The place you grow up in has a lot to do with who you become.
What We’re Here For

Our Vision

For nearly 110 years Newcastle Permanent has been offering a different way of banking, where people come first and where the benefits of our financial strength come back to our members and their communities.

Newcastle Permanent’s vision is to be a genuine alternative to traditional banks for a full range of retail banking services for personal and business members, and meaningful support for the communities they live in. Underpinning that vision is the belief that our customer-owned (mutual) banking model is a better alternative to the aggressive and profit-orientated cultures of the listed banks. Newcastle Permanent shares the value we create with our members and their communities, without the consequences that an excessive focus on shareholder returns can produce. We think that’s only fair, which is why we call it “fair go banking.”

Newcastle Permanent’s ethos is encapsulated in our brand tag line “Here for good” which means here for the good of our members, here for the good of the community, here for the good of our people (our staff) and here for the long term.

Of course, Newcastle Permanent also has the other important qualities you need from a good banking partner, such as a comprehensive product range, easy access to your money worldwide, exceptional customer service, and nearly 110 years of experience providing sound financial outcomes for our members.

We have a growing network of retail branches with experienced teams of mobile home lenders, business relationship managers and financial planners located across Northern NSW, including Newcastle and the Hunter, Central Coast, Mid North Coast, New England and Northern Rivers regions, with a presence in Sydney.

Our members also enjoy access to a nationwide network of more than 3,000 conveniently located, modern and highly secure ATMs.

Member Focus

Newcastle Permanent is committed to exceptional member service. This year Newcastle Permanent was awarded Building Society of the Year in the inaugural Roy Morgan Customer Satisfaction Awards. At the time of winning this award, Newcastle Permanent had a customer satisfaction of 94% (6 months to December 2011). This was the highest customer (member) satisfaction of any bank, building society or credit union in Australia.

However, success does not make us complacent – we know that we have to earn the right to our members’ banking every day by striving to make all our members’ experiences with Newcastle Permanent as positive as they can be.

Newcastle Permanent also demonstrated our member focus through the wide range of national product and organisational awards we received again this year, demonstrating that we deliver some of the best value and highest quality retail banking products in Australia. This year we were named the Home Lender of the Year by the prestigious Financial Review Smart Investor Blue Ribbon Awards for the third time in the past four years – once again outperforming all the major and regional banks. In fact, we received more Financial Review Smart Investor Blue Ribbon awards again this year than any other full service banking institution in Australia. This year we were also awarded Building Society of the Year by Money magazine, and Newcastle Permanent holds 20 CANSTAR five-star product ratings for our home loans alone – more than any other financial institution in Australia.

Newcastle Permanent is the No. 1 financial institution in the Newcastle and Hunter region, Australia’s most populous regional area. For the convenience of our members, we have more branches and ATMs in the region than any other provider of banking services.
Newcastle Permanent has a larger share of everyday banking services than any other banking institution. Please see Charts A1 and A2: Market Share of Mortgage and Deposit Products held in the Hunter Region.

Financial Strength

Newcastle Permanent is the largest customer-owned banking institution in NSW with total assets of more than $8.0 billion.

We are Australia’s financially strongest customer-owned banking institution in terms of net assets. In addition, our credit ratings from the two major international credit rating agencies are equivalent to those of significantly larger banking institutions and superior to all other building societies and mutual banks in Australia.

Our financial strength provides the necessary investment capability to improve our business and deliver better value to members in the form of excellent service, the highest quality, multi-award-winning products, and consistently more competitive interest rates and lower fees.

Community Support

Newcastle Permanent is also passionate about supporting the communities we are part of. Our CommunityAssist program provides our 900 staff with two paid community leave days each year so they can assist local charities. In addition, a voluntary staff donation program provides approximately $50,000 of financial support for local community organisations every year.

We demonstrate our ongoing commitment to local communities through our Community Sponsorship program which invests nearly $1.5 million each year supporting junior sport and children’s education to encourage our children to lead active and healthy lives. We also support a range of family-oriented community events which entertain, enrich and inform the communities we live and work in.

Newcastle Permanent Charitable Foundation also plays an important role in supporting the community by providing significant financial assistance in excess of $1.6 million per year to local charities for vital community projects that improve the lives of thousands of people in the areas Newcastle Permanent operates in.

Newcastle Permanent Charitable Foundation has been endowed with $30 million by Newcastle Permanent to support ongoing grant funding for local charities and not-for-profit organisations, making it one of the largest, regionally based charitable foundations in Australia.

Here for Good

We help our members achieve their financial goals and help build successful communities. As Newcastle Permanent continues to expand across regional NSW, our members and the well-being of their communities are at the heart of everything we do – that’s ‘fair go banking’ in action.

We believe our customer-owned banking model is a better alternative to the aggressive and profit-orientated cultures of the listed banks because it shares the value Newcastle Permanent creates with our members and their communities... we call it “fair go banking”.

...to dare to be different.
There’s a way of going about things that sets us apart.
Chairman’s Report

Financial Performance

In some respects the domestic economic environment has been similar to that of the last financial year, characterised by the mining boom, weak consumer demand for credit and higher savings rates, elevated wholesale and retail funding costs, and fragile consumer confidence.

Within this challenging environment, I am pleased to report Newcastle Permanent has delivered another very strong and balanced performance for the financial year ending 30 June 2012.

I am reporting a consolidated Group profit after tax of $400 million, which is comparable to last year’s result given the financial headwinds of increasing competition for deposits, increasing regulatory imposts and the significant increase in major headwinds of increasing competition for deposits, increasing regulatory imposts and the significant increase in major headwinds of increasing competition for deposits, increasing regulatory imposts and the significant increase in major headwinds of increasing competition for deposits, increasing regulatory imposts and the significant increase in major headwinds of increasing competition for deposits, increasing regulatory imposts and the significant increase in major headwinds of increasing competition for deposits, increasing regulatory imposts and the significant increase in major headwinds of increasing competition for deposits, increasing regulatory imposts and the significant increase in major headwinds of increasing competition for deposits, increasing regulatory imposts and the significant increase in major headwinds.

The excellent financial results achieved again this year were underpinned by:

- further progress against our strategic business improvement agenda.
- strong home loan and balance sheet growth combined with commendable performances in other areas of the business including retail deposit growth, despite intense competition from the major banks.
- exemplary credit quality.
- a continued focus on operational efficiency, and
- maintenance of our credit ratings.

The financial result reflects the prudent financial and risk management policies of Board and management, the commitment to service excellence from all our staff, combined with a robust and high-quality balance sheet supported by our loyal members.

Exceptional Financial Strength

As a customer-owned provider of banking services without shareholders, the profit Newcastle Permanent generates is entirely retained in the business to create additional capital. Newcastle Permanent’s Tier 1 capital ratio now stands at 19%, which is significantly above the regulatory requirements and the comparative position of all the banks and the largest mutuals in Australia. Please refer to Chart B: Tier 1 Capital Ratios.

A key achievement of Newcastle Permanent this year has been the maintenance of Moody’s Investor Services and Standard & Poor’s long-term credit ratings when the credit ratings of all the major banks were downgraded. All the significant building societies and mutual banks are at least one credit rating level lower than Newcastle Permanent, which is a reflection of our financial strength, comprehensive risk management and our strong and sustainable business model.

Customer Ownership and Member Focus

As a customer-owned banking institution, Newcastle Permanent members are also the owners, which removes the inherent conflict shareholders’ interests against those of their customers.

Creating value for our members and supporting their communities are key priorities for Newcastle Permanent, which is in stark contrast to the key priorities of listed banks that seek to maximise profits to pay shareholder dividends.

The continued growth in total Members’ Equity over the past five years is a testament to the successful execution of targeted Strategic Plan outcomes, despite the volatile and challenging operating environment over this period. Please refer to Chart C: Total Members’ Equity.

We are the financially strongest customer-owned banking institution in Australia

Every year we engage CANSTAR, one of Australia’s leading financial services research firms, to calculate the total additional value we provide to our members in the form of better interest rates and lower fees compared to the equivalent products from the four major banks, which is called the “Mutuality Dividend”. In effect, this is the financial “dividend” our members receive by doing their banking with Newcastle Permanent rather than the four major banks.

This financial year, Newcastle Permanent generated more than $92 million of total value for our members, comprised of $53.4 million in Mutuality Dividends and a Group net profit after tax of $400 million.

In addition, this year we again significantly increased our investment in key projects to deliver improved business infrastructure, a range of member product and service enhancements, and met a number of new regulatory requirements for the long-term benefit and sustainability of the business and for the benefit of our members. Please see Chart D: Key Projects Investment Profile.
Here for Good

A significant plank of Newcastle Permanent’s comprehensive range of community support is the Newcastle Permanent Charitable Foundation (Charitable Foundation). The Charitable Foundation provides financial support to a broad range of charitable and not-for-profit community organisations to help improve the lives of many thousands of people in communities across regional NSW where Newcastle Permanent operates.

We believe that the Charitable Foundation is the largest regionally based charitable foundation in Australia, with annual grants of more than $1.6 million to local charities across Newcastle Permanent’s operational footprint. Since the Charitable Foundation was formed in 2004, in a gift to the community to celebrate Newcastle Permanent’s 100th anniversary, it has approved donations of more than $9.0 million to 238 charities across Northern regional NSW.

Please see the dedicated section in this Annual Report for further information on the Charitable Foundation’s activities.

A Team Commitment

Once again, I would like to acknowledge Newcastle Permanent’s Board, management and staff for their contribution and commitment to another very strong and balanced result this year.

Our continued success is due in no small part to the highly constructive relationships, strategic focus and cooperative culture that exist between the Board, CEO and management.

Ultimately, Newcastle Permanent’s success is due to the support and loyalty of more than 325,000 members, and on behalf of the Board and management, I pledge our continued commitment to honouring the trust that our members have placed in us and to earning their faith and business.

Outlook

Despite the excellent results achieved this year, we are aware that there are still significant concerns about sovereign debt internationally which may further unsettle global and domestic economic conditions. However, as the financially strongest customer-owned banking institution in Australia, Newcastle Permanent faces whatever challenges lie ahead with confidence and optimism.

Newcastle Permanent is seeking to be the first choice for banking across regional NSW as we continue to expand and enhance our physical and virtual distribution capabilities in new and existing regions.

On behalf of the Board, management and staff of Newcastle Permanent, I look forward to continuing to help create brighter futures for our members and their families by providing sound financial advice, exceptional products and services, and making a significant contribution to their community’s well-being.

Michael Slater Chairman

Profit  Mutuality Dividend  Overall Member Value

$40.0m  +  $52.4m  =  $92.4m

Balanced as capital for financial strength

Total value delivered to members through better interest rates and lower fees compared to the major banks

We look forward to continuing to help create brighter futures for our members and their families by providing sound financial advice, exceptional products and services, and making a significant contribution to their community’s well-being.

A job well done is its own reward.
**Directors**

**Warren J. Elliott**  
CPA, MAICD  
Deputy Chairman  
Board Member since May 1998  
Member of the Risk Management and Remuneration Committees.  
Warren is a qualified accountant with over 40 years experience in accounting, public administration, economic data processing and management, having retired as General Manager of Shorthaul Electricity in 1994. He is a former President of the Electricity Association of NSW (Member), Deputy Chairman of The Electricity Council of NSW (Chairman), Director of Advance Energy and a former Director of Hunter Water Corporation. Warren is a Member of the Australian Society of Certified Practising Accountants and the Australian Institute of Company Directors.

**Kevin G. Jarry**  
GAICD  
Board Member since January 2009  
Member of the Risk Management Committee.  
Kevin had over 30 years experience with one of Australia major banks before retiring in 1998. His appointments with that bank included State Manager for NSW & ACT, State Manager for Western Australia together with assignments in Tokyo, London and New York. Kevin is a Graduate of the Australian Institute of Company Directors.

**William Barrie Lewis**  
AM, FICMA (Ret.)  
Board Member since November 1995  
Chairman of the Audit Committee  
Member of the Corporate Governance & Nominations and Asset & Liability Committees.  
Barrie is a qualified accountant with over 40 years experience in commercial and public administration, property development, accountability and management. He also serves on the Boards of Newcastle Friendly Society Ltd and Newcastle Permanent Community Foundation Company Ltd, which is the Trustee of Newcastle Permanent Charitable Foundation. Barrie is presently the Chairman of the Newcastle Lake Macquarie Ex-servicemen Memorial Centre, Director of HGT Australia Ltd and a Trustee of the Newcastle Regional Disaster Relief Fund. Barrie is a Fellow of Local Government Managers Australia and a Member of the Australian Institute of Company Directors.

**Samantha Jane Martin-Williams**  
BBus, MHRIR, MComlaw, FAICD  
Board Member since February 2012  
Member of the Risk Management Committee.  
Samantha has had an international career with 20 years of diverse business experience in industries including financial services, education, training and recruitment. Samantha has strategic planning and leadership experience with expertise in corporate governance, business development and transformation. She has Degrees in Business, Industrial Relations and Commercial Law. She is a former Director of the Newcastle Permanent Charitable Foundation, Hunter Region Sporting Venues Authority, Fitness Australia, the Hunter Business Chamber and Hunter Medical Research Institute Foundation. She is a Fellow of the Australian Institute of Company Directors. Samantha was also awarded the 2002 Telstra Young Business Woman of the Year (NSW). 2002 Hunter Business Chamber Young Achiever; 2003 Hunter Business Women Network – Woman of Enterprise and the Newton John Award – University of Newcastle 2004.

**Peter Wayne Morris**  
GAICD, ACIS, ACIM, MPA, AHMM, ARIP  
Board Member since January 2009  
Member of the Audit Committee.  
Wayne is a qualified company secretary and accountant with over 30 years’ experience in banking and finance. For nine of those years he was Chief Executive of a mutual building society. Wayne is a Director of Warrego Care Ltd and Ilwara Performing Arts Centre Inc and is a Chairman of Wollongong Symphony Orchestra Foundation Ltd. He also serves on the Board of Southern Ilwara Church of Christ. He has previously been a Director of ABACUS Australian Mutuals Ltd and Australian Association of Permanent Building Societies Ltd (including a term as Chairman), as well as a financial planning company (including a term as Chairman), and a for profit research organisation, a private school and a number of community organisations.

**Philip J. Neat**  
MAICD, AFAMI, CPM, CSA (Cert)  
Board Member since July 2003  
Chairman of the Risk Management Committee  
Member of the Corporate Governance & Nominations and Remuneration Committees.  
Phil has been an adviser for over 30 years to major Australian and international corporations involved in the infrastructure, property development and resource/mining sectors. He had a background in journalism before establishing his own consultancy. Phil also serves on the Board of the Newcastle Permanent Community Foundation Company Ltd, which is the Trustee of Newcastle Permanent Charitable Foundation. He is a Member of the Australian Institute of Company Directors and Chartered Secretaries Australia and an Associate Fellow of the Australian Marketing Institute.

**Michael D. Slater**  
BCom, MBA, FCPA, FCIS, FCSA, FAICD, FTIA, FAIM, FCIM  
Chairman  
Board Member since August 2002  
Chairman of the Corporate Governance & Nominations Committee  
Member of the Asset & Liability Committee.  
Michael is a qualified accountant and has financial and management experience with expertise in financial and management analysis, commercial and organisational reviews and audits. Due diligence and corporate governance. He is the Chairman of Newcastle Friendly Society Ltd and Chairman of Newcastle Permanent Community Foundation Company Ltd, which is the Trustee of Newcastle Permanent Charitable Foundation. He is also a former Chairman and Director of Corby’s Carbon and Combustion Pty Ltd and former Director of both Denis Walker and Associates Pty Ltd and Corporate Internet Business Information Systems Pty Ltd. Michael is a Director of the Hunter Westpac Rescue Helicopter Service Ltd. In addition to his other qualifications, Michael holds an Advanced Diploma from the Australian Institute of Company Directors.
CEO’s Report

As the Chairman indicated in his report, a significant feature of the operating environment again this year has been the intense competition for retail deposits from the major banks as they sought to increase the proportion of their total funding from customers’ deposits versus wholesale funding.

The major banks adopted this strategy, at least in part, due to the negative sentiment of the credit rating agencies towards the major banks’ dependence on offshore wholesale funding.

Despite the challenging competitive environment and coupled with weak demand for consumer credit and an unfavourable interest rate environment, Newcastle Permanent has delivered another strong profit result for the financial year including a significant increase in infrastructure investment for the future benefit of all members.

Our financial strength allows us to deliver consistently better value to our members through exemplary service, high quality multi-award-winning products, highly competitive interest rates and lower fees.

This year Newcastle Permanent’s relative performance versus the major banks on a number of key metrics has been highly commendable, including:

- the stability of our credit ratings;
- our exemplary member (customer) satisfaction;
- unparalleled home loan credit quality;
- exceptional home loan balance sheet growth;
- product and service quality and value evidenced by a range of major national industry awards; and
- a robust and enviable capital position.

Newcastle Permanent’s overall performance is a testament to the effectiveness of the professional working relationships across the organisation, including that between myself and the Board.

A key driver of our success again this year has been the sustained focus on the Strategic Plan and the alignment of resources around organisational priorities, married with disciplined execution.

Financial Highlights

Pleasingly, this year’s very strong and balanced results were again achieved in a highly competitive market.

As a result of our continued strong lending and retention performance, Newcastle Permanent’s total assets have increased to more than $8.0 billion with total loans reaching $6.6 billion and the home loan book growing to $6.2 billion with more than $10 billion now in the Sydney market. Please refer to Chart E: Total Home Lending Assets.

Our financial result was underpinned by strong net home lending approvals of $3.4 billion resulting in an 8.0% increase in our total home loan portfolio. For the third year in a row Newcastle Permanent’s home loan book has grown more than 40% faster than the national home loan system growth rate, reflecting our ability to consistently retain and attract home loan members. We achieved this result despite a significant decline in national home loan system growth from almost 10% in 2007 to an estimated 3% in 2012. Please refer to Chart F: Total Home Loan Portfolio.

The ability of Newcastle Permanent to consistently outperform the overall market including the major banks in home loan growth is a result of our superior member value proposition, the attractiveness of our brand to new members and the loyalty of our existing members.

To support this superior growth in home lending, Newcastle Permanent derived almost 80% of funding requirements from member deposits and we are far less reliant on short term wholesale market funding than other significant banking institutions in Australia including the major banks.

Newcastle Permanent delivered a strong performance in deposit growth despite the continuing and intense pressure from the major banks as they sought to reduce their dependence on wholesale funding. For example, a typical Term Deposit or regular savings product today is paying interest rates that are approximately 150–200 basis points higher than the cash rate in the post Global Financial Crisis environment. Despite these challenges, Newcastle Permanent achieved 100% growth in retail deposits. Please refer to Chart H: Total Retail Deposits.

Improved Member Value Proposition

There was a strong focus again this year on further improving Newcastle Permanent’s member value proposition and our operational efficiency and effectiveness.

In the Newcastle and Hunter region, our members enjoy access to the largest and most conveniently located branch and ATM network of any bank, building society or credit union.

Newcastle Permanent is also the leader in the provision of deposit products and home loans in the region with more people in the Hunter (including the Newcastle region) having these products with Newcastle Permanent than with any bank, building society or credit union, according to independent data sourced from Roy Morgan Research (June 2012).

To improve the competitiveness of our member value proposition versus our main competitors, the major banks, this year we successfully implemented several key initiatives:

- a new retail branch and associated ATMs were opened in Grafton to further consolidate our growing retail network in the North Coast region.
a further six existing retail branches were fully refurbished to provide modern and highly functional facilities for our members and staff;

we introduced a new corporate uniform for our staff – a professional, modern, stylish and comfortable uniform that is also easy to care for;

we introduced highly secure data chips (EMV DDA) and Near Field Capability (for Visa PayWave) for all Visa Credit and Debit cards for the benefit of members;

we replaced or upgraded over 60 of our ATMs with state-of-the-art security systems – equal to the best of the major banks;

we introduced a Visa Risk Manager system to monitor members’ debit and credit card transactions to reduce the potential for fraud;

our new Mobile Internet Banking platform provided a solution equal to the most advanced of the major banks; and

we upgraded our CCTV (closed circuit television) to a market-leading, high resolution digital system to improve branch and ATM security for the safety of our members and staff.

Newcastle Permanent’s industry recognition and, more importantly, the consistency of our performances over the last three years have also been significant achievements. Some of the highlights this year:

Roy Morgan Research awarded Newcastle Permanent Building Society of the Year in the inaugural Customer Satisfaction awards and the highest customer (member) satisfaction of any bank, building society or credit union in Australia (6 months to December 2011);

Building Society of the Year in Money magazine’s Consumer Finance Awards – the highest circulation personal finance magazine in Australia;

Building Society of the Year in the Financial Review Smart Investor Blue Ribbon Awards;

Newcastle Permanent was also awarded Home Lender of the Year for the third time in four years (2009, 2011 and 2012), with the best quality and value home lending products of any bank, building society or credit union in Australia in the Financial Review Smart Investor Blue Ribbon Awards. And Newcastle Permanent was the only full-service banking institution in Australia to win four awards;

awarded 20 of the highest 5-star product ratings from CANSTAR just for our home loans. This is more 5-star ratings than any other financial institution in Australia;

a Gold Medal from Your Mortgage magazine for our Premium Plus home loan package.

Our Community Spirit

Newcastle Permanent staff are passionate about supporting the communities that we are part of. Our Community Assist program provides all our staff with two paid community leave days each year so we can assist local charities.

For more than 15 years, our staff have given generously to the Community Assist Staff Deduction Scheme which provides approximately $50,000 each year from voluntary donations our staff make from their pay to support local charities and community organisations.

Looking Ahead

This year, we have further strengthened our market leading financial position and delivered a range of key initiatives to strengthen the business infrastructure and our member value proposition and we stand ready for whatever challenges may lie ahead.

I would like to acknowledge the vital stewardship and outstanding contribution of our Board which has been one of the most significant enablers of Newcastle Permanent’s continued success. Maintaining organisational alignment and focus around the key priorities has been a critical feature of our ability to outperform the major banks on many key metrics over time.

I would also like to thank our Executive Team and staff for their outstanding contributions this year. Our consistent, market leading performance would not be possible without their dedication and support.

Finally, I would also like to acknowledge the loyalty and support of our members and assure them of our tireless commitment to providing exceptional member service, access to the highest quality, comparatively priced products and services, and ongoing support for their communities.

Terry Millett
Chief Executive Officer

The place shapes the people, but it’s the people that make a place what it is.
Executive Team

Michelle Jarvie

BCom, CA, CSA (Cert)
MIIA (Aust), A Fin
Chief Risk Officer

Michelle joined Newcastle Permanent in November 2005. She is a Chartered Accountant with over 25 years experience in the financial services industry. Having spent 20 years in senior roles in chartered accounting. Michelle was appointed to the position of Chief Risk Officer in October 2007.

David Kett

BCom, Grad Dip Management
Head of Support Services

David joined Newcastle Permanent in 1991. He has held senior roles in retail branch banking, finance, compliance and risk management with Newcastle Permanent and has over 20 years’ experience in the financial services sector.

Michael Leach

BSc (Computer Science), MBA
Head of Marketing

Michael joined Newcastle Permanent in August 2006. He has over 20 years’ experience in financial services sales, marketing and product management at most of the major banks in Australia. Michael’s most recent roles include General Manager of Marketing at a major regional bank and General Manager of Marketing at one of the major Australian banks.

Lincoln Rees

MBA (CSU), FAICD, FAIM, FFINSIA
Chief Member Officer

Lincoln joined Newcastle Permanent in February 2009. He has over 20 years’ experience in the financial services industry, having held several senior executive roles in retail banking. Lincoln has had responsibility for leading national distribution teams in the areas of mortgage lending, wealth and business banking in major financial services organisations.

Mike Wood

Chief Information Officer

Mike joined Newcastle Permanent in July 2010. He has over 30 years’ experience in the financial services industry having held senior IT, business and project roles in Australia, New Zealand, Asia and Europe, including CIO with one of the largest international banks operating across Central and Eastern Europe. Mike also has extensive experience in electronic banking strategy development and implementation.

Mark Williams

BCom, GAICD, F Fin Chief Financial Officer

Mark joined Newcastle Permanent in July 2006 as Finance Controller and was appointed to the position of Chief Financial Officer in 2009. He is a Chartered Accountant with over 19 years experience working within the chartered accounting profession and in a number of finance roles in the commercial and government sectors. Mark has previously acted as a Director and Chairman of the Audit Committee of a financial institution.

Andrew Yost

B Leg S, LLM
Company Secretary and Legal Counsel

Andrew joined Newcastle Permanent in August 2004. He has practised law extensively in the areas of banking and finance, and corporate and commercial law, both in private practice and in company legal roles. Andrew has worked at partnership level in private practice and has held Chief Legal Counsel roles in a subsidiary of an Australian blue chip company and in an Australian subsidiary of a large multi-national company.

Terry Millett

BSc, MAgr (Preliminary year), Grad Dip Computing, MBA, AFAIM, GAICD
Chief Executive Officer

Terry joined Newcastle Permanent in July 2005, and was appointed to the role of Chief Executive Officer in September 2008. He has over 20 years’ experience in the financial services industry. Prior to joining Newcastle Permanent, Terry held senior management roles with a major Australian bank over a nine-year period. These roles included responsibility for retail banking in regional NSW, development of a group-wide private banking business and leadership of the funds management, insurance and financial advisory business in New Zealand. He has also held senior roles with a major funds management and insurance group over a ten-year period. In his prior role with Newcastle Permanent, Terry was Chief Member Officer with responsibility for leading the member-facing components of the organisation.
Where we grew up, you tell it like it is.
Community Support

Newcastle Permanent has a long and proud history of supporting the communities we are part of. It is enshrined in our mission statement “Here for good” and is demonstrated through our extensive Community Sponsorships, Staff Community Assist Program and the Newcastle Permanent Charitable Foundation.

Community Sponsorship

Each year we invest almost $1.5 million in supporting community sponsorship of events and activities that enrich the lives of our members, our staff and the broader community.

Our focus is on supporting community events for local families, children's education and sporting activities that encourage children to lead healthy, active lifestyles.

Junior Sport

Northern NSW Football

Newcastle Permanent has made a significant commitment to support junior football throughout Northern NSW. Players, clubs and zones have benefited from our major sponsorship agreement with Northern NSW Football through reduced registration fees, free football kits for entry level players, and assistance to provide 500 club coaches with the opportunity to obtain their coaching accreditation free of charge.

As a result of our support, Northern NSW Football clubs have seen positive signs of growth in participation levels for both boys and girls, particularly at entry level.

Central Coast Mariners Active Schools Program

We continued our support of the Central Coast Mariners Active Schools Program throughout 2011/12. This innovative, school-based program encourages young boys and girls to participate in football. The program also promotes the benefits of healthy eating, teamwork and positive life choices to more than 8,000 primary school students throughout the Central Coast each year.

Surf Life Saving

Newcastle Permanent has proudly supported Surf Life Saving (SLS) for more than 30 years. This year, we continued our support of all six SLS branches across the Central Coast, Hunter, Lower North Coast, Mid North Coast, North Coast and Far North Coast regions, which service every SLS Club from the Central Coast to the Queensland border.

This support is particularly focused on junior SLS to help sustain the future of the SLS movement. Our sponsorship assists SLS branches and clubs to perform volunteer patrols of beaches, purchase essential equipment and conduct additional training and leadership programs for their junior members, which helps to keep the beaches safe throughout our operating footprint.

Congratulations to all our Newcastle Permanent Junior Surf Life Savers of the Year

› Central Coast – Maddison McLeod and Duncan Holmes
› Hunter – Samantha Hallett and Rhuece Bate-Barnier
› Lower North Coast – Tamara Morgan and Tom Callinan
› Mid North Coast – Jessica Towle and Callum Sinclair
› North Coast – Naomi Howe and Jackson Della
› Far North Coast – Alex Barnes and Harrison Murphy

Children's Education

Primary Schools Mathematics Competition

For more than 30 years, Newcastle Permanent has proudly supported the Primary Schools Mathematics Competition, one of the longest running events of its type in Australia.

The annual competition is designed to test young students' mathematical and problem solving abilities. It grows in popularity each year with almost 20,000 Year Five and Six students from 280 schools throughout the Hunter, Central Coast, New England, Mid North Coast and Northern Rivers regions participating this year.

School Newspaper Competition and Newspapers in Education

Primary and high school students throughout the Hunter are encouraged to develop their literacy and creative skills through the School Newspaper Competition, which results in their work being published in the Hunter region's major daily newspaper, the Newcastle Herald. During the year 96 local schools participated in the competition. Newcastle Permanent sponsors a similar program called 'Newspapers in Education' in collaboration with the Northern Star newspaper in Lismore and Ballina. More than 90 local schools participate in this program which also assists to educate students in the Northern Rivers region.

Wacky Wombat Children's Literacy Program

Wacky Wombat is an entertaining literacy program designed for children under five years of age. The program brings books to life using puppets, songs, craft and games to help children develop an interest in books and reading in their pre-literacy years, and engages and assists parents and carers in helping to foster a love of reading.

Newcastle ANZAC Day Combined Schools Concert

Each year more than 1,500 students from a variety of schools commemorate the anniversary of the landing at Gallipoli by developing a special Newcastle Combined Schools ANZAC Day Service at Newcastle's Civic Theatre.

Newcastle Blackbutt Reserve Junior Ranger Program

The Blackbutt Reserve Junior Ranger program is an environmental education program which focuses on children aged six to nine years. Sessions are conducted during school holidays, providing children with the opportunity to learn about the environment and wildlife in a natural setting.

Community Events

Cinema Under the Stars

Newcastle Permanent’s ‘Cinema Under the Stars’ commenced in 2008 and has become one of our favourite annual community events. Our free outdoor cinema events are held during the summer months for local families throughout the communities of which we are a part.

Our 2012 Cinema Under the Stars screenings were a great success with more than 20,000 people from communities across Northern regional NSW enjoying some fantastic family movies in family-friendly local parks supported by some great local entertainment.

Christmas Carols

Newcastle Permanent proudly sponsors Christmas Carol events in many communities. These events always generate a tremendous community spirit during the festive season and are something many of our staff, members and the wider community look forward to.

Community Fun Runs

Newcastle Permanent is committed to promoting a healthy and active lifestyle. Throughout the year we proudly supported community running events including Lake Macquarie Running Festival, Tamworth Ten Fun Run and the Darrel Chapman Fun Run in Lismore.
Since 2006, Newcastle Permanent has sponsored Music in the Podium – a free community concert series featuring a wide range of musical styles and performances on Friday nights throughout Daylight Savings at Foreshore Park in Warners Bay.

**Staff CommunityAssist Program**

Newcastle Permanent staff are passionate about supporting the communities that we and our members are part of. Our CommunityAssist program enables our staff to contribute to and volunteer within our local community through the Staff Deduction Scheme and Community Leave Program.

**Staff Deduction Scheme**

For more than 15 years, Newcastle Permanent staff have given generously to the CommunityAssist Staff Deduction Scheme. Each year our staff donate around $50,000 to support local community organisations.

Nearly 70% of our staff participate in the scheme by contributing a portion of their fortnightly salary towards supporting local community organisations. Each year, they are given the opportunity to nominate and vote for their favourite charities and community groups from the regions in which we operate.

This financial year, our staff raised $48,152 for the Tomaree Breast Cancer Support Group and the Give Me Five For Kids fundraising appeal. These staff donations were used to purchase medical equipment for the John Hunter Children’s Hospital and Coffs Harbour Health Campus, provide vital support for a number of charities on the Central Coast, and to assist breast cancer patients in the Port Stephens community with living and medical expenses.

Next financial year the number of annual beneficiaries will be increased to enable even more charities and community groups to benefit from this wonderful program.

**CommunityAssist Leave Program**

The CommunityAssist Leave Program is another great example of the generosity and community spirit within Newcastle Permanent. The program provides our staff with two paid community leave days each year so they can assist local community organisations. This financial year, our staff volunteered more than 400 hours to local community organisations across the regions we operate in.

**Special Olympics Volunteer Day for Staff**

In June, a number of our staff participated in a Community Sports Link Gala Day, an initiative of Special Olympics Australia (SOA). The initiative provides quality sports and competition opportunities for people with an intellectual disability. It allows participants to get involved in sport, learn new skills, get healthy, have fun, gain confidence and make new friends, in a supportive environment for people with similar ability.

Approximately 150 primary and secondary school students from the Hunter region participated in the gala day. Our staff assisted the teachers and SOA representatives to coordinate activities and help the students participate in activities such as athletics and football. It was a fun-filled day and a fantastic opportunity to support an innovative and worthwhile cause.

**Board of Directors**

Newcastle Permanent Community Foundation Company Limited is the trustee company of the Charitable Foundation. The Charitable Foundation operates as a Private Ancillary Fund and is governed by the Private Ancillary Fund Guidelines (2009).

The Board of Directors of the Trustee comprises the Chairman of Newcastle Permanent, two other Newcastle Permanent Directors, and two community representatives.

**Directors’ Profiles**

- **Phil Neat** – Director of Newcastle Permanent Charitable Foundation and Director of Newcastle Permanent Building Society since 2003
- **Julie Ainsworth** – Newcastle Permanent Charitable Foundation Director having joined the Board in 2012. Also the General Manager of Newcastle Newspapers Pty Ltd. Julie is involved in a number of local boards and committees and is a past winner of the Newcastle & Hunter Woman of Enterprise Award.
- **Mike Rabbitt** – Newcastle Permanent Charitable Foundation Director since 2008. Also the Sports Editor and Promotions Manager at NRN Television. Mike has served and continues to serve on a number of committees throughout Northern NSW and is a Director of the Central Coast Academy of Sports.
- **Samantha Martin-Williams** – Retired as a Director in March 2012.
- **Michael Slater** – Newcastle Permanent Charitable Foundation Chairman since 2007. Also the current Chairman of Newcastle Permanent Building Society and a Director since 2002.
A small selection of projects is covered in more detail below to showcase the diversity and breadth of the support provided by the Charitable Foundation.

**Rapid Emergency Response Becomes a Reality**

St John Ambulance Australia (NSW) received a $94,388 grant to establish a Bicycle Emergency Response Team (BERT) to operate throughout Northern NSW.

Using purpose-built bicycles equipped with life-saving defibrillators, oxygen and a range of other medical equipment, BERT volunteers are now able to provide more efficient first aid services at large-scale events and emergencies across the Hunter Central Coast, Mid North Coast, New England and Northern Rivers regions. The BERT program will allow volunteers to move through large crowd events more easily to access casualties more quickly and safely.

The grant was used to purchase essential equipment for the BERT program, including a new vehicle, bike trailer, and purpose-built bicycles, first aid and communications equipment, uniforms and protective equipment for the BERT volunteers.

St John Ambulance Australia (NSW) CEO Mark Newton said establishing a new BERT program to service Northern NSW was imperative as large events increase in popularity.

“As a result of funding from Newcastle Permanent Charitable Foundation, we are now able to provide more efficient medical care at large-scale community events.”

“Data collected from previous events such as the Royal Easter Show and City2Surf have shown that the BERT response times are almost half of any other form of emergency response. As a result, the BERT is now considered an essential component of the St John Ambulance Australia (NSW) plan for medical coverage at large-scale events,” Mr Newton said.

**Support for Central Coast Families Affected by Cerebral Palsy**

The Charitable Foundation recognised that school bullying is a significant community issue and hoped the grant will help students, parents and teachers combat bullying using age-appropriate strategies.

Interrelate Family Centres supported a $54,718 grant from the Charitable Foundation, the new Bullying Awareness Program targets students in Years 3 to 6 and raises awareness of bullying behaviours, including cyber-bullying.

Chairman Michael Stiler and Directors Bernie Lewis AM, Mike Rabett and Luke Aitken with other senior representatives

“The Charitable Foundation should be acknowledged for their foresight and commitment to providing such significant levels of support to smaller not-for-profit organisations in regional communities such as Armidale.”

**Students Stand up to Schoolyard Bullies**

Primary school students throughout the Hunter were empowered with the skills to combat bullying through an innovative new program run by Interrelate Family Centres.

Supported by a $54,718 grant from the Charitable Foundation, the new Bullying Awareness Program targets students in Years 3 to 6 and raises awareness of bullying behaviours, including cyber-bullying.

The Charitable Foundation recognised that school bullying is a significant community issue and hoped the grant will help students, parents and teachers combat bullying using age-appropriate strategies.

Interrelate Family Centre Director Dr Jonathan Toussaint said that since the grant was announced, more than 20 local schools have signed up to participate in the program.

“The program is designed to teach respect for individual differences and diversity within schools and we expect it to reach at least 1,800 local students in the first wave of the program,” said Dr Toussaint.

“We are very grateful for the support offered through the Charitable Foundation and I am sure the program will have a very positive impact on the lives of many school children in the region.”

Chairman Michael Stiler and Directors Bernie Lewis AM, Mike Rabett and Luke Aitken with representatives from Cerebral Palsy Alliance

The $140 volunteers from the Port Macquarie Landcare Group worked tirelessly to ensure that the community can enjoy the local native bushland. Last year Port Macquarie Landcare Group volunteers contributed over 11,000 hours and travelled more than 14,000km in their own cars working on various projects to regenerate and preserve public bushland. By providing funding for a new van, volunteers will not have to use their own cars to transport heavy plants and tools.

Port Macquarie Landcare Group President Estelle Gough said the Charitable Foundation funding provided a great relief in coordinating working bees and projects across the Port Macquarie area.

“Each month we run 37 different working bees. Having the van to transport equipment and plants to and from these working bees has been invaluable for our organisation, and we are very grateful to the Charitable Foundation for their significant support,” Ms Gough said.

**Employment and Training Opportunities for Local People with a Disability**

A key focus area of the Charitable Foundation is employment and training opportunities for people with a physical or intellectual disability.

A grant of $51,000 to the House With No Steps in Alstonville (Northern Rivers) has generated full-time employment and training opportunities for seven local people with a disability who have no other, or very limited, alternative employment options.

The grant allowed for the expansion of House With No Steps commercial nursery operation, which caters for large-scale commercial plantings.

One of the attractions of the project is that it is economically sustainable for the community because it generates jobs for local people with a disability, as well as creating essential revenue to assist House With No Steps to provide important services to the Northern Rivers community.

House With No Steps Regional Manager Brett Lacey said: “It was a great day for the project. We received significant positive feedback from the community on the project, and the partnership with House With No Steps has provided significant benefits to the community.”

The grant is also expected to provide training and employment opportunities for five local people with a disability, with the potential to expand to up to 10 people over the next five years.

“The program is designed to teach respect for individual differences and diversity within schools and we expect it to reach at least 1,800 local students in the first wave of the program,” said Dr Toussaint.

“We are very grateful for the support offered through the Charitable Foundation and I am sure the program will have a very positive impact on the lives of many school children in the region.”

Chairman Michael Stiler and Directors Bernie Lewis AM, Mike Rabett and Luke Aitken with representatives from Cerebral Palsy Alliance

A key focus area of the Charitable Foundation is employment and training opportunities for people with a physical or intellectual disability. The program has provided a grant of $15,000 to the Ascent Group Australia Limited for the construction of a commercial training café, kitchen and alfresco seating area, which will create full-time employment and training opportunities for supported employees with physical and intellectual disabilities from the New England region.

The Ascent Group Australia Ltd CEO Kevin Mead said that thanks to this generous grant from the Charitable Foundation this project will provide sustainable, supported employment for local people with a disability, and those with mental health issues.

“Cafés and catering projects have been utilised successfully in regional Australia as a means to support training and employment for those with disabilities,” Mr Mead said.

The Charitable Foundation should be acknowledged for their foresight and commitment to providing such significant levels of support to smaller not-for-profit organisations in regional communities such as Armidale.

Primary school students throughout the Hunter were empowered with the skills to combat bullying through an innovative new program run by Interrelate Family Centres.

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Chairman Michael Stiler and Directors Bernie Lewis AM, Mike Rabett and Luke Aitken with representatives from Cerebral Palsy Alliance
**Grant Summary**

The following table provides an alphabetical summary of the organisations and projects the Charitable Foundation has supported since July 2011 to August 2012, listed in their respective categories.

### Medical and Health

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Project</th>
<th>Grant</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Camp Breakaway Inc</td>
<td>Camp playground for children and adults with a disability</td>
<td>$85,504</td>
<td>Central Coast</td>
</tr>
<tr>
<td>Camp Quality Ltd</td>
<td>2012 Junior Camp for children with cancer</td>
<td>$52,000</td>
<td>Mid North Coast</td>
</tr>
<tr>
<td>Central Pathy Ltd</td>
<td>Equipment and resources for the new Peggytail Centre</td>
<td>$54,984</td>
<td>Central Coast</td>
</tr>
<tr>
<td>Coffs Coast Autism Spectrum Disorder Parent Support Group Inc</td>
<td>Equipment and resources for the Support Group Autism Spectrum Disability Resource Library</td>
<td>$3,616.88</td>
<td>Mid North Coast</td>
</tr>
<tr>
<td>Community Programs Inc</td>
<td>New flooring for the Palliative Care Unit in Ulmarra (near Grafton)</td>
<td>$6,997</td>
<td>Northern Rivers</td>
</tr>
<tr>
<td>Early Links Inclusion Support Service Inc</td>
<td>Sensory Processing Disorder Tool Kits for local families</td>
<td>$40,832</td>
<td>Hunter</td>
</tr>
<tr>
<td>New IADAP Inc</td>
<td>Wheelchair accessible vehicle in Port Macquarie</td>
<td>$41,156</td>
<td>Mid North Coast</td>
</tr>
<tr>
<td>Northern Rivers Community Cancer Foundation Ltd</td>
<td>Out House accommodation facility for cancer patients and their families</td>
<td>$98,000</td>
<td>Northern Rivers</td>
</tr>
<tr>
<td>Riding for the Disabled Association (NSW) – Raymond Terrace and Lower Hunter Centre</td>
<td>Therapy programs for children with a disability</td>
<td>$52,000</td>
<td>Hunter</td>
</tr>
<tr>
<td>Special Olympics Australia</td>
<td>“Community Sports-Link” program for children with an intellectual disability</td>
<td>$40,000</td>
<td>Hunter, Central Coast, New England</td>
</tr>
<tr>
<td>Technical Aid to the Disabled</td>
<td>“Reaching Out” project to support the mobility needs of local children with a disability</td>
<td>$38,84</td>
<td>Hunter</td>
</tr>
<tr>
<td>The Ascent Group Australia Ltd (TAG)</td>
<td>Acacia Café: Training and Employmemnt project in Armidale</td>
<td>$95,000</td>
<td>New England</td>
</tr>
<tr>
<td>The Hunter Melanoma Foundation Inc</td>
<td>SonoSite Ultrasound Machine to support diagnosis and treatment of local melanoma patients</td>
<td>$38,500</td>
<td>Hunter</td>
</tr>
<tr>
<td>The Leukemia Foundation of Australia Ltd</td>
<td>Patient Transport Service (three new vehicles)</td>
<td>$117,250</td>
<td>Hunter, Central Coast, New England</td>
</tr>
<tr>
<td>Northcott Disability Services</td>
<td>“Tamworth Restive House” refurbishment</td>
<td>$82,000</td>
<td>New England</td>
</tr>
<tr>
<td>Rodia</td>
<td>Financial Assistance Program for local families with a child with cancer</td>
<td>$64,000</td>
<td>Hunter</td>
</tr>
<tr>
<td>Royal Institute for Deaf and Blind Children</td>
<td>Technology upgrade to enable expansion of “Telschool” program in Red Centre Centres in Lismore, Gledof and Lake Macquarie</td>
<td>$250,000</td>
<td>Hunter, Northern Rivers, Central Coast</td>
</tr>
<tr>
<td>Starlight Childrens Foundation Australia</td>
<td>Technology upgrade - Starlight Express Room at John Hunter Hospital</td>
<td>$59,585</td>
<td>Hunter</td>
</tr>
<tr>
<td>United Hospital Auxiliaries NSW Inc</td>
<td>Armidale Hospital Kiosk refurbishment</td>
<td>$32,946.79</td>
<td>New England</td>
</tr>
<tr>
<td>Variety The Childrens Charity (NEW)</td>
<td>“Vision for Life” tele-medicine video conferencing project in local hospitals</td>
<td>$42,500</td>
<td>All regions</td>
</tr>
<tr>
<td>Vision Australia Ltd</td>
<td>Adaptive Technology project to support local people suffering visual impairment</td>
<td>$58,886</td>
<td>All regions</td>
</tr>
<tr>
<td>Whitmore Enterprises Inc</td>
<td>Construction of Multi-purpose Room and Training Kitchen to support employees with special needs in Singleton</td>
<td>$50,000</td>
<td>Hunter</td>
</tr>
<tr>
<td>YMCA of Sydney Youth and Community Services Limited</td>
<td>Expansion of “Whiz Kids” Aquatic Safety Program for young people with special needs into nine new communities</td>
<td>$59,427</td>
<td>All regions</td>
</tr>
</tbody>
</table>

### Youth Development

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Project</th>
<th>Grant</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autism Spectrum Australia (Aspect)</td>
<td>New Library and Parent Resource Room at the new Aspect Hunter School in Thornton</td>
<td>$165,000</td>
<td>Hunter</td>
</tr>
<tr>
<td>Ballina District Community Services Association Inc</td>
<td>Funds to purchase new equipment and resources for the Young Persons Drop-In Group</td>
<td>$8,528</td>
<td>Northern Rivers</td>
</tr>
<tr>
<td>Central Coast Post School Options</td>
<td>Funds to purchase and install a new Stage Lighting Rig at the Options Theatre in Goulburn</td>
<td>$53,000</td>
<td>Central Coast</td>
</tr>
<tr>
<td>First Choice Inc</td>
<td>Funds to purchase a range of new technology devices and equipment to improve the learning experience for children with autism spectrum disorder</td>
<td>$48,863</td>
<td>Hunter</td>
</tr>
<tr>
<td>Intermate Family Centres Ltd</td>
<td>“Buyling Awareness” program for primary school children</td>
<td>$54,718</td>
<td>Hunter, Central Coast</td>
</tr>
<tr>
<td>Pokolbin Community Youth Clubs NSW Ltd</td>
<td>Construction of a Youth Drop-In Centre at Gosford PCYC</td>
<td>$56,355</td>
<td>Hunter</td>
</tr>
<tr>
<td>Regional Youth Support Services Inc</td>
<td>“Kids Shed” project to support disadvantaged children on the Central Coast</td>
<td>$35,849</td>
<td>Central Coast</td>
</tr>
<tr>
<td>Life Education NSW Ltd</td>
<td>Funds to develop the Life Education Program for children in the Clarence Valley</td>
<td>$16,500</td>
<td>Northern Rivers</td>
</tr>
<tr>
<td>The Aboriginal Literacy Foundation Inc</td>
<td>Funds to expand the “Books For Learning” program for young indigenous children</td>
<td>$50,000</td>
<td>Central Coast, Mid North Coast, New England, Northern Rivers</td>
</tr>
<tr>
<td>The Simin Family</td>
<td>Funds to support the educational needs of disadvantaged students</td>
<td>$28,846</td>
<td>New England</td>
</tr>
<tr>
<td>Evolve – Keeping Kids on Track</td>
<td>“Recreating Lives through Recreation” program aimed at supporting young people at risk of reoffending</td>
<td>$50,000</td>
<td>Northern Rivers</td>
</tr>
<tr>
<td>Variety The Childrens Charity (NEW)</td>
<td>Creation Special School Community – New Sunshine Coach</td>
<td>$25,300</td>
<td>Hunter</td>
</tr>
</tbody>
</table>

### The Environment

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Project</th>
<th>Grant</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friends of Koonoomboola Creek Nature Park Inc</td>
<td>Koonoomboola Creek Nature Park Walking Trail</td>
<td>$25,000</td>
<td>Mid North Coast</td>
</tr>
<tr>
<td>Landcare Australia Ltd</td>
<td>Transport vehicle for the Port Macquarie Landcare Group</td>
<td>$41,642</td>
<td>Mid North Coast</td>
</tr>
</tbody>
</table>

### Community Support

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Project</th>
<th>Grant</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated Living Australia Limited</td>
<td>Otten House Transport Project in Muswellbrook for clients with special transport needs</td>
<td>$95,227</td>
<td>Hunter</td>
</tr>
<tr>
<td>Jenny’s Place Inc</td>
<td>Community Kitchen Support Vehicle</td>
<td>$38,500</td>
<td>Hunter</td>
</tr>
<tr>
<td>Permaculture Village Ltd</td>
<td>Community Men’s Shed project at Ulmarra</td>
<td>$34,209</td>
<td>Central Coast</td>
</tr>
<tr>
<td>Surf Life Saving Lower North Coast Branch Inc</td>
<td>New Rescue Water Craft for Forster Marina</td>
<td>$10,420</td>
<td>Mid North Coast</td>
</tr>
<tr>
<td>Surf Life Saving North Coast Branch Inc</td>
<td>New Rescue Water Craft for Nambucca Heads</td>
<td>$18,340</td>
<td>Mid North Coast</td>
</tr>
<tr>
<td>UCCA – Ulkura Middawal (NOWA)</td>
<td>Building Community Resilience program against school and other bullying</td>
<td>$50,999</td>
<td>Mid North Coast</td>
</tr>
</tbody>
</table>
You deserve a fair go.

The concise financial report is an extract from the full financial report for the year ended 30 June 2012. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Newcastle Permanent Building Society Limited (Newcastle Permanent) and its controlled entities as the full financial report. Further financial information can be obtained from the full financial report.

The full financial report and auditor’s report will be sent to members on request, free of charge. Please call 13 19 87 and a copy will be forwarded to you.

The Directors present their report on the consolidated entity consisting of Newcastle Permanent and the entities it controlled at the end of the financial year and up to the date of this report:

Meetings of Directors

The number of meetings of Newcastle Permanent’s Board of Directors and of each Board Committee held during the year ended 30 June 2012 and the numbers of meetings attended by each Director were:

<table>
<thead>
<tr>
<th>Director</th>
<th>Number of Meetings</th>
<th>Number Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Slater</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Warren Elliott</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>K.G. Jarry</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Barrie Lewis</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Samantha Martin-Williams</td>
<td>4</td>
<td>4 (+2*)</td>
</tr>
<tr>
<td>Wayne Morris</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Phil Neat</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>David Shanley</td>
<td>13</td>
<td>13</td>
</tr>
</tbody>
</table>

Notes

1. Ms. S.J. Martin-Williams was appointed to the Board on 20 February 2012. She attended two Board meetings as an invitee prior to her appointment.

2. Mr W.J. Elliott retired from the Corporate Governance & Nominations Committee on 18 November 2011.

3. Mr D.E. Shanley was appointed to the Corporate Governance & Nominations Committee on 18 November 2011.

4. In addition to the formal Board meetings noted, the Directors were also involved in workshops on matters including:
   - budgeting (1), and
   - strategy planning (1).

5. Leave of absence may be granted by the Board in advance to excuse a Director from attending a particular meeting.

6. Number of meetings noted is the number of meetings of the Board or relevant Committee that were held while that Director was on the Board or that Committee.

The condensed financial report is an extract from the full consolidated financial report for the year ended 30 June 2012. The financial statements and notes for the year ended 30 June 2012 are set out on pages 25 to 117 of this report.

The consolidated entity has assessed whether there are any particular matters or circumstances arising since 30 June 2012 that require disclosure. There have been no significant changes in the state of affairs of the consolidated entity.

Principal Activities

During the year the principal continuing activities of the consolidated entity consisted of the provision of a range of financial products and services to members and the operation of a charitable trust.

There has been no significant change in the nature of these activities during the year ended 30 June 2012.

Review of Operations

The consolidated entity has delivered a sound performance for the year ended 30 June 2012.

Pre-tax profit for the year was $572,000,000 (2011: $654,300,000) representing a decrease of 12.6% over the previous financial year with net profit after tax attributable to members of Newcastle Permanent being $597,300,000 (2011: $654,400,000), representing a decrease of 10.5%.

Total equity of the consolidated entity increased from $708,900,000 at 30 June 2011 to $759,135,000 at 30 June 2012 (an increase of 7.1%).

For further information in respect of the consolidated entity’s review of operations, refer to the Chairman’s and the Chief Executive Officers (CEO) reports.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters Subsequent to the End of the Financial Year

No matters or circumstances have arisen since 30 June 2012 that have significantly affected, or may significantly affect:

(i) the consolidated entity’s operations in future financial years; or
(ii) the results of those operations in future financial years; or
(iii) the consolidated entity’s state of affairs in future financial years.

Likely Developments and Expected Results of Operations

 Likely developments, future prospects and business strategies of the operations of the consolidated entity and the expected results of those operations have not been included in this report as the directors believe it reasonable that the inclusion of such information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental Regulation

The consolidated entity has assessed whether there are any particular or significant environmental regulations which apply to it and has determined that there are none.

Insurance of Officers

During the financial year, Newcastle Permanent paid an insurance premium to insure the Directors, Company Secretary and the senior executive management of Newcastle Permanent and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to Newcastle Permanent and its controlled entities. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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

No insurance cover has been provided for the benefit of the auditor of the consolidated entity.

Proceedings on Behalf of Newcastle Permanent

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

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

Rounding of Amounts

The consolidated entity is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission relating to the “rounding off” of amounts in the Directors’ report. Amounts in the Directors’ report have been rounded off in accordance with that class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor’s Independence Declaration

A copy of the Auditor’s Independence Declaration, as required under Section 307C of the Corporations Act 2001, is set out on page 52. This report is made in accordance with a resolution of the Directors.

M.D. Slater Chairman W.J. Elliott Deputy Chairman

Newcastle 14 September 2012
**PRINCIPLE 1: Lay solid foundations for management and oversight**

**Recommendation 1.1 – Functions reserved to Board and those delegated to Senior Executives**

The Board’s primary role is to govern Newcastle Permanent so that long-term member value is enhanced and protected. The Board is responsible for the overall corporate governance of Newcastle Permanent. Responsibilities of the Board and powers that it has reserved to itself include:

- providing leadership to Newcastle Permanent by establishing policies, rules and procedures, corporate values and governance responsibilities;
- approving the Strategic Plan and overseeing the performance and activities of Newcastle Permanent through the approved strategies and goals;
- approving and monitoring capital expenditure and major corporate initiatives;
- overseeing the management of Newcastle Permanent’s business, including appointing the CEO and evaluating the CEO’s performance;
- ensuring that appropriate controls are in place to manage risk;
- ensuring that an effective legal and regulatory compliance system is in place and monitored;
- approving and monitoring financial, regulatory and other reporting; and
- starting new business activities, terminating existing business activities or initiating major changes to the field of Newcastle Permanent’s business activities.

**Description of the CEO and Senior Executives**

The Board delegates to the CEO subject to Board oversight, the day-to-day management of Newcastle Permanent consistent with the corporate strategic plan, objectives and budgets agreed to by the Board. The CEO is authorised to sub-delegate any of his or her functions to other officers and employees. All delegations are comprehensively set out in a Delegations Manual. This process is designed to assist in decision making and the efficiency of operations of Newcastle Permanent. The Board reserves the power to make decisions in relation to specific matters as set out in the Delegations Manual.

**New Directors**

New Directors receive a formal letter of appointment and an induction pack. They are also required to sign and return a copy of the letter of appointment acknowledging the terms of that appointment. The letter of appointment and induction pack allow the new Directors to gain an understanding of:

- the expectations of them as Directors and their commitment to the role;
- the structure of Newcastle Permanent, its governance framework and key policies;
- the roles and responsibilities of the Board and management team; and
- the strategic, financial, operational and risk management position of Newcastle Permanent.

**Recommendation 1.2 – Process for evaluating the performance of Senior Executives**

**Remuneration Policy**

The Board has adopted a Remuneration Policy that complies with Prudential Standard CPS 510. This contains amongst other things, an alignment of remuneration with Newcastle Permanent’s risk management framework. Any incentive schemes that operate are based on pre-determined criteria and key performance indicators.

**CEO Evaluation**

The Board is ultimately responsible for evaluating the performance of the CEO. The Remuneration Committee undertakes a quarterly review of the performance of the CEO against pre-determined criteria set out in the CEO Evaluation Workbook. The Remuneration Committee also makes recommendations to the Board at the end of each year so that the Board can make decisions in relation to the performance of the CEO, as well as any merit-based salary increases and incentive bonuses that might be paid.

**Senior Executive Evaluation**

The Board reviews the performance of the senior executives based on recommendations from the CEO. This includes approving all merit-based salary increases and incentive bonuses that might be paid. The Remuneration Committee undertakes those reviews on behalf of the Board and makes appropriate recommendations to the Board for its decision. The Senior Executive performance criteria flow directly from the pre-determined criteria set out in the CEO Evaluation Workbook.

The Board also undertakes (through its relevant Committees) a separate assessment of the performance of the Company Secretary and Chief Risk Officer in relation to their independent reporting obligations to the Board and its Committees.

**Quality and Integrity of Personnel**

Employment of appropriately qualified personnel, together with training and development and appropriate remuneration and incentives with regular performance reviews, create an environment of cooperation and constructive dialogue with employees and senior management.

**PRINCIPLE 2: Structure the Board to add value**

**Composition of the Board**

The names of the Directors of Newcastle Permanent and their respective qualifications, experience and special responsibilities are set out in the Directors’ Report which appears separately in this Annual Report.

The composition of the Board is determined using the following principles:

- a minimum of five Directors, with a broad range of relevant expertise;
- a majority of independent, non-executive Directors;
- a relevant degree of experience in accounting and financial management, legal skills, local contacts and networks, and business experience at CEO level;
- a non-executive, independent Director appointed as Chairman, and
- Directors are required to have relevant experience in a field which is complementary to Newcastle Permanent’s activities, or to have appropriate qualifications and experience sufficient to provide meaningful contributions to the operation of the Board, and to its role in governing Newcastle Permanent and overseeing the proper functioning of management. It is desirable but not essential that the Board has some degree of experience in retail banking services.

**Independent Decision Making**

The Board recognises that not only is it critical to have a majority of independent Directors, but it is also essential that all Directors possess, exhibit and bring to bear, independent decision-making qualities in all Board deliberations.

**Independent Professional Advice**

Each Director has the right of access to all relevant Newcastle Permanent information and, subject to the protocols adopted in the Board Charter, access to Newcastle Permanent’s executives. Subject to prior consultation with the Chairman, individual Directors may seek independent professional advice from a suitably qualified advisor at Newcastle Permanent’s expense. The Director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairman’s approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other members of the Board.

**Independence of Directors**

The Board Charter incorporates a requirement for the independence of non-executive Directors to be assessed on an ongoing basis, and formally at least once each year. The criteria for assessment have been based on the principles set out in the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations and APRA and Prudential Standard CPS 510.

The annual review is undertaken by the Corporate Governance & Nominations Committee with a report and recommendation made by the Committee to the Board.

The financial criteria for independence and relationships between Directors and associated entities that have been adopted by the Board has also established a framework for the governance and management of Newcastle Permanent, including a system of internal control, legal and regulatory compliance, business risk management processes and the establishment of appropriate ethical and behavioural standards.

The Board has also adopted its own Charter containing:

- expectations and obligations for key governance roles, including the Board, individual Directors, the Chairman, Company Secretary and the CEO;
- Board processes and operating procedures;
- key Board functions and responsibilities, and
- continuous improvement provisions for the Board and individual Directors.

The Board has the capacity to directly engage independent consultants to assist it in the execution of its duties. Throughout the year, the Board has done so where it was deemed prudent or mandatory, including with respect to investigating and establishing risk management processes and retention strategies for key executive roles, and in relation to Board performance assessment.
Board are quite stringent. The last formal assessment (and all of the Directors were independent based on the criteria established.

Conflicts of Interest

Directors must keep the Board advised of an ongoing basis of any interest that could potentially conflict with those of Newcastle Permanent. The Board has developed procedures to assist Directors with the disclosure of potential conflicts of interest and all material personal interests. Directors are required to be meticulous in ensuring that not only actual, but potential conflicts of interest are disclosed as required by the Corporations Act and Newcastle Permanent’s own policies. A registrar is maintained of all standing conflicts of interest and material personal interests disclosed by the Directors. Individual interests that might arise during a particular meeting are noted in the minutes of that meeting and dealt with by the Board at the time, as required by law. Where the Board believes that a significant conflict exists for a Director on a Board matter, the Director concerned does not receive the relevant Board papers, is not present at the meeting whilst the item is considered and does not vote on the matter.

Details of Directors related entity transactions with Newcastle Permanent and the consolidated entity are set out in the notes on ‘Key Management Personnel Disclosures’ in Newcastle Permanent’s full financial report.

Recommendation 2.2 – The Chair should be an independent Director

As indicated above, all Directors have been assessed as independent and as such, the Chairman is independent. The Board Charter provides that the Chairman must be an independent, non-executive Director.

Recommendation 2.3 – The roles of Chair and CEO should not be exercised by the same individual

The requirement in the Board Charter that the Chairman must be an independent, non-executive Director means that the roles of Chairman and CEO cannot be exercised by the same person.

Recommendation 2.4 – The Board should establish a Nomination Committee

The Board has established a Corporate Governance & Nominations Committee. Details of that Committee are set out in the section on Committees below.

Recommendation 2.5 – The process for evaluating the performance of Newcastle Permanent’s Directors

The Board Charter provides that the performance of the Directors in discharging their functions should be regularly assessed. The Board undertakes a monthly review of its performance at the conclusion of each scheduled Board meeting by each Director completing an individual assessment. The assessments are collated and analysed by an independent, external governance consultant with expertise in this area. Outcomes from those reviews are considered by the Chairman of the Board and through the Corporate Governance & Nominations Committee. The individual Committee Chairman may have a separate feedback session with the Chairman of the Board and formulate individual development plans.

Director Performance Assessment

The Board also undertakes an annual performance assessment of each Director, assessed by their peers, as well as an evaluation of the Board performance as a whole. A biannual skills analysis is also undertaken for each Director. The assessments are facilitated by an independent, external governance consultant. Outcomes from those reviews are considered in a dedicated meeting, developing actions and goals to guide improvement. Individual Directors have a feedback session with the Chairman and formulate individual development plans. The Chairman of the Audit Committee undertakes the feedback session with the Chairman in relation to the Chairman’s performance. Additionally, the Chairmans assessment is considered separately by the Corporate Governance & Nominations Committee.

The Board does not endorse the reappointment of a Director who is not satisfactorily performing their role. The Directors are encouraged to undertake ongoing professional education and development in (fields relevant to their role on the Board and the operations of Newcastle Permanent). The professional education is aligned to the individual development plans for each Director. Professional development is accomplished by attendance at approved external services, as well as through regular sessions provided by in-house specialists in relevant areas. Minimum ongoing professional education is mandated for each Director and records are maintained to ensure those requirements are met.

PRINCIPLE 3: Promote ethical and responsible decision making

Ethical and responsible decision making is fundamental to the operations of Newcastle Permanent. The Committees established by the Board assist in such processes, particularly through the governance oversight of the Corporate Governance & Nominations Committee, the Audit Committee and ultimately the Board. The Board has also established a number of policies that ensure that in all of its dealings with relevant stakeholders, Newcastle Permanent acts fairly and transparently, and in an ethical and responsible manner. In addition, Newcastle Permanent has a Whistleblower Policy to encourage employees to disclose unacceptable activities and protect them from repercussions of reporting. That policy includes the use of an independent, external contractor to which reports can be made.

Recommendation 3.1 – Companies should establish a Code of Conduct

Code of Conduct

Each Director, manager and employee in the group must comply with Newcastle Permanent’s Code of Conduct, which includes:

- aligning the behaviour of the Board and management with the Code of Conduct by maintaining appropriate core values and objectives.
- fulfilling responsibilities to members and customers by maintaining high standards of product quality, service standards and commitments to fair value.
- ensuring compliance with responsibilities to the individual, such as privacy, use of privileged or confidential information and conflict of interest, by obtaining appropriate assistance.
- dealing with and managing conflicts of interest in accordance with approved policies.
- controlling and monitoring corporate opportunities by preventing Directors and employees from taking advantage of property, information or position for personal gain.
- ensuring confidentiality of corporate information.
- dealing fairly with each other, members and third parties.
- protecting and properly using the company’s assets.
- complying with all laws, and
- reporting unethical behaviour.

Board Charter

The Board Charter incorporates a separate Code of Conduct outlining the standards expected of and duties and obligations imposed on Directors distinct from the employees of Newcastle Permanent.

Recommendation 3.2 – Policy concerning diversity

In recognition of the value and benefits that diversity on a Board can deliver, the Board has adopted a Diversity Policy. The Diversity Policy acknowledges that the concept of diversity is broad and not limited to any one value. It includes gender, age, ethnicity and cultural background, and importantly, the ability to have an open mind.

The overarching qualification in the Diversity Policy remains that the principal criteria for selecting and appointing Directors must be based on the skills, experience and expertise that they can bring to the role and the overall prospect of adding value to Newcastle Permanent and enhancing its ability to meet its objectives for the overall benefit of its members.

Recommendation 3.3 – Disclosure on gender diversity measures set by the Board

During the year, Newcastle Permanent appointed a female Director to the Board. Ms Martin-Williams had previously been a Director on a separate group company since November 2008. In addition, a female Director was appointed to another group company during the year.

In the companies comprising Newcastle Permanent, Newcastle Friendly Society Limited and Newcastle Permanent Community Foundation Company Limited, there are ten common Directors, two of whom are female Directors.

Recommendation 3.4 – Disclosure on gender diversity in the whole organisation

In its 2011 application for a waiver from reporting to the Equal Opportunity for Women in the Workplace Agency, the workplace profile of Newcastle Permanent disclosed that 75% of Newcastle Permanent’s total workforce of 900 employees was female, including 95% in junior management and 78% in frontline management.

Newcastle Permanent application for waiver was granted in recognition of its position with respect to women in the workplace.

PRINCIPLE 4: Safeguard integrity in financial reporting

Financial Reporting

The CEO and the Chief Financial Officer (CFO) have declared in writing to the Board that Newcastle Permanent’s financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. Monthly actual results are reported against budgets approved by the Directors. Furthermore, reviewed forecasts for the year are prepared regularly when required.

Recommendation 4.1 – The Board should establish an Audit Committee

The Board has established an Audit Committee. Details of that Committee are set out in the section on Committees below.

One of the primary functions of the Audit Committee is to advise the Board on all aspects of internal and external audit, the appointment and review of Newcastle Permanent’s auditors, and statutory financial reporting and controls.

Recommendation 4.2 – The Audit Committee should be appropriately structured

The Audit Committee is appointed by the Board from amongst the Non-Executive Directors of Newcastle Permanent. It consists of not less than three members, the majority of whom must be independent.

The Chairman of the Committee must be an independent Director and cannot be the same person who is the Chairman of the Board.

Recommendation 4.3 – The Audit Committee should have a formal charter

The Audit Committee, as with all of Newcastle Permanent’s Board Committees, has a formal Charter. The Charter is reviewed at least once per year by the Audit Committee with any changes recommended to the Board. Only the Board can approve changes to the Charter.

The Charter sets out the membership of the Committee, its invigories, meeting protocols, and the duties and powers of the Committee.

PRINCIPLE 5: Make timely and balanced disclosure

This Principle is designed for companies that are listed on the ASX. Since Newcastle Permanent is not a listed company, this Principle does not apply to it.

PRINCIPLE 6: Respect the rights of members

This Principle relates primarily to shareholders of listed companies. Newcastle Permanent does not have any shareholders as such but does have members. We have changed the terminology to refer to members.

Recommendation 6.1 – Companies should establish a member communication policy

Newcastle Permanent does not have a member communication policy but strives to keep all its members informed of its activities.

Disclosure to Receive Communications

Newcastle Permanent is required to let all members know when they become a member of the company that they are entitled to receive copies of the Annual Report and Notice of the Annual General Meeting. This is a requirement of the Corporations Act. but Newcastle Permanent goes one step further and provides such notification on each occasion that a member opens a new account. Members are given the option of receiving these documents electronically or in hard copy and can change their option at any time.

Meetings

Newcastle Permanent provides written notice of its Annual General Meetings to all those members who have requested notice, and places notices in conspicuous locations in all its branches and Head Office.

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The Board also recognises the importance of its personnel to its operations and recommends to the Board for approval.

Recommendation 7.1 – Companies should establish risk management policies.

The Board has approved a risk management framework that includes policies designed to identify and mitigate all material business risks. These policies are reviewed regularly by the Risk Management Committee with any changes recommended to the Board for approval.

Recommendation 7.2 – The Board should ensure that management and internal control systems are designed to manage internal business risks.

The Board, through its Risk Management Committee, oversees the establishment, implementation, and annual review of Newcastle Permanent’s Risk Management System. Management has established and implemented the Risk Management System for assessing, monitoring, and managing operational, financial reporting, and compliance risks for Newcastle Permanent.

Recommendation 7.3 – Assurance from the CEO and CFO.

The CEO and CFO have declared in writing to the Board that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other compliance risk management and controls have also been assessed and found to be operating efficiently and effectively. All risks assessment covered the whole financial year and the period up to the signing of the annual financial report for all material operations of Newcastle Permanent.

PRINCIPLE 8: Remunerate fairly and responsibly

Recommendation 8.1 – Distinguish Directors’ Remuneration from that of Executives.

The Remuneration Committee is responsible for remuneration matters for Newcastle Permanent. The Committee is also responsible for remuneration matters for Newcastle Permanent’s forward-looking basis for providing information to members on developments and issues that may be of interest. General information is available on Newcastle Permanent’s website.

Recommendation 8.2 – The Remuneration Committee should be appropriately structured.

The Remuneration Committee is appointed by the Board from amongst the Non-Executive Directors of Newcastle Permanent. It consists of not less than three members, the majority of whom must be independent. The Chairman of the Committee must be an independent Director.

Recommendation 8.3 – Distinguish Directors’ Remuneration from that of Executives.

The structure of remuneration for Directors is distinct from that of the executives and management. Increases in the pool of Directors’ remuneration must be approved by the members at the Annual General Meeting.

Directors must not participate in performance incentive schemes in order to preserve the independence of the Board and its decision making processes. Directors who are appointed after 1 January 2018 do not receive any retirement benefits from Newcastle Permanent other than compulsory superannuation entitlements.

BOARD COMMITTEES

The Board has established four Committees that assist in increasing the effectiveness of the Board and streamlining its processes. The composition of the Board Committees is regularly reviewed to match the skills of Directors with the work of the relevant Committee. The Board considers that the role of each of the Directors must be to the governance of Newcastle Permanent.

Corporate Governance & Nominations Committee

The Corporate Governance & Nominations Committee oversees the appointment and induction process for Directors and Committee members. It makes recommendations to the Board on the selection, appointment and succession planning process of Newcastle Permanent’s directors.

Recommendation 8.4 – Appoint independent Directors.

The Corporate Governance & Nominations Committee also considers the effectiveness of the Board and makes recommendations to the Board about the conduct of any new activities Newcastle Permanent may decide to pursue or undertake.

It is also authorised to review and make recommendations about due diligence activities, including potential mergers or acquisitions.

Committee Members:

- Mr D.J. Slater (Chairman)
- Mr W.J. Elliott
- Mr J.F. Neat
- Ms D.E. Shankley

Audit Committee

The Audit Committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity. All members must be non-executive Directors. The Chairman of the Audit Committee must not be the Chairman of the Board.

The Audit Committee also advises the Board on all aspects of internal and external audit, the appointment and review of Newcastle Permanent’s auditors, statutory financial reporting and controls, review and testing of internal controls, procedures and systems, and Newcastle Permanent’s compliance with internal policies, regulatory standards and legal obligations.

Committee Members:

- Mr W.B. Lewis (Chairman)
- Mr W.J. Elliott
- Mr J.F. Neat

Risk Management Committee

The Risk Management Committee oversees and makes recommendations to the Board in relation to the establishment, review, implementation and implementation of Newcastle Permanent’s risk management system, including its compliance and control. The Risk Management Committee is responsible for managing the group’s insurance arrangements and is authorised to investigate and make recommendations to the Board regarding the conduct of any new activities Newcastle Permanent may decide to pursue or undertake.

It is also authorised to review and make recommendations about due diligence activities, including potential mergers or acquisitions.

Committee Members:

- Mr J.F. Neat (Chairman)
- Mr W.J. Elliott
- Mr G. Jarry
- Ms S.J. Martin-Williams

Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the CEO, Senior Executives and Directors. It is also responsible for making recommendations to the Board about incentive performance packages, superannuation entitlements and incentive contracts.

The Remuneration Committee also facilitates the annual performance review of the CEO and senior executives.

Committee Members:

- Mr J.F. Neat
- Ms S.J. Martin-Williams
- Mr S.J. Martin-Williams
- Mr G. Jarry
- Mr W.J. Elliott

Asset & Liability Committee

The Asset & Liability Committee is not a Board Committee, but rather a management committee chaired by Newcastle Permanent’s Chief Financial Officer. Its role is to establish and monitor a strategy for Newcastle Permanent’s composition of assets and liabilities having regard to its broad strategic goals, and factors including interest rate movements, liquidity and capital adequacy. It is required to have two Directors on the Committee.

Committee Members:

- Mr D.J. Slater
- Mr W.J. Elliott

All remaining Directors receive all reports of the Asset & Liability Committee, and have standing invitations to attend all its meetings.

ASSOCIATED ENTITIES

Newcastle Permanent has several associated entities which are consolidated into the group for reporting purposes. These associated entities include:

- Newcastle Friendly Society Limited
- Newcastle Permanent Community Foundation Company Limited
- Newcastle Permanent Charitable Foundation
- NPBS Securities Ltd
- NPBS CP Trust No. 1

COMPANY SECRETARY

Mr Andrew Yost is the Company Secretary of Newcastle Permanent, having been appointed to that position on 14 August 2004. He is a qualified lawyer holding a Masters degree in Law (LLM). He was admitted to practice in the Supreme Court of NSW and the High Court of Australia in 1993 and to the Supreme Court of South Australia in 2001. He has practised law extensively in the areas of banking and finance, and corporate and commercial law, both in private practice and in corporate legal roles.

Mr Yost has worked at partnership level in private practice and has held Chief Legal Counsel roles in a subsidiary of an Australian blue-chip company and in an Australian subsidiary of a large multi-national company. He is a member of the Australian Corporate Lawyers Association, the Law Society of NSW and an Affiliate Member of Chartered Secretaries Australia.
Concise Financial Report

Consolidated Income Statements

For the year ended 30 June 2012

The consolidated income statements below should be read in conjunction with the accompanying notes

<table>
<thead>
<tr>
<th>Notes</th>
<th>Parent Entity</th>
<th>Consolidated Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012 $'000</td>
<td>2011 $'000</td>
</tr>
<tr>
<td>Interest revenue</td>
<td>4</td>
<td>480,685</td>
</tr>
<tr>
<td>Interest expense</td>
<td>4</td>
<td>(328,260)</td>
</tr>
<tr>
<td>Net interest income</td>
<td></td>
<td>152,425</td>
</tr>
<tr>
<td>Fee and commission revenue</td>
<td>5</td>
<td>17,894</td>
</tr>
<tr>
<td>Fee and commission expense</td>
<td></td>
<td>(4,598)</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td></td>
<td>13,296</td>
</tr>
<tr>
<td>Other operating income</td>
<td>6</td>
<td>1,385</td>
</tr>
<tr>
<td>Impairment losses on loans and advances to members</td>
<td></td>
<td>(1,730)</td>
</tr>
<tr>
<td>Depreciation and amortisation expense</td>
<td></td>
<td>(6,430)</td>
</tr>
<tr>
<td>Personnel related expenses</td>
<td></td>
<td>(64,805)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td>(72,356)</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td></td>
<td>56,785</td>
</tr>
<tr>
<td>Income tax expense</td>
<td></td>
<td>(10,052)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>39,733</td>
</tr>
</tbody>
</table>

Attributable to:
Non-controlling interests | | – | – | 243 | 477 |
Members of Newcastle Permanent Building Society Limited | | 39,733 | 45,403 | 39,733 | 45,403 |

Consolidated Statements of Comprehensive Income

For the year ended 30 June 2012

The consolidated statements of comprehensive income below should be read in conjunction with the accompanying notes

<table>
<thead>
<tr>
<th>Notes</th>
<th>Parent Entity</th>
<th>Consolidated Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012 $'000</td>
<td>2011 $'000</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>39,733</td>
</tr>
<tr>
<td>Other comprehensive income, net of tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in the fair value of cash flow hedges</td>
<td></td>
<td>11,417</td>
</tr>
<tr>
<td>Changes in the fair value of property</td>
<td></td>
<td>(1,583)</td>
</tr>
<tr>
<td>Changes in the fair value of available-for-sale financial assets</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Realised gains on available-for-sale financial assets transferred to other income</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Other comprehensive income for the year, net of tax</td>
<td></td>
<td>10,259</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td></td>
<td>49,992</td>
</tr>
</tbody>
</table>

Attributable to:
Non-controlling interests | | – | – | 243 | 477 |
Members of Newcastle Permanent Building Society Limited | | 49,992 | 28,380 | 49,992 | 28,380 |
Consolidated Balance Sheets
As at 30 June 2012
The consolidated balance sheets below should be read in conjunction with the accompanying notes

<table>
<thead>
<tr>
<th>Parent Entity</th>
<th>Consolidated Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>$'000</td>
<td>$'000</td>
</tr>
</tbody>
</table>

**Assets**

- Cash and cash equivalents: 762,213, 599,581, 777,054, 622,106
- Other receivables: 15,167, 13,031, 6,679, 5,708
- Derivative financial instruments: 11,943, - , 11,943, -
- Held-to-maturity investments: 629,797, 651,182, 652,948, 628,825
- Loans and advances to members: 6,556,554, 6,144,424, 6,556,554, 6,144,424
- Other financial assets: 294, 294, 294, 294
- Deferred tax assets: - , - , 450, 401
- Intangible assets: 3,100, 2,228, 3,100, 2,228
- Property, plant and equipment: 499,912, 50,406, 499,912, 50,406
- Investment properties: 4,412, 4,707, 4,412, 4,707

**Total assets:** 8,038,392, 7,429,835, 8,063,346, 7,459,099

**Liabilities**

- Payables: 475,344, 424,944, 27,268, 12,391
- Derivative financial instruments: 1,846, 24,478, 1,846, 24,478
- Deposits: 5,898,277, 5,504,479, 5,086,076, 5,465,553
- Life investment contract liabilities: - , - , 1,278, 1,337
- Life insurance contract liabilities: - , - , 28,094, 29,908
- Certificates of deposit: 910,914, 776,401, 1,352,861, 1,193,181
- Current tax liabilities: 3,802, 5,198, 3,802, 5,085
- Provisions: 10,080, 9,215, 10,044, 9,253
- Deferred tax liabilities: 12,942, 9,855, 12,942, 9,855

**Total liabilities:** 7,312,135, 6,753,570, 7,304,281, 6,750,999

**Net assets:** 726,257, 676,265, 759,065, 708,100

**Equity**

- Reserves: 60,850, 51,598, 60,850, 51,598
- Parent entity interest: 726,257, 676,265, 726,257, 676,265
- Non-controlling interest: - , - , 32,878, 32,635

**Total equity:** 726,257, 676,265, 759,065, 708,100

---

Consolidated Statements of Changes in Equity
For the year ended 30 June 2012
The consolidated statement of changes in equity below should be read in conjunction with the accompanying notes

<table>
<thead>
<tr>
<th>Attributable to members of Newcastle Permanent Building Society Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves</td>
</tr>
<tr>
<td>$'000</td>
</tr>
<tr>
<td><strong>Balance at 1 July 2011</strong></td>
</tr>
<tr>
<td>51,598</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
</tr>
<tr>
<td><strong>Transfers between reserves and retained profits</strong></td>
</tr>
<tr>
<td><strong>Balance at 30 June 2012</strong></td>
</tr>
</tbody>
</table>

---

<table>
<thead>
<tr>
<th>Attributable to members of Newcastle Permanent Building Society Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves</td>
</tr>
<tr>
<td>$'000</td>
</tr>
<tr>
<td><strong>Balance at 1 July 2010</strong></td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
</tr>
<tr>
<td><strong>Transfers between reserves and retained profits</strong></td>
</tr>
<tr>
<td><strong>Balance at 30 June 2011</strong></td>
</tr>
</tbody>
</table>
Consolidated Statements of Cash Flows

For the year ended 30 June 2012

The consolidated statements of cash flows below should be read in conjunction with the accompanying notes.

<table>
<thead>
<tr>
<th>Parent Entity</th>
<th>Consolidated Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td><strong>Cash flows from operating activities</strong></td>
</tr>
<tr>
<td>Interest received</td>
<td>$402,777</td>
</tr>
<tr>
<td>Other income</td>
<td>$1,395</td>
</tr>
<tr>
<td>Fees and commissions received</td>
<td>$19,838</td>
</tr>
<tr>
<td>Interest paid</td>
<td>$(328,885)</td>
</tr>
<tr>
<td>Donations paid</td>
<td>–</td>
</tr>
<tr>
<td>Cash paid to suppliers and employees (inclusive of GST)</td>
<td>$(107,734)</td>
</tr>
<tr>
<td><strong>Increase/(decrease) in operating assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Net movement in short-term funds</td>
<td>$(15,150)</td>
</tr>
<tr>
<td>Net movement in loans and advances to members</td>
<td>$(377,676)</td>
</tr>
<tr>
<td><strong>Increase/(decrease) in operating liabilities:</strong></td>
<td></td>
</tr>
<tr>
<td>Life insurance contract contribution receipts</td>
<td>–</td>
</tr>
<tr>
<td>Life insurance contract withdrawal payments</td>
<td>–</td>
</tr>
<tr>
<td>Life investment contract contribution receipts</td>
<td>–</td>
</tr>
<tr>
<td>Life investment contract withdrawal payments</td>
<td>–</td>
</tr>
<tr>
<td>Net increase in deposits</td>
<td>$309,146</td>
</tr>
<tr>
<td><strong>Net cash inflow/(outflow) from operating activities</strong></td>
<td>$83,753</td>
</tr>
</tbody>
</table>

Cash flows from investing activities:

<table>
<thead>
<tr>
<th>Parent Entity</th>
<th>Consolidated Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends received</td>
<td>–</td>
</tr>
<tr>
<td>Payments for intangible assets</td>
<td>$(2,023)</td>
</tr>
<tr>
<td>Payments for property, plant and equipment</td>
<td>$(8,288)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>$134</td>
</tr>
<tr>
<td>Payments on disposal of available-for-sale investments</td>
<td>–</td>
</tr>
<tr>
<td>Payments on unwind of interest rate swap contracts</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net cash outflow from investing activities</strong></td>
<td>$(10,177)</td>
</tr>
</tbody>
</table>

Cash flows from financing activities:

<table>
<thead>
<tr>
<th>Parent Entity</th>
<th>Consolidated Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase in certificates of deposit</td>
<td>$144,056</td>
</tr>
<tr>
<td><strong>Net cash inflow from financing activities</strong></td>
<td>$144,056</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>$167,632</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the beginning of financial year</strong></td>
<td>$599,581</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of financial year</strong></td>
<td>$767,213</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements
For the year ended 30 June 2012

This concise financial report relates to both Newcastle Permanent Building Society Limited (Newcastle Permanent) as an individual entity and the entities it controlled at the end of, or during, the year ended 30 June 2012. The accounting policies adopted have been consistently applied to all years presented.

Newcastle Permanent is a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in financial reports. Amounts in the concise financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

1. Presentation Currency
The presentation currency used in this concise financial report is Australian dollars.

2. Changes in Accounting Policy
There have been no changes in accounting policy during the financial year ended 30 June 2012.

3. Dividends
Newcastle Permanent is a mutual building society and is prohibited from paying dividends.

4. Analysis of Interest Revenue and Interest Expense
The following table shows the average balance for each of the significant categories of interest-bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate.

<table>
<thead>
<tr>
<th>Interest revenue 2012</th>
<th>Consolidated</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$'000</td>
<td>$'000</td>
<td>%</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>744,884</td>
<td>34,216</td>
</tr>
<tr>
<td>Held-to-maturity investments</td>
<td>629,020</td>
<td>32,592</td>
</tr>
<tr>
<td>Loans and advances to members</td>
<td>6,309,412</td>
<td>445,771</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,683,316</strong></td>
<td><strong>512,579</strong></td>
</tr>
<tr>
<td>Interest expense 2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>5,697,472</td>
<td>252,866</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>1,236,770</td>
<td>74,782</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,934,242</strong></td>
<td><strong>327,648</strong></td>
</tr>
<tr>
<td>Net interest income 2012</td>
<td></td>
<td><strong>1,433,674</strong></td>
</tr>
</tbody>
</table>

Interest revenue 2011
Cash and cash equivalents | 635,092 | 31,354 | 4.94% |
Held-to-maturity investments | 672,643 | 38,706 | 5.75% |
Loans and advances to members | 5,829,720 | 399,647 | 6.86% |
**Total** | **7,137,458** | **469,707** | **6.58%** |

Interest expense 2011
Deposits | 5,172,322 | 240,515 | 4.52% |
Certificates of deposit | 1,044,509 | 72,608 | 6.34% |
**Total** | **6,216,831** | **313,123** | **4.87%** |

Net interest income 2011 | | **1,900,547** |

*Average balances are calculated based on an average of daily closing balances.

5. Fee and Commission Revenue

<table>
<thead>
<tr>
<th>Fee and Commission Revenue</th>
<th>Parent Entity</th>
<th>Consolidated Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Fee revenue</td>
<td>9,642</td>
<td>9,387</td>
</tr>
<tr>
<td>Commission revenue</td>
<td>8,135</td>
<td>7,458</td>
</tr>
<tr>
<td>Government subsidies</td>
<td>117</td>
<td>154</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17,994</strong></td>
<td><strong>16,999</strong></td>
</tr>
</tbody>
</table>

6. Other Operating Income

<table>
<thead>
<tr>
<th>Other Operating Income</th>
<th>Parent Entity</th>
<th>Consolidated Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain on disposal of available-for-sale financial assets</td>
<td>–</td>
<td>541</td>
</tr>
<tr>
<td>Rental income from operating leases</td>
<td>400</td>
<td>391</td>
</tr>
<tr>
<td>Dividends</td>
<td>–</td>
<td>8</td>
</tr>
<tr>
<td>Bad debts recovered</td>
<td>447</td>
<td>315</td>
</tr>
<tr>
<td>Insurance recoveries</td>
<td>11</td>
<td>23</td>
</tr>
<tr>
<td>Other income</td>
<td>527</td>
<td>833</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,385</strong></td>
<td><strong>2,114</strong></td>
</tr>
</tbody>
</table>

7. Events Occurring after the Balance Sheet Date
The increase in interest revenue is primarily the result of an increase in interest revenue earned on loans and advances to members, and is consistent with the growth in total loans outstanding of $421.1 million during the financial year ended 30 June 2012, partially offset by a lower return earned on outstanding loans, in line with the lower weighted average official cash rate for the financial year ended 30 June 2012 (4.33%) compared to 30 June 2011 (4.47%).

The increase in interest expense is the net effect of strong growth in the balance of retail funding of $599.7 million (10.6%), a growth in wholesale funding of $406.2 million (2.7%), partially offset by a lower average cost of funds for the financial year ended 30 June 2012 (2.7% compared to 30 June 2011 (3.0%)).

The increase in interest revenue has not been as significant as the decrease in the weighted official cash rate, which reflects the lag effect of the re-pricing of term deposits and a strong increase in competition for retail deposits.

8. Management Discussion and Analysis

(a) Income Statement
Net interest revenue
> Consolidated: $154.9 million (2011: $156.6 million)
> Parent entity: $152.4 million (2011: $153.9 million)

Net interest revenue decreased from $156.6 million for the year ended 30 June 2011 to $154.9 million for the year ended 30 June 2012 in respect of the consolidated entity. For the parent entity, net interest revenue has decreased from $153.9 million for the year ended 30 June 2011 to $152.4 million for the year ended 30 June 2012.

The movement in net interest revenue between 30 June 2011 and 30 June 2012 is comprised as follows:

<table>
<thead>
<tr>
<th>Increase in interest revenue</th>
<th>Parent entity ($’m)</th>
<th>Consolidated entity ($’m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in interest revenue</td>
<td>1.1</td>
<td>1.9</td>
</tr>
<tr>
<td>Increase in interest expense</td>
<td>(2.6)</td>
<td>(4.5)</td>
</tr>
<tr>
<td>Decrease in net interest revenue</td>
<td>(1.5)</td>
<td>(2.6)</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements
For the year ended 30 June 2012

The increase in net fee and commission income is primarily attributable to an increase in transaction volumes resulting in additional income, including VISA fees, BPAY fees, ATM fees and other excess transaction charges.

Non-interest expenses excluding income tax expense

<table>
<thead>
<tr>
<th>Parent entity ($m)</th>
<th>Consolidated ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in personnel expenses</td>
<td>3.7</td>
</tr>
<tr>
<td>Increase in general administrative expenses</td>
<td>1.5</td>
</tr>
<tr>
<td>Decrease in depreciation and amortisation expense</td>
<td>0.5</td>
</tr>
<tr>
<td>Increase in impairment losses on loans and advances</td>
<td>0.5</td>
</tr>
<tr>
<td>Increase/(decrease) in non-interest expenses</td>
<td>6.2</td>
</tr>
</tbody>
</table>

(b) Balance Sheet

Total assets of the consolidated entity increased by $504.2 million from $75.3 billion at 30 June 2011 to $80.9 billion at 30 June 2012, representing an increase of 8.1%.

Total assets of the parent entity increased by $508.6 million from $74.4 billion at 30 June 2011 to $80.8 billion at 30 June 2012, representing an increase of 8.2%.

The key movements in assets included:

<table>
<thead>
<tr>
<th>Parent entity ($m)</th>
<th>Movement (%)</th>
<th>Consolidated ($m)</th>
<th>Movement (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in loans and advances to members</td>
<td>412.1</td>
<td>6.7</td>
<td>412.1</td>
</tr>
<tr>
<td>Increase in total cash and cash equivalents and held-to-maturity investments</td>
<td>182.2</td>
<td>15.0</td>
<td>179.1</td>
</tr>
</tbody>
</table>

Total liabilities of the consolidated entity increased by $554.0 million from $68.8 billion at 30 June 2011 to $74.3 billion at 30 June 2012, representing an increase of 8.4%.

Total liabilities of the parent entity increased by $558.6 million from $68.8 billion at 30 June 2011 to $74.3 billion at 30 June 2012, representing an increase of 8.3%.

The key movements in liabilities included:

<table>
<thead>
<tr>
<th>Parent entity ($m)</th>
<th>Movement (%)</th>
<th>Consolidated ($m)</th>
<th>Movement (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in retail funding</td>
<td>58.7</td>
<td>9.9</td>
<td>58.7</td>
</tr>
<tr>
<td>Increase in wholesale funding</td>
<td>10.6</td>
<td>10.0</td>
<td>40.6</td>
</tr>
</tbody>
</table>

(d) Consolidated Statement of Changes in Equity

Total equity of the consolidated entity has increased by $50.2 million (7.1%) from $708.9 million at 30 June 2011 to $759.1 million at 30 June 2012.

Total equity of the parent entity has increased by $50.0 million (7.4%) from $676.3 million at 30 June 2011 to $726.3 million at 30 June 2012.

The key movements included:

<table>
<thead>
<tr>
<th>Parent entity ($m)</th>
<th>Consolidated ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year ended 30 June 2012</td>
<td>39.7</td>
</tr>
<tr>
<td>Increase in the cash flow hedge reserve</td>
<td>11.4</td>
</tr>
<tr>
<td>Decrease in the revaluation surplus – property, plant and equipment</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Total</td>
<td>499.9</td>
</tr>
</tbody>
</table>

The increase in the cash flow hedge reserve represents the after-tax effect of the changes in the fair value of derivative financial instruments designated as cash flow hedges during the 2012 financial year.

The decrease in the revaluation surplus – property, plant and equipment reflects the after-tax result of an independent valuation carried out during the year on land and buildings and investment properties held by the consolidated entity.

(d) Cash Flow Statement

There has been an increase in cash and cash equivalents during the year of $154.9 million in respect of the consolidated entity and an increase of $167.6 million in respect of the parent entity.

This increase in cash and cash equivalents is primarily attributable to the following key movements:

<table>
<thead>
<tr>
<th>Parent entity ($m)</th>
<th>Consolidated ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect on cash and cash equivalents</td>
<td></td>
</tr>
<tr>
<td>Surplus of cash inflows from operating and investing activities relative to cash payments</td>
<td>373</td>
</tr>
<tr>
<td>Net increase in certificates of deposit</td>
<td>141</td>
</tr>
<tr>
<td>Net increase in deposits from members</td>
<td>409</td>
</tr>
<tr>
<td>Net increase in held-to-maturity investments</td>
<td>(15.2)</td>
</tr>
<tr>
<td>Net increase in loans and advances</td>
<td>(377)</td>
</tr>
</tbody>
</table>
The Directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 30 June 2012 as set out on pages 40 to 49 complies with Accounting Standard AASB 1039 Concise Financial Reports.

The concise financial report is an extract from the full financial report for the year ended 30 June 2012. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which is available on request.

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

M.D. Slater Chairman
W.J. Elliott Deputy Chairman

Newcastle
14 September 2012

Independent auditor’s report to the members of Newcastle Permanent Building Society Limited

We have audited the accompanying concise financial report of Newcastle Permanent Building Society Limited which comprises the consolidated balance sheets as at 30 June 2012, the consolidated income statements, consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows for the year then ended and related notes, derived from the audited financial report of Newcastle Permanent Building Society Limited for the year ended 30 June 2012. The concise financial report also includes discussion and analysis and the directors’ declaration.

The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors’ Responsibility for the Concise Financial Report

The directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 Concise Financial Reports, and the Corporations Act 2001 and for establishing and maintaining such internal controls as the directors determine are relevant to the preparation of the concise financial report, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with ASA 810 Engagements to Report on Summary Financial Statements. We have conducted an independent audit in accordance with Australian Auditing Standards, of the financial report of Newcastle Permanent Building Society Limited for the year ended 30 June 2012. We expressed an unmodified audit opinion on the financial report in our report dated 14 September 2012. The Australian 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 for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the concise 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 controls. Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year and examination on a test basis, of audit evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with AASB 1039 Concise Financial Reports and whether the discussion and analysis complies with the requirements laid down in AASB 1039 Concise Financial Reports.

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

Independence

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

Auditor’s Opinion

In our opinion, the concise financial report, including the discussion and analysis and the directors’ declaration of Newcastle Permanent Building Society Limited for the year ended 30 June 2012 complies with Accounting Standard AASB 1039 Concise Financial Reports.

Ernst & Young
Paula McLuskie Partner
Brisbane
14 September 2012

Ernst & Young
Paula McLuskie Partner

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Auditor’s Independence Declaration to the Directors of Newcastle Permanent Building Society Limited

In relation to our audit of the concise financial report of Newcastle Permanent Building Society Limited for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Paula McLuskie
Partner

14 September 2012