continue to provide a superior service level; to strive to enhance the member experience at all points of contact; to be an employer of choice and to provide a challenging and enjoyable workplace; and to continue to build capacity and knowledge with good corporate governance.

The Society measures its performance using a range of financial and non financial measures. The main financial indicators are interest margins, cost to income ratio, return on net assets, profit per employee, loan portfolio growth and deposit portfolio growth, while non financial measures include number of products per member, member satisfaction and S&P ratings.

PRINCIPAL ACTIVITIES

The principal activity during the year of the consolidated entity comprising the Greater Building Society Ltd and the controlled entities consisted of the provision of financial services to members in the form of taking deposits and providing financial accommodation. Those activities enhanced the financial position of the Society and provided the platform to enable the Society to improve the quality of its distribution channels and expand the range of products and services available to members.

RESULTS

	2010	2009
	\$'000	\$'000
Profit after income tax expense	26,681	20,135
Less (Profit)/Loss attributable to outside equity interests	(173)	148
Profit attributable to members of the Greater Building Society Ltd	26,508	20,283

REVIEW OF OPERATIONS

A review of operations of the consolidated entity is contained in the Chairman's and Chief Executive Officer's Report.

DIRECTORS' MEETING

The persons holding office as Directors of the parent entity during the year were; I I Nelmes, J E Kilpatrick, A J McKeown, A Thurlow, D S Robinson, W R Ware and M L McDonald. The number of meetings of the Directors (including meetings of committees) held during the year and the number of meetings attended by each Director were as follows:

	Board of Directors	Audit & Risk Management Committee	Remuneration Committee	IT Steering Committee	M & A Strategic Committee	Head Office Strategic Committee
Number of Meetings	13	11	3	6	1	6
Number of Meetings Attended						
J E Kilpatrick	12	-	3	-	1	6
A Thurlow	13	11	3	-	-	-
I I Nelmes	13	10	3	-	1	-
A J McKeown	12	11	-	-	1	6
D S Robinson	13	-	-	6	1	6
W R Ware	13	-	3	-	-	6
M L McDonald	12	10	-	-	-	-

DIRECTORS' REPORT (Continued)

INSURANCE OF OFFICERS

During the financial year, the Society paid premiums to insure the Directors and Senior Executive Officers of the Society and its controlled entities.

In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of the liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the consolidated entity.

STATE OF AFFAIRS

There was no significant change in the state of affairs of the consolidated entity during the financial year.

MEMBER LIABILITY

The Society is a company limited by share and guarantee. The Society has not issued shares. The guarantee is provided by members of the Society and is limited to \$1 per member. The total amount that members of the company are liable to contribute if the company were wound up is \$237,153.

AFTER BALANCE DATE EVENTS

The Directors of Greater Building Society Ltd and Armidale Building Society announced on the 20 September 2010 that the two entities plan to merge. This merger will require approval of members of both Societies and appropriate regulatory approval.

Other than the event disclosed above the Directors are not aware of any other matters or circumstances that have arisen since 30 June 2010 that have significantly affected or may significantly affect:

- A) The operations of the consolidated entity.
- B) The results of those operations, or
- C) The state of affairs of the consolidated entity in the financial years subsequent to 30 June 2010.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

There are no material likely developments in the operations of the consolidated entity, other than continued profitable operations, at the date of this report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Society, or to intervene in any proceedings to which the Society is a party, for the purpose of taking responsibility on behalf of the Society for all or part of those proceedings.

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

ENVIRONMENTAL REGULATION

The Society or its controlled entities are not subject to any significant environmental regulation.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 23.

ROUNDING OF AMOUNTS

The amounts in the financial statements have been rounded to the nearest thousand dollars under the option available to the Society under ASIC Class Order 98/100. The Society is an entity to which the Class Order applies.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with Section 327 of the Corporations Act 2001. Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are disclosed in Note 27.

Signed at Hamilton this 28th day of September 2010 in accordance with a resolution of the Directors.



J E Kilpatrick

Chairman

DIRECTORS' REPORT (Continued)

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers
ABN 52 780 433 757

PricewaterhouseCoopers Centre
26 Honeysuckle Drive
PO Box 798
NEWCASTLE NSW 2300
DX 77 Newcastle
Australia
www.pwc.com/au
Telephone +61 2 4925 1100
Facsimile +61 2 4925 1199

AUDITORS' INDEPENDENCE DECLARATION

As lead auditor for the audit of Greater Building Society Ltd for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Greater Building Society Ltd and the entities it controlled during the period.



D A Turner
Partner

Newcastle
28 September 2010

INDEPENDENT AUDIT REPORT TO THE MEMBERS



PricewaterhouseCoopers
ABN 52 780 433 757

PricewaterhouseCoopers Centre
26 Honeysuckle Drive
PO Box 798
NEWCASTLE NSW 2300
DX 77 Newcastle
Australia
www.pwc.com/au
Telephone +61 2 4925 1100
Facsimile +61 2 4925 1199

Independent auditor's report to the members of Greater Building Society Ltd

Report on the financial report

We have audited the accompanying financial report of Greater Building Society Ltd (the Society), which comprises the balance sheet as at 30 June 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Greater Building Society Ltd and the Greater Building Society Ltd Group (the consolidated entity). The consolidated entity comprises the Society and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report 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 report is free from material misstatement.

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Liability limited by a scheme approved under Professional Standards Legislation

INDEPENDENT AUDIT REPORT TO THE MEMBERS (Continued)



Independent auditor's report to the members of Greater Building Society Ltd (continued)

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Greater Building Society Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Society and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 1.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Greater Building Society Ltd (the Society) for the year ended 30 June 2010 included on the Greater Building Society Ltd's web site. The Society's directors are responsible for the integrity of the Greater Building Society Ltd web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/ from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

PRICEWATERHOUSE COOPERS
PricewaterhouseCoopers

D A Turner
Darren Turner
Partner

Newcastle
28 September 2010

Liability limited by a scheme approved under Professional Standards Legislation

DIRECTORS' DECLARATION

In the Directors' opinion:

- A) The financial statements and notes set out on pages 27 to 65 are in accordance with the Corporations Act 2001, including:
- i) Complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii) Giving a true and fair view of the Society's and consolidated entity's financial position as at 30 June 2010 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
- B) There are reasonable grounds to believe that the Society will be able to pay its debts as and when they become due and payable; and
- C) Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



J E Kilpatrick
Chairman

Signed at Hamilton this 28th day of September 2010.

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

	Notes	CONSOLIDATED		SOCIETY	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest revenue	2	253,601	286,013	254,365	286,392
Interest expense	3	(147,212)	(191,751)	(149,148)	(193,135)
Net interest income		106,389	94,262	105,217	93,257
Non interest income	4	17,069	23,888	13,069	22,653
		123,458	118,150	118,286	115,910
Non interest expense	5	(85,463)	(89,450)	(81,466)	(86,985)
Profit before income tax		37,995	28,700	36,820	28,925
Income tax expense	6	(11,314)	(8,565)	(11,093)	(8,539)
Profit for the year		26,681	20,135	25,727	20,386
Profit attributable to					
Members of Greater Building Society Ltd		26,508	20,283	25,727	20,386
Non controlling interests	25	173	(148)	-	-
		26,681	20,135	25,727	20,386
Other comprehensive income					
Available for sale assets	23	167	(153)	170	(130)
Cash flow hedges	23	(401)	(2,586)	(401)	(2,586)
Revaluation of land and buildings	23	(4,111)	456	-	-
Income tax relating to other comprehensive income		1,303	219	69	348
Total other comprehensive income		(3,042)	(2,064)	(162)	(2,368)
Total comprehensive income		23,639	18,071	25,565	18,018
Total comprehensive income attributable to					
Members of Greater Building Society Ltd		23,466	18,219	25,565	18,018
Non controlling interests	25	173	(148)	-	-
		23,639	18,071	25,565	18,018

The above Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

BALANCE SHEETS

as at 30 June 2010

	Notes	CONSOLIDATED		SOCIETY	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
ASSETS					
Cash and cash equivalents	7	186,762	257,896	173,171	246,979
Investment securities	8	522,925	365,651	536,624	365,651
Other receivables	9	3,216	3,691	4,457	4,762
Derivative financial instruments	10	507	1,754	507	1,754
Loans and advances	11	3,484,060	3,429,459	3,491,794	3,441,545
Other financial assets	12	1,575	1,403	4,869	4,367
Inventories	13	5,037	7,493	-	-
Deferred tax assets	14	4,187	2,710	4,841	4,650
Property, plant and equipment	15	28,225	31,500	8,580	8,312
Investment properties	16	2,116	3,150	-	-
Intangible assets	17	1,331	848	1,331	848
TOTAL ASSETS		4,239,941	4,105,555	4,226,174	4,078,868
LIABILITIES					
Payables and other liabilities	18	25,496	23,117	24,375	23,001
Deposits	19	3,130,697	3,065,216	3,132,279	3,066,635
Current tax liabilities	20	6,755	2,782	6,530	2,497
Derivative financial instruments	10	833	622	833	622
Other financial liabilities	21	787,252	748,804	789,536	739,312
Provisions	22	12,163	11,908	12,163	11,908
TOTAL LIABILITIES		3,963,196	3,852,449	3,965,716	3,843,975
NET ASSETS		276,745	253,106	260,458	234,893
MEMBERS' FUNDS					
Reserves	23	10,299	12,500	7,445	6,696
Retained profits	24	265,683	240,016	253,013	228,197
		275,982	252,516	260,458	234,893
Non controlling interests	25	763	590	-	-
TOTAL MEMBERS' FUNDS		276,745	253,106	260,458	234,893

The above Balance Sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2010

	Notes	CONSOLIDATED		SOCIETY	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
TOTAL EQUITY AT THE START OF THE FINANCIAL YEAR					
Reserves	23	12,500	13,264	6,696	7,425
Retained profits	24	240,016	221,033	228,197	209,450
Non controlling interests	25	590	738	-	-
		253,106	235,035	234,893	216,875
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					
Reserves	23	(2,201)	(764)	749	(729)
Retained profits	24	25,667	18,983	24,816	18,747
Non controlling interests	25	173	(148)	-	-
		23,639	18,071	25,565	18,018
TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR					
Reserves	23	10,299	12,500	7,445	6,696
Retained profits	24	265,683	240,016	253,013	228,197
Non controlling interests	25	763	590	-	-
		276,745	253,106	260,458	234,893

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

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2010

Notes	CONSOLIDATED		SOCIETY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
	Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	254,993	288,160	255,756	288,349
Fees and commissions received	12,386	15,337	12,386	15,337
Other income received	4,631	7,597	916	6,418
Interest paid	(142,966)	(202,886)	(146,983)	(200,341)
Operating expenses paid	(78,074)	(86,110)	(78,005)	(86,160)
Income taxes paid	(7,514)	(10,321)	(7,514)	(10,321)
Net advances and repayments in loans and advances	(56,197)	20,325	(50,219)	20,752
Net placements and redemptions in investment securities	(157,203)	(118,287)	(170,897)	(118,283)
Net acceptances and payments in deposits	62,617	154,307	62,780	154,414
NET CASH PROVIDED BY OPERATING ACTIVITIES	30 (107,327)	68,122	(121,780)	70,165
CASH FLOWS FROM INVESTING ACTIVITIES				
Net purchases and sales in other financial assets and liabilities	1,056	(2,198)	1,056	(2,198)
Payments for property, plant and equipment	(4,165)	(2,835)	(4,162)	(2,835)
Proceeds from sale of property, plant and equipment	334	488	334	173
Dividends and distributions received	6	11	6	11
CASH FLOWS FROM INVESTING ACTIVITIES	(2,769)	(4,534)	(2,766)	(4,849)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from commercial notes	261,800	-	-	-
Repayments of commercial notes	(222,838)	(94,764)	-	-
Net movement in loans from SPE	-	-	50,738	(97,098)
NET CASH PROVIDED BY FINANCING ACTIVITIES	38,962	(94,764)	50,738	(97,098)
Net increase/(decrease) in cash held	(71,134)	(31,176)	(73,808)	(31,782)
CASH AT THE BEGINNING OF THE FINANCIAL YEAR	257,896	289,072	246,979	278,761
CASH AT THE END OF THE FINANCIAL YEAR	7 186,762	257,896	173,171	246,979

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Basis of Preparation

The financial report includes separate financial statements for Greater Building Society Ltd as an individual entity and the consolidated entity consisting of Greater Building Society Ltd and its subsidiaries.

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001 in Australia. This general purpose financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These financial statements of Greater Building Society Ltd (Society) and the consolidated entity are prepared under the historical cost convention, as modified by the revaluation of available for sale investments, certain other assets and liabilities (including derivative instruments) at fair value, certain classes of property, plant and equipment and investment property.

All amounts are expressed in Australian dollar currency.

The significant accounting policies adopted in the preparation of these financial statements and that of the previous financial year are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

i) Critical account estimates and significant judgements

The preparation of the financial statements in accordance with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the Society and consolidated entity financial statements such as:

- impairment losses on loans and advances (Notes 11 (iii) and 11),
- consolidation of special-purpose entities (Notes 1B and 12), and
- ability to realise deferred tax asset balances (Notes 1E and 14).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing the financial statements are reasonable. Actual results in the future may differ from those reported.

ii) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The consolidated entity's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

- **AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9** (effective from 1 January 2013)
AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The consolidated entity is yet to assess its full impact. However, initial indications are that it may affect the consolidated entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the consolidated entity recognised \$167,000 of such gains in other comprehensive income. The consolidated entity has not yet decided when to adopt AASB 9.
- **Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards** (effective from 1 January 2011)
In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. There will be no impact on the financial statements of the parent entity or consolidated entity as neither entity is a government related entity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

- **AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19** (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The consolidated entity will apply the interpretation from 1 July 2010. It is not expected to have any impact on the consolidated entity financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the consolidated entity has not entered into any debt for equity swaps since that date.

- **AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project** (effective from 1 January 2010)

In May 2009, the AASB issued a number of improvements to existing Australian Accounting Standards. The Group will apply the revised standards from 1 July 2010. The consolidated entity does not expect that any adjustments will be necessary as the result of applying the revised rules.

- **AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements** (effective 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Greater Building Society Ltd has public accountability as defined in AASB 1053 and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. Therefore, the two standards will have no impact on the financial statements of the entity.

- **AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project** (effective from 1 July 2010)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The consolidated entity will apply the amendments from 1 July 2010. The consolidated entity does not expect that any adjustments will be necessary as the result of applying the revised rules.

B) Consolidation**i) Controlled entities**

The consolidated financial statements comprise the financial statements of the Society (parent entity) and its controlled entities (together, "the consolidated entity"). Controlled entities are all those entities (including Special Purpose Entities) over which the Society has the power to govern directly or indirectly decision-making in relation to financial and operating policies, so as to require that entity to conform with the Society's objectives. The effects of all transactions between entities in the consolidated entity have been eliminated in full. Non controlling interest in the results and equity of controlled entities, where the Society owns less than 100% of the issued capital, are shown separately in the consolidated statements of comprehensive income, statements of changes of equity and balance sheets.

Where control of an entity was obtained during the financial period, its results have been included in the consolidated statements of comprehensive income from the date on which control commenced. Where control of an entity ceased during the financial period, its results are included for that part of the financial period during which control existed. The purchase method of accounting is used to account for the acquisition of subsidiaries by the consolidated entity.

Investments in subsidiaries are accounted for by the Society at cost.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

ii) Securitisation

Securitised positions are held through a number of Special Purpose Entities ("SPEs"). These securitised positions allow the Society to access funding. The Society does not consolidate a SPE it does not control. Where it can sometimes be difficult to determine whether the Society does control the SPE, it makes judgements about its exposure to the risks and rewards as well as about its ability to make operational decisions for the SPE. The Society has consolidated its SPEs accordingly; their underlying assets, liabilities, revenues and expenses are reported in the Society's consolidated balance sheets and statements of comprehensive income.

Revenues and fees directly attributable to and in connection with the securitisation of loans are considered part of the effective interest rate of the securitisation funding arrangements. Such associated revenues and fees are included in the interest expense of the loan payable to the trust using the effective interest rate method.

iii) Land development investment

The Society has an equity investment in a controlled entity (refer note 12) involved in the development of land for subdivision and subsequent sale as residential lots.

Development properties are classified as inventory and carried at the lower of cost and net realisable value. Cost includes expenses incidental to the cost of acquisition, development and holding costs excluding borrowing costs.

Income from sales is generally recognised on exchange of contracts. However, where contracts are conditional upon performance of some condition of the contract, sale is recognised upon the satisfaction of the condition. Costs are allocated on a per lot basis based on direct cost allocation where possible or by an averaging process by applying indirect costs across all relevant lots.

iv) Changes in accounting policy

The consolidated entity has changed its accounting policy for accounting for loss of control, joint control or significant influence from 1 July 2009, when a revised AASB 127 Consolidated and Separate Financial Statements became operative. The revisions to AASB 127 contained consequential amendments to AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures.

Previously when the consolidated entity ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The consolidated entity has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

C) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

i) Changes in accounting policy

The consolidated entity has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in any change in the number of reportable segments presented. There has been no other impact on the measurement of the company's assets and liabilities. All operating segments are less than the required quantitative threshold to require separate disclosure.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

D) Revenue Recognition**i) Interest revenue**

Interest income arising from loans and held to maturity investment securities is brought to account using the effective interest rate method. Incremental fees and transaction costs associated with the origination of loans and held to maturity investment securities which are an integral part of the effective interest rate are deferred and recognised in the statements of comprehensive income on a yield basis over the expected life of the financial instrument.

The effective interest rate is that rate that exactly discounts estimated future cash flows throughout the life of the financial instrument.

The balance outstanding of the deferred origination income and expense is recognised in the balance sheet as an adjustment to the carrying amount of the loans and held to maturity investment securities outstanding.

ii) Other revenue

Other income, commission and fee income is recognised in the statements of comprehensive income as revenue on an accruals basis when the service has been provided or incurred.

E) Income Tax

The consolidated entity has adopted the balance sheet liability method of tax-effect accounting, which focuses on the tax effects of transactions and other events that affect amounts recognised in either the balance sheet or a tax-based balance sheet.

Deferred tax assets and liabilities are recognised for temporary differences, except where the deferred tax asset/liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that the future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The Society and certain wholly owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2002. The Australian Taxation Office has been notified of this decision. As a consequence, Greater Building Society Ltd, as the head entity of the tax consolidated group, recognises current tax liabilities relating to transactions, events and balances of the tax consolidated group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

There is no tax sharing arrangement or funding agreement in place between the Society and its tax consolidated entities. As a consequence the amount of current tax benefit or liability recognised by the Society in respect of transactions, events and balances of its tax consolidated entities within the tax consolidated group will be recognised as a contribution to (or distribution from) the tax consolidated entities.

F) Financial Instruments

All financial instruments (assets and liabilities) are initially recognised at fair value plus, in the case of financial assets and liabilities not classified as at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial instruments are then classified into one of the following categories, which in turn determines the subsequent accounting measurement of the item. The categories are:

i) Fair value through profit or loss assets and liabilities

Financial assets and liabilities at fair value through profit or loss are those assets and liabilities held with the intention of selling or trading in the short term or so designated by management. Derivatives are also categorised as fair value through profit or loss unless they are designated as hedges and meet the criteria for hedge accounting.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

Financial assets and liabilities at fair value through profit or loss are carried at fair value with the net gain/loss on financial assets at fair value through profit or loss, including changes in fair value recognised and net interest receivable/payable recognised as non-interest income/expense in the statements of comprehensive income.

ii) Held to maturity assets

Held to maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the consolidated entity has the positive intention and ability to hold to maturity. Were the consolidated entity to sell or dispose of other than an insignificant portion of held to maturity assets, the entire category would be tainted and reclassified as available for sale.

Held to maturity assets are carried at amortised cost using the effective interest rate method.

iii) Loans and receivables assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables arise when the consolidated entity provides money or goods or services directly to a debtor with no intention of trading the receivable.

Loans and receivable assets and liabilities are carried at amortised cost using the effective interest rate method.

iv) Available for sale investments

Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or equity prices.

Available for sale investments are carried at fair value, with changes in the fair value recognised through an available for sale reserve in equity until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the statements of comprehensive income.

v) Other financial liabilities

Other financial liabilities include all financial liabilities not categorised as fair value through profit or loss.

Other financial liabilities are carried at amortised cost using the effective interest rate method.

G) Cash And Cash Equivalents

Cash and cash equivalents includes cash on hand and deposits at call and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and are subject to an insignificant risk of changes in value, net of any outstanding financial institutions overdrafts.

Cash on hand and in financial institutions and short-term deposits are stated at nominal value.

H) Investments**i) Asset recognition**

Investment securities are classified as held to maturity and are carried at amortised cost using the effective interest rate method (refer Note 1D). Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

Equity securities are classified as available for sale investments unless there exists an intention to sell or trade the asset in the short term in which case they are classified as fair value through profit and loss (refer Note 1F). Equity securities are measured at fair value. Fair values of quoted investments in active markets are based on current bid prices. If the relevant market is not considered active (or the securities are unlisted), the consolidated entity establishes fair value by using valuation techniques, including recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Where equity securities cannot be reliably valued they are recorded at cost.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

ii) Revenue recognition

Interest income arising from investment securities is recognised in the statements of comprehensive income using the effective interest rate method (refer Note 1D).

Gains and losses arising from subsequent changes in fair value for available for sale investments are recognised directly in the available for sale reserve in equity, until the asset is derecognised or impaired, at which time the cumulative gain or loss will be recognised in the statements of comprehensive income.

Dividend income is recognised when the right to receive payment is established.

iii) Investments in associates

Investments in associates are accounted for in the financial statements using the equity accounting method. Under this method, the consolidated entity's share of the post acquisition profits or losses of associates is recognised in the consolidated statements of comprehensive income, and its share of post acquisition movements in reserves is recognised in consolidated reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

Investments in associates are accounted for by the Society at cost.

I) Loans And Advances**i) Asset recognition**

Loans and advances are classified as loans and receivable assets and are recognised when cash is advanced to members and are carried at amortised cost using the effective interest rate method (refer to Note 1F).

ii) Revenue recognition

Interest income arising from loans is brought to account using the effective interest rate method (refer to Note 1D).

Loan fees received and transaction costs directly attributable to the acquisition of the loan are deferred and included as an adjustment to the interest revenue of the loan on a yield basis over the expected life of the loan using the effective interest rate method. The deferred revenues and costs are included in the balance sheet as part of the value of the loans and advances outstanding.

Other loan fees, commissions and other service fees provided in connection with a loan are recognised as revenue on an accruals basis when the service has been provided or incurred.

iii) Loan impairment

All loan assets are subject to regular review and assessment for possible impairment. Allowances for impairment losses on loans are based on an incurred loss model, which recognises an allowance where there is objective evidence of impairment.

Specific allowances are raised for losses that may be incurred for loans that are known to be impaired. Estimated losses on these loans are measured at the difference between the loans carrying amount and the present value of the estimated cashflows discounted at the loans effective interest rate.

Where individual loans are found to not be impaired they are grouped together with loans of similar credit risk characteristics and then assessed collectively for impairment. Any loan that has been individually assessed and considered impaired is excluded from the collective assessment.

Loans that are collectively assessed for impairment are estimated on the basis of historical loss experience adjusted for any current conditions that may have impacted on the historical loss experience.

A credit loss reserve is maintained in equity to cover credit risks inherent in the loan portfolio. Movement in the credit loss reserve is recognised as an appropriation of retained profits (refer to Note 1S).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

iv) Restructured loans

A restructured loan is a non-commercial facility where the original contractual terms have been modified to provide concessional changes for reasons relating to financial difficulties of the borrower. Where the loan after restructuring remains doubtful and it is not well secured the loan shall be subject to impairment. Loans will only be recognised as restructured once the customer has formally agreed to the new terms.

v) Assets acquired through enforcement of security

Assets acquired through enforcement of security are assets acquired in full or partial settlement of a loan or similar facility through enforcement of security arrangements.

vi) Bad debts written-off

Bad debts are written-off as identified by management and the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely.

Bad debts will be written-off directly to the statements of comprehensive income in the period in which they are identified. Bad debts can be written-off directly against the allowance for impaired losses only to the extent that the allowance balance includes a specific allowance in respect of the debt being written-off.

J) Plant, Property And Equipment**i) Asset recognition**

Land and buildings are initially recognised at cost and then subsequently carried at fair value less accumulated depreciation.

Plant and equipment are initially recognised at cost and then subsequently carried at cost less accumulated depreciation and less any impairment adjustment. Assets are reviewed for impairment annually.

Cost includes expenditure directly attributable to the acquisition of the asset.

Items of equipment, furniture and fittings and other small assets, which cost less than \$1,000 will be expensed at the time of purchase.

ii) Revaluations

Land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation of buildings and accumulated impairment losses.

Where the land and building is revalued, any revaluation surplus net of tax is credited to the asset revaluation surplus reserve included in equity unless it reverses a revaluation decrease of the same asset previously recognised in the statements of comprehensive income. Any revaluation deficit is recognised in the statements of comprehensive income unless it directly offsets a previous surplus of the same asset recognised in the asset revaluation surplus reserve. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus reserve relating to the particular asset being disposed is transferred to retained profits.

The balances in the asset revaluation surplus reserve for each particular asset are net of any potential capital gains tax liability.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statements of comprehensive income in the year the item is derecognised.

Fair value is determined by reference to market-based evidence, which is the amount which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Annual assessments of the fair value is made by the Directors, supplemented by independent valuations performed every three years (or more often if circumstances require) ensuring that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

iii) Depreciation

Depreciation is calculated so as to write-off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life. Additions are depreciated from the date of acquisition.

The consolidated entity uses the following rates and methods of depreciation:

	Rate	Method
Buildings	2.5%	straight line
Office Furniture	25%	reducing balance
Office Equipment	25%	reducing balance
Motor Vehicles	30%	reducing balance
Computer Hardware	40%	reducing balance
Cash Dispensing Units	15%	straight line

Leasehold improvements are amortised over the shorter of the unexpired period of the lease or the useful life of the leasehold improvements on a prime cost basis.

Useful lives and residual values are reviewed annually and reassessed in light of commercial and technological developments. If an asset's carrying value is greater than its recoverable amount due to a useful life, residual value or impairment adjustment, the carrying amount is written down immediately to its recoverable amount. Adjustments arising from such restatements and on disposal of fixed assets are recognised in the statements of comprehensive income.

For taxation purposes the consolidated entity determines an effective life to allow assets to be depreciated. The consolidated entity generally uses the reducing balance method of depreciation for tax purposes.

K) Investment Properties

Investment properties are initially recognised at cost and then subsequently carried at fair value. Cost includes expenditure directly attributable to the acquisition of the asset.

Fair value is determined by reference to market-based evidence, which is the amount which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Annual assessments of the fair value are made by the Directors, supplemented by independent valuations performed every three years (or more often if circumstances require) ensuring that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

Changes in fair values for investment properties are recognised directly in the statements of comprehensive income.

Where the property is used by the consolidated entity for its own occupation the property is classified as plant, property and equipment.

i) Changes in accounting policy

Investment property now also includes properties that are under construction for future use as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete. This is different to previous years where properties under construction were accounted for at cost and presented under property, plant and equipment until construction was complete.

The change in policy was necessary following changes made to AASB 140 Investment Property as a result of the IASB's 2008 Improvements standard.

The consolidated entity has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

L) Inventory

No expenditure is treated as an asset where it has no realisable value or it is insignificant in size and nature. Items such as printed internal forms, advertising brochures, etc, will not be treated as inventory.

All inventories are stated at the lower of cost and net realisable value.

M) Intangible Assets**i) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the consolidated entity's share of the net identifiable assets of the acquired entity at the date of acquisition. Goodwill on acquisitions of controlled entities is included in intangible assets on the balance sheet. Goodwill on acquisitions of associates is included in the carrying value of investments in associates. Goodwill acquired in business combinations is not amortised but tested for impairment annually, or more frequently if events indicate that it might be impaired. In this event, it is carried at cost less accumulated impairment losses.

ii) Computer software

Directly attributable costs incurred in acquiring computer software is capitalised and amortised at 40% per annum (reducing balance). Costs incurred on software maintenance are expensed as incurred.

N) Members' Deposits

Members' deposits are measured at amortised cost using the effective interest rate method (refer to Note 1F).

Interest on deposits is brought to account using the effective interest rate method (refer to Note 1D).

O) Financial Liabilities

The consolidated entity has on issue debt securities and instruments which are initially recognised at fair value, net of transaction costs incurred (refer to Note 1F). These instruments are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statements of comprehensive income over the period of the borrowings using the effective interest rate method (refer to Note 1D). If the debt security is designated as a hedged item and meets the requirements of hedge accounting, the security is measured at fair value (refer to Note 1Q).

P) Provisions

The consolidated entity makes provision where it has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation.

A provision for promotion and reward scheme costs is recognised when the present obligations arise. The provision is measured as the amount unpaid at the balance date discounted by an estimated rate of non-usage.

Q) Derivative Instruments

The consolidated entity uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes.

All derivatives, including those used for balance sheet hedging purposes, are recognised on the balance sheet at fair value and are disclosed as an asset where they have a positive fair value at balance date or as a liability where the fair value at balance date is negative (refer to Note 1F).

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value. Fair values for interest rate swaps is the estimated amount that the Society would receive or pay to terminate the swap at the balance date, taking into account current interest rates and the credit worthiness of the swap counterparties. Movements in the carrying amounts of derivatives are recognised in the statements of comprehensive income, unless the derivative is designated as a hedge and meets the requirements for hedge accounting.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

i) Cash flow hedges

For a derivative designated as hedging a cash flow exposure arising from a recognised asset or liability (or a highly probable forecast transaction), the gain or loss on the derivative associated with the effective portion of the hedge is initially recognised in equity in the cash flow hedge reserve and reclassified into the statements of comprehensive income when the hedged item is brought to account. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in the statements of comprehensive income.

ii) Fair value hedges

For a derivative designated as hedging a fair value exposure arising from a recognised asset or liability (or a firm commitment), the gain or loss on the derivative is recognised in the statements of comprehensive income together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

R) Employee Entitlements**i) Wages and salaries and annual leave**

Liabilities for wages and salaries, annual leave and sick leave are recognised and are measured at the amounts expected to be paid when the liabilities are settled.

ii) Long service leave

A liability for long service leave is recognised and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

iii) Superannuation

Contributions are made by the consolidated entity to an employee's superannuation fund and are charged as expenses when incurred. The consolidated entity has no legal obligation to cover any shortfall in the funds liability to provide benefits to employees on retirement.

iv) Directors' retirement

Directors' retirement is recognised in accordance with the Constitution of the Society.

v) On-costs

On-costs associated with employees, including payroll tax, are recognised as liabilities and expenses when the employment to which they relate has occurred.

S) Reserves

With effect from 1 July 2005 the Society has established a reserve for credit losses to cover credit risks inherent but not yet incurred in the loan portfolio (refer to Note 11(iii)). Movement in the credit loss reserve is recognised as an appropriation of retained profits.

T) Goods And Services Tax

Where capital or expense acquisitions relate to input taxed activities goods and services tax is generally non recoverable from taxation authorities. Accordingly, where the amount of goods and services tax incurred is not recoverable, the tax is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

For the purposes of the Statements of Cash Flows, receipts and payments from operations are inclusive of goods and services tax.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

U) Impairment

The carrying amounts of the consolidated entity's assets are reviewed at least at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Any impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statements of comprehensive income unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal but only to the extent of the previous revaluation amount.

V) Rounding Of Amounts

The company is of a kind referred to in Class Order 98/0100, issued by Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	CONSOLIDATED		SOCIETY	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
2. INTEREST REVENUE				
Cash and cash equivalents	10,830	17,010	10,578	16,710
Investment securities	24,594	17,643	25,160	17,643
Loans and advances	218,177	251,360	218,627	252,039
	253,601	286,013	254,365	286,392
3. INTEREST EXPENSE				
Deposits	109,403	146,514	109,403	146,514
Other financial liabilities	37,809	45,237	39,745	46,621
	147,212	191,751	149,148	193,135
4. NON INTEREST INCOME				
Commission	2,507	2,695	2,507	2,695
Dividend revenue	6	11	6	11
Fee income	9,569	12,769	9,569	12,769
Impaired losses recovered	13	22	13	22
Net gain on financial assets at fair value through profit and loss	415	5,860	415	5,860
Net gain on investment properties	212	-	-	-
Net gain on disposal of available for sale assets	29	739	29	739
Net gain on disposal of property, plant and equipment	78	55	78	4
Rental revenue	205	252	69	75
Sales revenue from sale of inventory	3,577	1,007	-	-
Other revenue	458	478	383	478
	17,069	23,888	13,069	22,653
5. NON INTEREST EXPENSE				
Amortisation of computer software	459	360	459	360
Cost of inventory sold	2,512	727	-	-
Depreciation - buildings	382	457	-	-
Depreciation - leasehold improvements	858	1,005	858	1,005
Depreciation - plant and equipment	2,147	2,393	1,781	1,906
Employee related expense	41,418	38,931	41,418	38,931
Net loss on disposal of property, plant and equipment	58	114	57	114
Operating rental expense	7,516	7,030	9,508	8,963
Payment system processing costs	6,228	11,097	6,223	11,092
Other general and administration expenses	23,885	27,336	21,162	24,614
	85,463	89,450	81,466	86,985

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	Notes	CONSOLIDATED		SOCIETY	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
6. INCOME TAX EXPENSE					
A) Income Tax Expense					
Current tax		11,554	9,144	11,395	8,987
Deferred tax		(180)	(579)	(242)	(448)
Adjustment to current tax of prior years		(60)	-	(60)	-
		11,314	8,565	11,093	8,539
Income tax expense attributable to Profit from operations		11,314	8,565	11,093	8,539
Aggregate income tax expense		11,314	8,565	11,093	8,539
Deferred income tax expense/(revenue) included in income tax expense comprises					
Decrease/(increase) in deferred tax assets	14	86	(261)	243	(34)
Increase/(decrease) in deferred tax liabilities	14	(266)	(318)	(485)	(414)
		(180)	(579)	(242)	(448)
B) Numerical Reconciliation Of Income Tax Expense To Prima Facie Tax Payable					
Profit from operations before income tax expense		37,995	28,700	36,820	28,925
Prima facie tax payable at 30% (2009 – 30%)		11,398	8,611	11,046	8,677
Tax effect of amounts which are not deductible (taxable) in calculating taxable income					
Non assessable gain on property sale		-	(15)	-	-
Entertainment		27	19	27	19
Property Fair Value adjustment		50	-	-	-
Government investment allowance		20	(157)	20	(157)
Sundry items		(181)	107	-	-
		(84)	(46)	47	(138)
INCOME TAX EXPENSE		11,314	8,565	11,093	8,539
C) Amounts Recognised Directly In Equity					
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity					
Current tax – credited directly to equity		-	(158)	-	(158)
Net Deferred tax – debited/(credited) directly to equity	14	(1,295)	(548)	51	(541)
	23	(1,295)	(706)	51	(699)
7. CASH AND CASH EQUIVALENTS					
Cash on hand		21,953	20,084	21,808	19,628
Financial institution balance		53,372	42,067	39,926	31,606
Short term deposits		111,437	195,745	111,437	195,745
		186,762	257,896	173,171	246,979

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	CONSOLIDATED		SOCIETY	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
8. INVESTMENT SECURITIES				
Deposits with financial institutions	469,133	365,651	471,032	365,651
Investments in other securities	53,792	-	65,592	-
	522,925	365,651	536,624	365,651
9. OTHER RECEIVABLES				
Accrued income	46	356	46	356
Prepayments	3,155	3,297	3,056	3,234
Other receivables	15	38	1,355	1,172
	3,216	3,691	4,457	4,762
10. DERIVATIVE FINANCIAL INSTRUMENTS				
Derivative financial instrument asset				
Interest rate swap contracts – cashflow hedges	507	-	507	-
Interest rate swap contracts – at fair value	-	1,754	-	1,754
	507	1,754	507	1,754
Derivative financial instrument liability				
Interest rate swap contracts – cashflow hedges	612	-	612	-
Interest rate swap contracts – at fair value	221	622	221	622
	833	622	833	622
Cash flow hedge ineffectiveness – gain/(loss)	-	115	-	115
11. LOANS AND ADVANCES				
Overdrafts	208,300	229,392	217,275	243,196
Term loans	3,275,880	3,200,930	3,275,880	3,200,930
Gross loans and advances	3,484,180	3,430,322	3,493,155	3,444,126
Allowance for specific impairment losses	(120)	(863)	(1,361)	(2,581)
Net loan and advances	3,484,060	3,429,459	3,491,794	3,441,545

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	CONSOLIDATED		SOCIETY	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
A) Allowance For Impairment Losses				
Specific allowance for impairment losses				
Opening balance	863	96	2,581	2,307
Allowance for impairment losses	(743)	767	(1,220)	274
	120	863	1,361	2,581
B) Impairment Losses On Loans				
Specific allowance for impairment losses	(743)	767	(1,220)	274
Bad debt write-off	653	119	653	119
	(90)	886	(567)	393
C) Impaired Loans				
Impaired loans with specific provision for impairment	1,365	3,094	7,688	11,375
Less specific provision	(120)	(863)	(1,361)	(2,581)
	1,245	2,231	6,327	8,794
Impaired loans will be either assessed individually or grouped together with similar credit risk assets and assessed collectively for impairment. Individual assessment will usually be performed where the risk exposure is either significant by amount or of a particular product type. The consolidated entity in assessing individual specific impairment will consider the counterparties willingness to meet their contractual arrangements, the counterparties economic circumstances and their future financial prospects and the security provided.				
Estimated fair value of security held for impaired loans	-	2,200	-	2,200
Security for housing loans is in the form of registered mortgage over residential property real estate. Security for commercial loans is in the form of registered mortgage over residential and/or commercial real estate. Security for personal loans is in the form of either registered mortgage over real estate, mortgage over other property or charges against funds held on deposit.				
D) Restructured Loans				
Balance	1,885	195	1,885	195
There is no specific impairment against restructured loans.				
E) Assets Acquired Through The Enforcement Of Security				
Net fair value of assets acquired through the enforcement of security during the financial year				
Real estate	1,665	2,245	1,665	2,245
Other assets	6	7	6	7
	1,671	2,252	1,671	2,252
Assets acquired during the year are disposed of as soon as practically possible with the proceeds used to reduce the outstanding indebtedness. Any residual proceeds after the debt is repaid are returned to the borrower.				
There were no assets through the enforcement of security during the year which were used by the Society or the consolidated entity in its operations.				

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	CONSOLIDATED		SOCIETY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
F) Past Due Loans				
Analysis of loans that have not met their contractual repayment schedule but are not impaired				
Less than 3 months past due	74,133	70,435	74,133	70,435
3 months to less than 6 months past due	1,200	2,333	1,200	2,333
6 months or more past due	1,460	2,283	1,460	2,283
	76,793	75,051	76,793	75,051
Estimated fair value of security held for past due loans	199,810	184,396	199,810	184,396

Security for housing loans is in the form of registered mortgage over residential property real estate. Security for commercial loans is in the form of registered mortgage over residential and/or commercial real estate. Security for personal loans is in the form of either registered mortgage over real estate, mortgage over other property or charges against funds held on deposit.

12. OTHER FINANCIAL ASSETS

Available for sale equity investments	1,575	1,403	1,563	1,393
Controlled entities	-	-	3,306	2,974
	1,575	1,403	4,869	4,367

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

Controlled Entities

Name of Entity	Class of Share	Investment Holding				Nature of Business
		2010	2009	2010 \$'000	2009 \$'000	
Greater Newcastle Developments Pty Ltd	Ordinary	N/A	-	N/A	-	Non Trading (Deregistered)
Greater Co-operative Association Ltd	Ordinary	100%	100%	1,129	841	Co-operative Mutual
Parkwood Unit Trust	Units	63%	63%	1,669	1,669	Land Development
Greater Investment Services Pty Ltd	Ordinary	100%	100%	508	464	Management Services
GBS Receivables Trust No 2	N/A	N/A	N/A	-	-	Mortgage securitisation special purpose entity
GBS Receivables Trust No 3	N/A	N/A	N/A	-	-	Mortgage securitisation special purpose entity
GBS Receivables Trust No 4	N/A	N/A	N/A	-	N/A	Mortgage securitisation special purpose entity
Waratah GBS Mortgages Trust No 1	N/A	N/A	N/A	-	-	Mortgage securitisation special purpose entity

Notes:

- All the above entities are incorporated in Australia.
- Parkwood Unit Trust owns 100% (2009 100%) of the issued units of Ashtonfield Unit Trust.
- The Society has control of GBS Receivables Trust No 2, 3 and 4 and Waratah GBS Mortgages Trust No 1 as the Society is exposed to the majority of the residual risks and rewards associated with these special purpose entities.
- Greater Newcastle Developments Pty Ltd was deregistered as a company in August 2009.
- GBS Receivables Trust No 4 was established in September 2009.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	CONSOLIDATED		SOCIETY	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
13. INVENTORIES				
Land	5,037	7,493	-	-
14. DEFERRED TAX ASSETS				
Deferred tax assets	4,187	2,710	4,841	4,650
A) Composition of Net Deferred Tax Assets				
Deferred tax assets				
The balance comprises temporary differences attributable to				
Doubtful debts	36	259	409	774
Employee benefits	3,803	3,493	3,803	3,493
Retirement benefit obligations	149	147	149	147
Loan origination costs and fair value adjustments	484	418	497	467
Property, plant and equipment	1,529	1,618	1,098	1,170
Investment Securities	132	-	132	-
Derivatives	69	184	69	184
Creation of deferred tax asset on consolidation	267	267	-	-
Accruals	341	510	334	499
	6,810	6,896	6,491	6,734
Amounts recognised directly in equity				
Available for sale investments	48	47	-	-
	6,858	6,943	6,491	6,734
Deferred tax liabilities				
Less set off of deferred tax liabilities				
The balance comprises temporary differences attributable to				
Prepayments	(32)	(12)	(19)	-
Derivatives	-	(284)	-	(284)
Loan origination costs	(1,546)	(1,766)	(1,546)	(1,766)
	(1,578)	(2,062)	(1,565)	(2,050)
Amounts recognised directly in equity				
Property revaluation surplus reserve	(1,008)	(2,137)	-	-
Available for sale investments	(85)	(34)	(85)	(34)
	(1,093)	(2,171)	(85)	(34)
Total set-off amount of deferred tax liabilities	(2,671)	(4,233)	(1,650)	(2,084)
NET DEFERRED TAX ASSETS	4,187	2,710	4,841	4,650

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	CONSOLIDATED		SOCIETY	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
B) Movements in Net Deferred Tax Assets				
Attributable to deferred tax assets				
Opening balance	6,943	6,676	6,734	6,701
Credited/(charged) to the statements of comprehensive income	(86)	261	(243)	33
Credited/(charged) to equity	1	7	-	-
Under/(over) provision in prior year	-	(1)	-	-
	6,858	6,943	6,491	6,734
Less off-set of deferred tax liabilities				
Attributable to deferred tax liabilities				
Opening balance	4,233	5,077	2,084	3,040
Charged/(credited) to the statements of comprehensive income	(266)	(318)	(485)	(415)
Charged/(credited) to equity	(1,296)	(541)	51	(541)
Under/(over) provision in prior year	-	15	-	-
Total set-off amount of deferred tax liabilities	2,671	4,233	1,650	2,084
NET DEFERRED TAX ASSETS	4,187	2,710	4,841	4,650
C) Recovery Of Deferred Tax Assets				
Attributable to deferred tax assets				
Deferred tax assets to be recovered after more than 12 months	4,095	3,342	3,358	2,727
Deferred tax assets to be recovered within 12 months	2,763	3,601	3,133	4,007
	6,858	6,943	6,491	6,734
Attributable to deferred tax liabilities				
Deferred tax liabilities to be settled after more than 12 months	2,257	2,208	1,244	605
Deferred tax liabilities to be settled within 12 months	414	2,025	406	1,479
	2,671	4,233	1,650	2,084

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	CONSOLIDATED		SOCIETY	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
15. PROPERTY, PLANT AND EQUIPMENT				
Land and buildings	18,547	21,726	-	-
	18,547	21,726	-	-
Leasehold improvements	8,799	8,025	8,799	8,025
Less accumulated depreciation	(6,074)	(5,241)	(6,074)	(5,241)
	2,725	2,784	2,725	2,784
Plant and equipment	21,854	22,082	16,949	17,172
Less accumulated depreciation	(14,901)	(15,092)	(11,094)	(11,644)
	6,953	6,990	5,855	5,528
TOTAL – PROPERTY, PLANT and EQUIPMENT	28,225	31,500	8,580	8,312

A) Valuation Of Land And Buildings

The valuation of land and buildings is on the basis of fair market values based on existing use. An annual assessment is made by the Directors to ensure that the carrying values do not differ materially from the fair value. The Directors assessments are supported by independent valuations. Details of the independent valuations are shown below.

- June 2010 – the Directors' valuation considered the independent valuations performed at 30 June 2010 by Mr P Macadam (AAPI), Reg Valuer No. 3784 and Mr H Pawlik (FAPI, AAVI), Reg Valuer No. 1192.
- June 2009 - the Directors valuation considered the independent valuations performed at 30 June 2007 by Mr P Macadam (AAPI), Reg Valuer No. 3784 and Mr H Pawlik (FAPI, AAVI), Reg Valuer No. 1192.

B) Carrying Amounts That Would Have Been Recognised If Land And Buildings Were Stated At Cost

If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

Land and Buildings				
Cost	18,235	18,235	-	-
Accumulated Depreciation	(2,263)	(1,894)	-	-
Net book amount	15,972	16,341	-	-

C) Movement In Land and Buildings

Balance as at start of year	21,726	22,001	-	-
Additions	-	1	-	-
Disposals	-	(265)	-	-
Revaluation increment/(decrement)	(4,419)	-	-	-
Transfer from investment properties	1,240	-	-	-
Transfer to statements of comprehensive income	-	(11)	-	-
Balance as at end of year	18,547	21,726	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	CONSOLIDATED		SOCIETY	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
D) Movement In Leasehold Improvements				
Balance as at start of year	2,784	3,025	2,784	3,025
Additions	798	764	798	764
Depreciation expense	(857)	(1,005)	(857)	(1,005)
Balance as at end of year	2,725	2,784	2,725	2,784
E) Movement In Plant And Equipment				
Balance as at start of year	6,990	8,015	5,528	6,065
Additions	2,424	1,651	2,421	1,651
Disposals	(314)	(283)	(313)	(282)
Depreciation expense	(2,147)	(2,393)	(1,781)	(1,906)
Balance as at end of year	6,953	6,990	5,855	5,528
16. INVESTMENT PROPERTIES				
Investment properties	2,116	3,150	-	-

A) Valuation Of Investment Properties

The valuation of investment properties is on the basis of fair market values based on existing use. An annual assessment is made by the Directors to ensure that the carrying values do not differ materially from fair value. The Directors assessments are supported by independent valuations. Details of the independent valuations are shown below.

- June 2010 – the Directors' valuation considered the independent valuations performed at 30 June 2010 by Mr P Macadam (AAPI), Reg Valuer No. 3784 and Mr H Pawlik (FAPI, AAVI), Reg Valuer No. 1192.
- June 2009 - the Directors valuation considered the independent valuations performed at 30 June 2007 by Mr P Macadam (AAPI), Reg Valuer No. 3784 and Mr H Pawlik (FAPI, AAVI), Reg Valuer No. 1192.

B) Movement In Investment Properties

Balance as at start of year	3,150	3,150	-	-
Revaluation increment	211	-	-	-
Transfer to owner occupied property	(1,240)	-	-	-
Transfer to statements of comprehensive income	(5)	-	-	-
Balance as at end of year	2,116	3,150	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	CONSOLIDATED		SOCIETY	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
C) Leasing Arrangements				
The investment properties are leased to tenants under short term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:				
Minimum lease payments not recognised in the financial statements are receivable as follows				
Within one year	49	69	-	-
Later than one year but before five years	166	-	-	-
Balance as at end of year	215	69	-	-
D) Amount Recognised in profit and loss for Investment Properties				
Rental income	136	186	-	-
Direct operating expenses	(4)	(5)	-	-
	132	181	-	-
17. INTANGIBLE ASSETS				
Computer software	4,141	3,344	4,141	3,344
Less accumulated amortisation	(2,810)	(2,496)	(2,810)	(2,496)
	1,331	848	1,331	848
A) Movement In Software Balances				
Balance as at start of year	848	787	848	787
Additions	942	420	942	420
Amortisation expense	(459)	(359)	(459)	(359)
Balance as at end of year	1,331	848	1,331	848
18. PAYABLE AND OTHER LIABILITIES				
Creditors and other accruals	25,496	23,117	24,375	23,001
19. DEPOSITS				
Call deposits	1,337,170	1,294,988	1,338,752	1,296,407
Term deposits	1,793,527	1,770,228	1,793,527	1,770,228
	3,130,697	3,065,216	3,132,279	3,066,635
20. CURRENT TAX LIABILITIES				
Income tax	6,530	2,497	6,530	2,497
Deferred Tax Liability	225	285	-	-
	6,755	2,782	6,530	2,497

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	CONSOLIDATED		SOCIETY	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
21. OTHER FINANCIAL LIABILITIES				
Commercial notes	787,132	748,684	-	-
Loans – securitisation SPE	-	-	789,536	739,312
Loans – other	120	120	-	-
	787,252	748,804	789,536	739,312
22. PROVISIONS				
Employee benefits	11,256	10,525	11,256	10,525
Other	907	1,383	907	1,383
	12,163	11,908	12,163	11,908
Provisions expected to be settled within 12 months	4,991	4,571	4,991	4,571
Provisions expected to be settled after 12 months	7,172	7,337	7,172	7,337
	12,163	11,908	12,163	11,908
23. RESERVES				
Available for sale investment reserve	1,046	930	1,158	1,040
Cashflow hedge reserve	87	368	87	368
Credit loss reserve	6,200	5,288	6,200	5,288
Property revaluation surplus reserve	2,570	5,448	-	-
Revaluation on consolidation reserve	396	466	-	-
	10,299	12,500	7,445	6,696
MOVEMENT IN RESERVES				
A) Available For Sale Investment Reserve				
Balance at beginning of year	930	1,037	1,040	1,131
Revaluation gross	167	(153)	170	(130)
Deferred tax	(51)	46	(52)	39
	1,046	930	1,158	1,040
B) Cashflow Hedge Reserve				
Balance at beginning of year	368	2,645	368	2,645
Recognised in equity during the year	(90)	(1,736)	(90)	(1,736)
Transferred to profit and loss during the year	(311)	(850)	(311)	(850)
Deferred tax	120	309	120	309
	87	368	87	368
C) Credit Loss Reserve				
Balance at beginning of year	5,288	3,649	5,288	3,649
Transfer (to)/from retained profits	912	1,639	912	1,639
	6,200	5,288	6,200	5,288

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	CONSOLIDATED		SOCIETY	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
D) Property Revaluation Surplus Reserve				
Balance at beginning of year	5,448	5,448	-	-
Transfer (to)/from retained profits	-	(320)	-	-
Revaluation gross	(4,111)	456	-	-
Deferred tax	1,233	(136)	-	-
	2,570	5,448	-	-

The property revaluation surplus reserve is used to record the unrealised increments and decrements on the revaluation of property as described in Note 1J.

E) Revaluation On Consolidation Reserve

Balance at beginning of year	466	485	-	-
Transfer (to)/from retained profits	(70)	(19)	-	-
	396	466	-	-

The revaluation on consolidation reserve recognises the fair value of unrecognised assets acquired as a result of consolidating a subsidiary.

24. RETAINED PROFITS

	2010	2009	2010	2009
Retained profits	265,683	240,016	253,013	228,197
Movement in retained profits				
Balance at beginning of year	240,016	221,033	228,197	209,450
Net profit in the year	26,508	20,283	25,727	20,386
Transfer (to)/from credit loss reserve	(911)	(1,639)	(911)	(1,639)
Transfer (to)/from consolidation reserve	70	19	-	-
Transfer (to)/from property revaluation reserve	-	320	-	-
	265,683	240,016	253,013	228,197

25. NON CONTROLLING INTEREST

Reconciliation of non controlling interest in controlled entities

Balance at beginning of year	590	738	-	-
Share of operating profit/(loss)	225	(134)	-	-
Share of net assets of acquired entity	(52)	(14)	-	-
	763	590	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

26. RELATED PARTIES**A) Controlled Entities**

Information in respect of controlled entities is disclosed in Note 12.

B) Key Management Personnel

Key management personnel are the Directors and those Senior Executives that are responsible for the planning, directing and controlling of the activities of the Society and consolidated entity. During the year the Senior Executive team was increased from 5 members to 9 members.

	CONSOLIDATED		SOCIETY	
	2010	2009	2010	2009
	\$	\$	\$	\$
i) Compensation paid to key management personnel				
Short-term employee benefits	2,840,164	1,987,940	2,770,164	1,917,940
Post employment benefits	530,581	788,848	530,581	788,848
Other long term benefits	87,026	44,717	87,026	44,717
Termination benefits	304,918	187,077	304,918	187,077
	3,762,689	3,008,582	3,692,689	2,938,582

ii) Loans to key management personnel (including related parties)

Loans outstanding at beginning of year	6,108,268	2,545,162	6,108,268	2,545,162
Balances from new key management personnel	599,120	4,321,340	599,120	4,321,340
Advances made during the year	1,657,512	1,406,271	1,657,512	1,406,271
Interest and fees charged	352,790	133,541	352,790	133,541
Repayments made during the year	(1,346,067)	(2,298,046)	(1,346,067)	(2,298,046)
Loans outstanding at end of year	7,371,623	6,108,268	7,371,623	6,108,268

Loans granted at commercial terms are provided at the same interest rate and terms available to members generally. Security is taken in the majority of cases in accordance with the Society's normal credit risk policy.

Loans granted at non commercial terms relate to loans provided to Senior Executives in accordance with the concessional staff loan policy. Under this policy, staff are eligible for loans at concessional rates of interest dependant upon their length of employment, their seniority and their salary level.

iii) Deposits made by key management personnel (including related parties)

Deposits outstanding at the beginning of year	4,758,321	2,328,384	4,758,321	2,328,384
Balances from new key management personnel	95,958	3,187,956	95,958	3,187,956
Interest paid	201,063	133,158	201,063	133,158
Net movement in deposits during the year	893,613	(891,177)	893,613	(891,177)
Deposits outstanding at the end of the year	5,948,955	4,758,321	5,948,955	4,758,321

The Society has entered into an Enterprise Agreement with its staff. Under this agreement the Society provides each staff member a deposit account upon which no transaction fees are payable. These amounts are included in the above disclosure.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

C) Transactions With Other Related Parties

The Society has related party transactions with the following entities:

- i) Greater Superannuation and Retirement Trust invests funds with the Society. At balance date these deposits totalled \$25.058M (2009 \$25.840M). The Society acts as Administrator and Custodian to the Trust. The Society provides administration services to the controlled entity for \$NIL (2009 \$NIL) consideration.
- ii) Greater Investment Services Pty Ltd invests funds with the Society. At balance date these deposits totalled \$1.604M (2009 \$1.456M). In support of the entities ASF licence the Society has provided a support agreement including a financial support commitment to the entity. The entity acts as the manager for GBS Receivables Trust No 2, GBS Receivables Trust No 3, GBS Receivables Trust No 4 and Waratah GBS Mortgage Trust No 1. The Society provides administration services to the entity for \$NIL (2009 \$NIL) consideration.
- iii) Greater Co-operative Association Ltd has established an unsecured loan facility with the Society. At balance date the loan facility was for a total facility limit of \$15M (2009 \$15M) with a balance outstanding of \$6.333M (2009 \$8.281M). The loan is provided on an interest free basis. Greater Co-operative Association Ltd also invests funds with the Society. At balance date these deposits totalled \$0.122M (2009 \$0.417M). The controlled entity provides rental accommodation to the Society for \$1.996M (2009 \$1.938M) consideration. The Society provides administration services to the entity for \$NIL (2009 \$NIL) consideration.
- iv) Parkwood Unit Trust invests funds with the Society. At balance date these deposits totalled \$200 (2009 \$200). Parkwood Unit Trust has established a secured revolving credit loan facility with the Society. At balance date the loan facility was for a total facility limit of \$3.9M (2009 \$6.3M) with a balance outstanding of \$2.575M (2009 \$5.568M). The Trust also has an unsecured loan on an interest free basis. At balance date the loan outstanding is \$0.120M (2009 \$0.120M). The Trust carries out activities of land development within the Hunter Valley Region. The Society provides administration services to the Trust for \$NIL (2009 \$NIL) consideration.
- v) The Society provides custodian, basis swap, interest rate swap and redraw commitment facilities to GBS Receivables Trust No 2, GBS Receivables Trust No 3 and GBS Receivables Trust No 4 as well as acting as servicer of the securitised mortgages. These trusts are special purpose entities that allow the Society to access funding by securitising mortgage loans. The revenues and fees in relation to these services are part of the funding arrangements, accordingly, they are included in the effective interest rate of the loan facility.
- vi) Waratah GBS Mortgage Trust No 1 during the year accepted the sale of mortgages from the Society. The Society provides custodian and interest rate swap facilities to the Trust as well as acting as servicer of the securitised mortgages. The trust is a special purpose entity that allows the Society to access funding by securitising mortgage loans. The revenues and fees in relation to these services are part of the funding arrangements, accordingly, they are included in the effective interest rate of the loan facility.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

CONSOLIDATED		SOCIETY	
2010	2009	2010	2009
\$	\$	\$	\$

27. REMUNERATION OF AUDITORS

Income received or due and receivable by the auditors for:

Auditing services for the financial statements of any entity within the consolidated entity

Auditing services for prudential regulation reporting

Other audit related work

Taxation advisory services

General advisory services

298,452	274,364	174,049	180,890
16,301	11,747	16,301	11,747
33,203	10,933	33,203	10,933
48,543	57,641	48,543	56,141
69,578	10,830	67,778	10,830
466,077	365,515	339,874	270,541

2010	2009	2010	2009
\$'000	\$'000	\$'000	\$'000

28. COMMITMENTS**i) Operating leases**

Due within 12 months

Due within 1 to 5 years

Due after 5 years

6,925	5,574	6,925	5,574
13,438	10,920	13,438	10,920
81	-	81	-
20,444	16,494	20,444	16,494

ii) Capital commitments

Due within 12 months

89	480	89	480
-----------	------------	-----------	------------

iii) Expenditure commitments

Due within 12 months

Due within 1 to 5 years

785	688	726	619
148	538	118	494
933	1,226	844	1,113

These commitments relate to maintenance and service contracts.

29. SEGMENTAL REPORTING

The consolidated entity's operations are confined to one business segment being the provision of financial services and products to members in the form of taking deposits and providing financial accommodation as prescribed by the constitution.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	CONSOLIDATED		SOCIETY	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
30. RECONCILIATION OF NET CASH				
Provided By Operating Activities To Operating Profit After Income Tax				
Operating profit after income tax	26,681	20,135	25,727	20,386
Depreciation and amortisation	3,846	4,216	3,098	3,270
Impaired losses/(gains) on loans	(89)	885	(566)	393
Profit on sale of investments	(29)	-	(29)	-
Profit on sale property, plant and equipment	(78)	(54)	(78)	(4)
Loss on sale of property, plant and equipment	63	124	57	114
Dividend and distributions received from investing activities	(6)	(11)	(6)	(11)
Fair value movement of investment properties	1,062	(1)	-	-
Investment in subsidiary via tax consolidation	-	-	(333)	(294)
Income tax attributed directly to equity	(115)	(137)	-	-
Inventory revaluation movement on sales	199	55	-	-
Increase/(decrease) in accrued interest payable	4,406	(11,184)	2,324	(7,256)
Decrease/(increase) in accrued interest receivable	1,392	2,632	1,272	2,443
Decrease/(increase) in other receivable	310	(126)	310	(126)
Decrease/(increase) in deferred tax assets	87	(261)	243	(34)
Decrease/(increase) in sundry debtors	107	(2,933)	211	(2,794)
Decrease/(increase) in inventory	2,258	589	-	-
Decrease/(increase) in derivatives	57	(481)	57	(481)
Increase/(decrease) in income taxes payable	4,033	(847)	4,033	(847)
Increase/(decrease) in deferred taxes payable	(1,554)	(511)	(365)	(606)
Increase/(decrease) in creditors and accrued expenses	571	1,157	346	599
Increase/(decrease) in other provisions	255	(1,470)	255	(1,470)
Decrease/(increase) in loans and advances	(56,197)	20,325	(50,219)	20,752
Decrease/(increase) in investment securities	(157,203)	(118,287)	(170,897)	(118,283)
Increase/(decrease) in deposits	62,617	154,307	62,780	154,414
NET CASH PROVIDED BY OPERATING ACTIVITIES	(107,327)	68,122	(121,780)	70,165

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	CONSOLIDATED		SOCIETY	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
31. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS				
A) Financial Assets and Liabilities				
The carrying amount of the following categories of financial assets and liabilities are:				
Financial assets				
Financial assets at fair value through profit and loss – non trading	-	1,754	-	1,754
Held to maturity assets	618,895	555,100	632,594	555,100
Loans and receivables	3,575,705	3,498,442	3,572,385	3,502,579
Available for sale financial assets	1,575	1,403	1,563	4,367
Financial assets that are designated hedging instruments	507	-	507	-
	4,196,682	4,056,699	4,207,049	4,063,800
Financial liabilities				
Financial liabilities that are designated hedging instruments	221	-	221	-
Financial liabilities at fair value through profit and loss – non trading	612	622	612	622
Financial liabilities measured at amortised cost	3,944,502	3,837,614	3,947,258	3,829,438
	3,945,335	3,838,236	3,948,091	3,830,060
B) Risk Management Framework				

The consolidated entity's activities are principally related to the use of financial instruments. The consolidated entity predominantly accepts deposits from members at both fixed and floating rates for various periods and lends to retail borrowers at both fixed and floating rates with a range of credit standings. Surplus funding is invested in high quality liquid or investment securities. Accordingly, the consolidated entity's activities are exposed to the following key financial risks: market risk; credit risk; and liquidity risk.

Risks are monitored and managed using an enterprise wide risk management system. This system records all the identified risks, the risk controls and risk mitigants used to manage the risks and an assessment of each risk. These risks are formally reviewed by management and presented to the Audit & Risk Committee on a quarterly basis.

Risk management is carried out by the Executive Committee, comprising of senior management executives, under policies approved by the Board of Directors (the Board). The Board provides written principles for the overall risk management as well as written policies covering specific areas as required to meet minimum Prudential Standards requirements issued by the Australian Prudential Regulation Authority (APRA).

These Risk Management Policies identify the consolidated entity's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address key material risks, financial and non-financial, likely to be faced by the consolidated entity. The policies and procedures are reviewed annually by senior management and the Board to take account of changing circumstances. In addition, the Chief Executive Officer annually certifies to APRA that senior management and the Board have identified key risks facing the consolidated entity. The Board has established systems to monitor those risks, including setting and requiring adherence to a series of prudential limits; adequate timely reporting processes; and compliance reporting demonstrating that these risk management systems are operating effectively and are adequate having regard to the risks they are designed to control.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

C) Market Risk

The predominant market risk the consolidated entity is exposed to is interest rate risk. The consolidated entity is not exposed to foreign exchange or other price risk.

The consolidated entity's interest rate risk arises from the net difference in cashflows from long term fixed rate assets or liabilities which are funded by or invested in floating rate assets or liabilities. Long term fixed rate assets include loans advanced to members and other investment securities, while long term fixed rate liabilities includes deposits raised from members and other wholesale funding arrangements. This exposure creates an interest rate risk because the net balances and cashflows generated from these assets and liabilities are dependant upon movements in interest rates.

The consolidated entity has established policy limits for the level of interest rate risk. Current policy measures interest rate risk in terms of the net present value of a basis point (PVBP) movement in interest rates. PVBP measures the net effect on the fair value of financial instruments for every one basis point (0.01%) change in the interest rate yield curve. The policy has limits for the amount of movement in the fair value of net assets or liabilities exposed to a hypothetical basis point variance before the risk requires active management. The limits are placed for specific time periods together with an overall portfolio limit. The risk is managed by, or a combination of, changes to product pricing or product terms to change consumer product purchasing preferences, by the use of interest rate swaps or other derivative instruments, or by the maturity placement of investment securities. When interest rate swaps are used for the above purpose, the consolidated entity may use hedge accounting.

For the PVBP model the cashflows from financial assets and liabilities are allocated into time buckets based on contractual repricing except for 'at call' transactional accounts. At call transactional accounts are liabilities raised from members and historically have limited sensitivity to movements in interest rates. The model allocates the portion of the transactional account balances that is sensitive to movements in interest rates into the less than three months time bucket while the remaining portion of transaction account balances that are not sensitive to interest rate movements are evenly allocated into each time bucket over a five year time horizon. The yield curve used in the PVBP model is a zero coupon yield curve based off the relevant published inter bank interest rates.

The following tables set out the consolidated entity's and Society's exposure to interest rate risk, measured by the present value of a basis point change in the yield curve.

Financial Instruments	Present Value of Basis Point (PVBP) Profile 2010 – Consolidated					Total
	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	
Net Exposure (\$'s)	5,711	4,494	-4,176	3,568	-11,242	-1,645

Financial Instruments	Present Value of Basis Point (PVBP) Profile 2010 – Society					Total
	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	
Net Exposure (\$'s)	5,679	4,505	-4,088	3,712	-11,242	-1,434

Financial Instruments	Present Value of Basis Point (PVBP) Profile 2009 - Consolidated					Total
	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	
Net Exposure (\$'s)	6,606	2,599	-2,239	4,129	-1,187	9,907

Financial Instruments	Present Value of Basis Point (PVBP) Profile 2009– Society					Total
	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	
Net Exposure (\$'s)	6,553	2,609	-2,158	4,257	-1,187	10,075

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

D) Credit Risk

The consolidated entity's credit risk predominantly arises from the risk that counterparties will not meet their contractual obligations with the consolidated entity. The main exposure to credit risk for the consolidated entity is either loans provided to members or investments made for prudential liquidity needs.

Credit risk exposure for loans is minimised by prudent assessment of each individual loan applicant, obtaining security for the majority of loans made and where credit risk warrants undertaking credit insurance.

The credit risk policy assesses the credit worthiness of the applicant considering not only the ability to service the loan but also other factors such as length and stability of employment, asset accumulation and stability of residency. To facilitate this a credit risk grading system is used which scores or grades loan applicants based on the above criteria. Security still remains an important consideration in assessing the granting of credit. The pricing offered to loan applicants is dependant upon a combination of the loan applicants credit risk grade, the security provided and the reason or purpose for the credit request.

The consolidated entity minimises concentration of credit risk in relation to loans by dealing with a relatively large number of individual members of the consolidated entity. Exposure to credit risk is limited to the market area that the consolidated entity participates in. The consolidated entity is active in the retail finance markets of Newcastle, Hunter Valley, Central Coast, Sydney, South Coast, Central West and North Coast of New South Wales and South East Queensland. The Society imposes portfolio limits for each loan product and for each credit risk grade. These portfolio limits seek to limit the consolidated entities exposure to certain products which represent a specific credit exposure and also to ensure the portfolio is not concentrated in a specific category of credit risk grade loan applicants.

Security for housing loans is in the form of registered mortgage over residential property real estate. Security for commercial loans is in the form of registered mortgage over residential and/or commercial real estate. Security for personal loans is in the form of either registered mortgage over real estate, mortgage over other property or charges against funds held on deposit. Where appropriate, guarantees are also sought from related parties to a loan. No security is taken for loans via credit cards and some personal loans. Credit risk also arises in relation to financial guarantees given to certain parties. Such guarantees are secured by a registered mortgage over real estate property or by a charge over funds held on deposit.

Credit risk exposure for treasury transactions (i.e. investment securities, cash and derivative transactions) to counterparties is minimised by limiting transactions to pre-approved financial institutions. The consolidated entity also has policies that limit the amount of credit exposure to individual counterparties and limit portfolio exposures based on external credit rating agency bands.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of these indicated in the balance sheet except for loans and advances. For loans and advances the maximum credit risk exposure for the consolidated entity is \$2,693M (2009 \$2,690M) and for the Society is \$2,701M (2009 \$2,702M). For loans that are securitised, credit risk is transferred to a special purpose vehicle (refer Note 1B). This maximum exposure does not take into account the value of any security.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to the external credit rating (if available) or the security provided. The following table provides an analysis of credit risk for financial assets that are neither past due or impaired by either external credit rating or type of security.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	CONSOLIDATED		SOCIETY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Financial assets that are neither past due nor impaired				
Cash on hand	21,953	20,084	21,808	19,629
Cash & Cash Equivalents – by external credit rating (S&P)				
- A1+	127,479	138,350	114,033	127,889
- A1	19,520	44,921	19,520	44,921
- A2	4,987	49,885	4,987	49,885
- Unrated	12,823	4,655	12,823	4,655
Investment securities – by external credit rating (S&P)				
- A1+	346,324	225,793	355,223	225,793
- A1	139,457	87,582	144,257	87,582
- A2	14,967	29,857	14,967	29,857
- Unrated	22,178	22,419	22,178	22,419
Other Receivables (unsecured)	3,216	3,691	4,457	4,767
Derivative Financial Instruments				
- A1+	507	1,754	507	1,754
Loans and receivables				
- mortgage over residential property security	2,524,482	2,522,130	2,518,397	2,514,168
- mortgage over other property	34,533	37,050	43,325	50,735
- other security	41,054	37,838	40,954	37,718
- no security	12,878	11,351	12,966	11,435
Other financial assets (unsecured)	1,575	1,403	1,563	4,367
	3,327,933	3,238,764	3,331,965	3,237,569

Details of past due or impaired loans and receivables are disclosed in Note 11. There are no other financial assets that are past due.

E) Liquidity Risk

The consolidated entity's liquidity risk arises from the risk that the consolidated entity will encounter difficulties in financing its obligations associated with financial liabilities.

The consolidated entity manages liquidity risk by maintaining sufficient cash and highly marketable securities to not only respond to expected cashflow events but also to provide for a range of unexpected cashflow events. The consolidated entity has established policy limits around the minimum level of liquidity and the quality of liquid assets that it holds for liquidity management purposes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

The following tables shows the contractual maturity of financial liabilities.

FINANCIAL LIABILITIES	Financial Liabilities Contractual Maturity Profile 2010 – Consolidated Entity						
	Less than 3 months \$'000	3 to 12 months \$'000	1 to 3 years \$'000	3 to 5 years \$'000	Over 5 years \$'000	No Maturity \$'000	Total \$'000
Payables and other accruals	25,496	-	-	-	-	-	25,496
Deposits	2,329,585	684,823	86,174	30,115	-	-	3,130,697
Derivatives	286	547	-	-	-	-	833
Other financial liabilities	26,772	371,900	145,990	92,724	149,866	-	787,252
TOTAL	2,382,139	1,057,270	232,164	122,839	149,866	-	3,944,278
Unrecognised loan commitments	49,060	-	-	-	-	-	49,060

FINANCIAL LIABILITIES	Financial Liabilities Contractual Maturity Profile 2009 – Consolidated Entity						
	Less than 3 months \$'000	3 to 12 months \$'000	1 to 3 years \$'000	3 to 5 years \$'000	Over 5 years \$'000	No Maturity \$'000	Total \$'000
Payables and other accruals	23,114	-	-	-	-	-	23,114
Deposits	2,444,898	548,146	84,433	21,699	507	-	3,099,683
Derivatives	101	521	-	-	-	-	622
Other financial liabilities	29,094	78,441	156,064	485,618	-	-	749,217
TOTAL	2,497,207	627,108	240,497	507,317	507	-	3,872,636
Unrecognised loan commitments	55,630	-	-	-	-	-	55,630

FINANCIAL LIABILITIES	Financial Liabilities Contractual Maturity Profile 2010 – Society						
	Less than 3 months \$'000	3 to 12 months \$'000	1 to 3 years \$'000	3 to 5 years \$'000	Over 5 years \$'000	No Maturity \$'000	Total \$'000
Payables and other accruals	24,375	-	-	-	-	-	24,375
Deposits	2,331,166	684,824	86,174	30,115	-	-	3,132,279
Derivatives	286	547	-	-	-	-	833
Other financial liabilities	29,056	371,900	145,990	92,724	149,866	-	789,536
TOTAL	2,384,883	1,057,271	232,164	122,839	149,866	-	3,947,023
Unrecognised loan commitments	49,060	-	-	-	-	-	49,060

FINANCIAL LIABILITIES	Financial Liabilities Contractual Maturity Profile 2009 – Society						
	Less than 3 months \$'000	3 to 12 months \$'000	1 to 3 years \$'000	3 to 5 years \$'000	Over 5 years \$'000	No Maturity \$'000	Total \$'000
Payables and other accruals	23,001	-	-	-	-	-	23,001
Deposits	2,446,207	548,146	84,433	21,699	507	-	3,100,992
Derivatives	101	521	-	-	-	-	622
Other financial liabilities	19,722	78,441	156,064	485,618	-	-	739,845
TOTAL	2,489,031	627,108	240,497	507,317	507	-	3,864,460
Unrecognised loan commitments	55,630	-	-	-	-	-	55,630

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

F) Fair Value Measurements

The following tables present the consolidated and the Society's assets and liabilities measured and recognised at fair value as at the reporting date. Comparative information has not been provided as permitted by the transitional provision of the new rules.

FAIR VALUE MEASUREMENTS	Financial Liabilities Contractual Maturity Profile 2010 – Consolidated Entity			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Interest rate swap contracts - cashflow hedges	-	507	-	507
Available for sale equity investments	1,252	-	323	1,575
Total Assets	1,252	507	323	2,082
Liabilities				
Interest rate swap contracts - cashflow hedges	-	612	-	612
Interest rate swap contracts - at fair value	-	221	-	221
Total Liabilities	-	833	-	833

FAIR VALUE MEASUREMENTS	Financial Liabilities Contractual Maturity Profile 2010 – Society Entity			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Interest rate swap contracts - cashflow hedges	-	507	-	507
Available for sale equity investments	1,244	-	319	1,563
Total Assets	1,244	507	319	2,070
Liabilities				
Interest rate swap contracts - cashflow hedges	-	612	-	612
Interest rate swap contracts - at fair value	-	221	-	221
Total Liabilities	-	833	-	833

The fair value of financial instruments traded in active markets (such as publicly traded equity investments) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the consolidated entity is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. These instruments are included in level 2.

During the financial reporting period no assets or liabilities were transferred between categories.

Level 3 instruments are investments in non-listed entities. These investments are illiquid and non traded shares, and there are no reliable inputs that can be used to estimate a fair value. The Society therefore measures these investments at cost which is supported by the net tangible assets of the entities invested in exceeding the cost value of the shares. The carrying value of level 3 instruments has not changed during the financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

32. CAPITAL ADEQUACY

The consolidated entity has established a Capital Management Policy. The policy objectives are to ensure that the consolidated entity and the Society both maintain a level of capital that is:

- consistent and appropriate to the risks the consolidated entity and the Society is exposed to from its activities; and
- sufficient to provide a buffer to absorb any unanticipated losses from its activities and, in the event of any major problem, enable it to continue operating while the problem is being addressed; and
- sufficient to provide depositors and creditors confidence that the consolidated entity and the Society will continue to honour its obligations to them.

The above policy is consistent with the requirements of the Prudential Standards issued by APRA (Australian Prudential Regulation Authority).

The consolidated entity and the Society are required by APRA to measure and report capital on risk weighted basis in accordance with the requirements of the Prudential Standards (known as "capital adequacy"). APRA requires the consolidated entity and Society to maintain minimum levels of capital to risk weighted assets. The consolidated entity and Society have met the capital requirements imposed by the Prudential Standards throughout the current and previous financial year. The Board has a policy of imposing that an additional level of capital be maintained above the minimum required by APRA.

Capital adequacy is measured as a ratio of capital to risk weighted assets. Capital is split into two Tiers. Tier 1 is generally retained earnings, reserve balances available for general use and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes. Tier 2 capital includes qualifying subordinated liabilities, credit loss reserve and a portion of the property reserves but excludes the available for sale reserve. The Prudential Standards require at least 50% of total capital must be Tier 1 capital.

The Society and consolidated entity has adopted the standardised approach for measuring credit and operational risk. Credit risk is measured based on allocating weighting assets that seek to reflect the varying levels of risk associated to on balance sheet assets and off balance sheet exposures. Operational risk is measured based on risk weighting each significant non interest income source.

	CONSOLIDATED		SOCIETY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Tier 1 Capital	256,755	232,364	255,849	232,061
Tier 2 Capital	6,123	6,069	4,823	4,769
Total Capital	262,878	238,433	260,672	236,830
Capital requirements (in terms of risk weighted assets)				
Credit Risk	1,305,722	1,249,526	1,303,150	1,247,720
Operational Risk	219,391	206,014	218,500	204,759
Total risk weighted assets	1,525,113	1,455,540	1,521,650	1,452,479
Capital adequacy ratio as reported to APRA				
- Ratio - as at reporting date	17.2%	16.4%	17.1%	16.3%

33. COMPANY DETAILS

Greater Building Society Ltd is a company limited by shares and guarantee, incorporated and domiciled in Australia. The registered office and principal place of business is:

Greater Building Society Ltd
103 Tudor Street
Hamilton NSW 2303

The financial report was authorised for issue by the Directors on 28th day of September 2010. The Directors have the power to amend and reissue the financial report.

ANNUAL REPORT

09
10

FOR THE YEAR ENDED 30 JUNE 2010



This page has been intentionally left blank.

This page has been intentionally left blank.



GREATER BUILDING SOCIETY LTD.

ANNUAL REPORT 2009/10

FOR THE YEAR ENDED
30 JUNE 2010

Head Office:
103 Tudor Street
Hamilton NSW 2303
PO Box 173 Hamilton NSW 2303
Phone: 1300 651 400
Facsimile: (02) 4921 9112
Website: www.greater.com.au



Greater Building Society Ltd.
• ABN 88 087 651 956 • AFSL 237476