

**NEW ZEALAND'S  
OLDEST**  
BUILDING SOCIETY

**NBS**  
NELSON BUILDING SOCIETY





# NBS

theatre



NBS Theatre - Palmerston Street, Westport

*"Our philosophy is to put money back into those communities that support us, and that's what we are doing with the NBS Theatre."*

- Ken Beams



Taryn Collins - Customer Service Officer  
Fiona Phibbs - Branch Manager Westport  
Kerianne Fussell - Customer Service Officer

Ken Beams - General Manager NBS  
with Pat McManus - Buller Mayor  
Official opening March 2010



# The 148th Annual Report of the Nelson Building Society

**Directors**                    T N Cameron (Chairman)  
                                     G R Dayman (Deputy Chairman)  
                                     P J Robson  
                                     P A Bell  
                                     J C Taylor

**General Manager**       K J Beams

**Secretary**                A J Cadigan

**Solicitor**                 Glasgow Harley

**Banker**                  Westpac

**Auditor**                  Deloitte

**Head Office**             111 Trafalgar Street  
                                 PO Box 62  
                                 Nelson

## Notice Of Annual General Meeting

Notice is hereby given that the One Hundred and Forty Eighth Annual General Meeting of Shareholders of the Nelson Building Society will be held at The Theatre Royal, Rutherford Street, Nelson on Wednesday 7th July 2010 at 5.30pm.

**Business**                1. To receive the Director's Report and Statement of Accounts.  
                                 2. To fix the remuneration for the Directors for the ensuing year.  
                                 3. To appoint the Auditors for the ensuing year and fix their remuneration  
                                 4. General Business.

**Proxies**                A member entitled to vote is entitled to appoint one proxy who need not be a member of the Society to attend and vote instead. Proxies shall be deposited with the Society not less than 72 hours before the meeting. Proxy forms are available at the Society's office during normal business hours.

A J Cadigan  
**Secretary**



## Chairman of Directors' & General Manager's Report

Change is the constant factor in the life of a financial institution.

The financial market over the past year has proven to be extremely challenging, however we are pleased to report NBS continues to grow and prosper in spite of the turbulent financial market.

NBS has had a record year largely due to the community investing in a solid financial organisation, mutually owned by its clients, with a strong local focus.

### The Key results for the year:

Borrowings	\$255m	(2009 \$230m)
Advances	\$219m	(2009 \$193m)
Total Assets	\$273m	(2009 \$248m)
Profit	\$2.1m	(2009 \$1.1m)

The profit for the year before tax of \$2.1m is a record in the organisations history, and even more pleasing when we consider the difficult environment we are trading in. Interest rates have remained relatively steady during the past 12 months which has enabled NBS to benefit from their 2 year fixed mortgage portfolio, whilst at the same time maintaining tight controls on overhead costs.

The current Deposit Guarantee Scheme expires on the 12th October 2010 with the right to apply for an extension for a further 12 month period.

It is the intention of NBS to prepare an application for inclusion into the Guarantee extension. NBS will apply for the extension dependant upon the actions of our financial competitors. We believe NBS is a low risk organisation, and with the financial crisis largely over, the need for the Guarantee has diminished.

We will continue with a very conservative approach to risk management and our lending will continue to be undertaken within prudent limits enabling NBS to retain quality Assets. In troubled financial times people tend to look more towards the conservative and solid organisations and NBS is certainly one of these.

Consolidation of the financial sector continues and will do so for the next 12-24 months. With increasing regulatory requirements and higher compliance costs it will become more difficult for smaller organisations to compete in the market. The introduction of the new RBNZ regulations this year will provide even more comfort for NBS clients. New Capital Ratios will be introduced along with QFE (Qualifying Financial Entity) and AML (Anti-Money Laundering) regulations which further increase the overall prudential supervision for our client protection.

NBS has undertaken a rebranding process during the past 12 months and client feedback has been most encouraging towards our "new look". ATMs will be installed this year in most NBS branches and will provide our clients with access to cash 24/7.

The success of NBS is undoubtedly attributed to the staff and management, who continue to work tirelessly in an extremely competitive environment. We extend our congratulations to them on another record breaking year of operation.

NBS would not be experiencing unprecedented success without the loyal support of our members and we say "thank you" to them.

The Directors who retire by rotation are Mr Paul Bell and Mr Garry Dayman. Both Directors are eligible for re-election without nomination and accordingly we declare them duly re-elected.



Trevor Cameron  
Chairman

Ken Beams  
General Manager

Ken Beams - General Manager & Trevor Cameron - Chairman





## NBS Directors

The Directors of NBS are elected by its members and 2 Directors retire by rotation at every NBS Annual General Meeting. The Directors role is to monitor and provide direction to the management of the Society. This includes both regular governance functions such as reviewing monthly accounting and other reporting, as well as cash and liquidity monitoring and planning.

Further involvement with structural and strategic planning, in addition to dealing with the ever changing regulatory and RBNZ regulations, makes the role of a Director at NBS both interesting and challenging.

The Board of Directors meet once a month to review NBS performance in all areas including financial, risk management, system management and general operating issues.

In addition to the monthly meeting the Chairman and Deputy Chairman are members of Sub-Committees which meet regularly with Management as a combined team, which is both necessary and beneficial to the overall trading health of NBS.

The Directors of NBS provide prudential Governance to the Society along with the Trustee, RBNZ, Fitch Ratings, Securities Commission and Deloitte the NBS Auditor.

This gives NBS clients the comfort in knowing their investments are administered by approved legislative authorities.



G R Dayman - Deputy Chairman, J C Taylor, P J Robson,  
T N Cameron - Chairman of Directors, P A Bell.

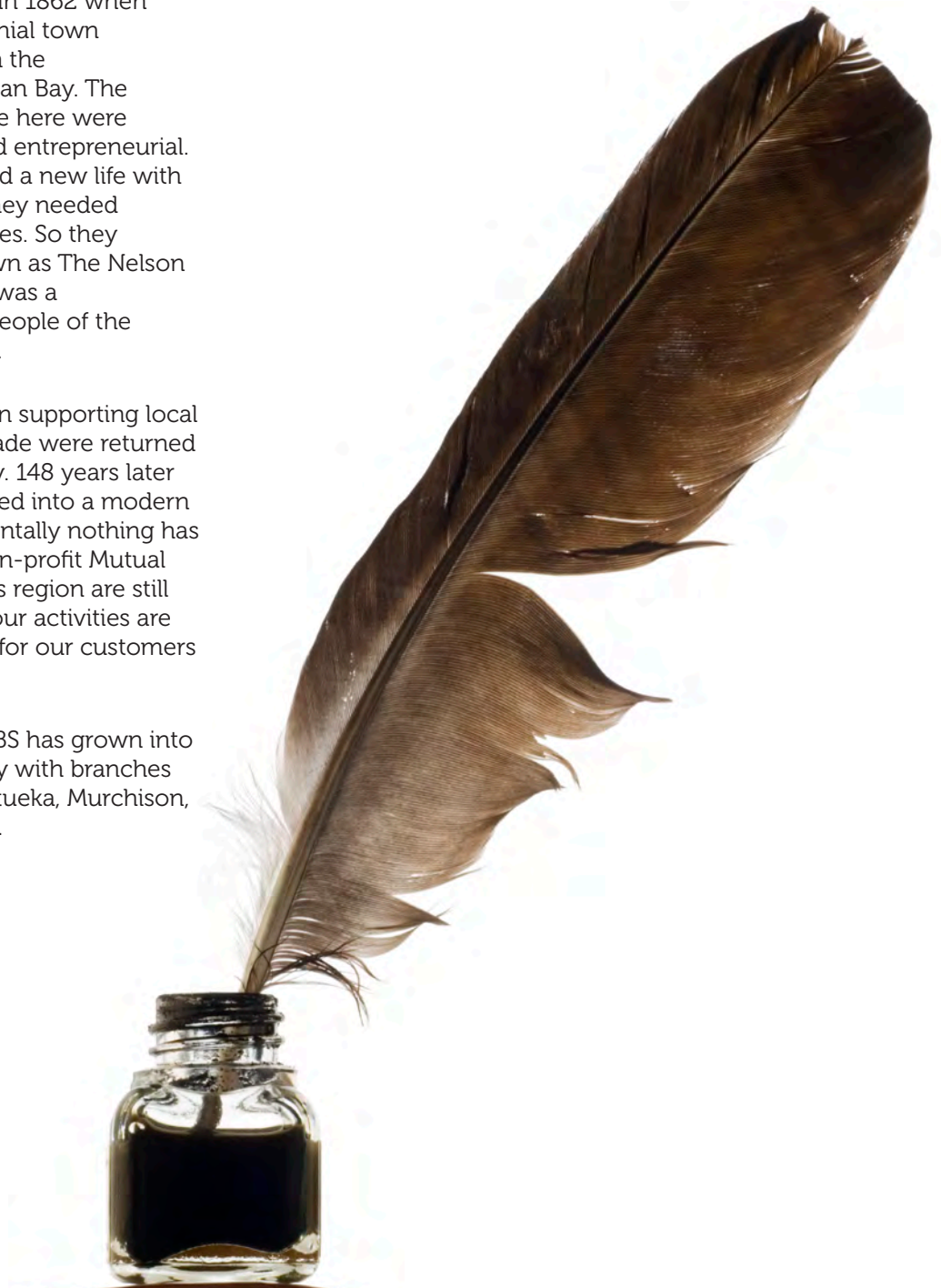


## NBS Our Story

NBS first opened its door in 1862 when Nelson was a young colonial town struggling for a toehold in the wilderness that was Tasman Bay. The people that chose to settle here were industrious, tenacious and entrepreneurial. They were looking to build a new life with new opportunities, and they needed money to build new homes. So they formed what is now known as The Nelson Building Society (NBS). It was a mutual society with the people of the region as its shareholders.

The absolute focus was on supporting local people and any profits made were returned directly to the community. 148 years later and, whilst NBS has evolved into a modern banking service, fundamentally nothing has changed. We are still a non-profit Mutual Society. The people of this region are still our shareholders and all our activities are still centred on providing for our customers and our local community.

From small beginnings NBS has grown into a respected banking entity with branches in Nelson, Richmond, Motueka, Murchison, Westport and Greymouth.



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**It's nothing new really. And it doesn't need to be.**

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## Banking on NBS



**NBS's goal is to be the preferred local financial institution.**

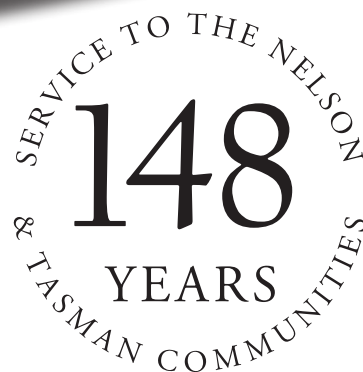
We first start with good people, add in good products and finally focus on taking care of our customer, one customer at a time.

At NBS we are building relationships by understanding the needs and challenges of our customers.

As a community bank surrounded by competition we like to differentiate ourselves, we do this with outstanding people, an array of products for individuals and businesses. An inner drive to help our customers succeed in their financial decision making by listening first, then offering solutions tailored to their specific needs.

*"The ability to be flexible and work with us is critical, but it's the people that keep us at NBS."*

- Geoff McLean





## NBS and Our Community

**Sponsorship** is a key part of the NBS commitment to community support. For many years NBS has been a significant sponsor of healthy outdoor recreational, cultural and sporting activities.

NBS believes that supporting sport, cultural and recreational activities is a way of promoting a sense of pride in our community and an attitude of success in our region.



Pictured above: Paul Robinson, Laska (German Shepard - Trainee search dog) Search & Rescue Nelson with NBS Motueka Branch Manager Howie Timms.





## NBS Community Sponsorships

### NELSON BRANCH

Nelson Indoor Bowls. Nelson City Underwater Hockey. Stoke Hockey Club. Nelson Bays Squash. Fifehire Foundation. Nelson Golf Club. Nelson Performing Arts. Stoke Netball. Nelson Croquet. Tahunanui Bowling Club. Nelson Events. Dancesport. Nelson Provincial Museum. KP Racing. Tahunanui School. Ngawhata Bowls. NZ Breast Cancer. Life Education Trust. Nelson Motorcycle Club. National Youth Choir. Nelson Grey Power. Haven Sports Foundation. Federation of Graduate Women. March Fest. Nelson Bowling Club. Nelson Regional Hospice. Uniquely Nelson. Stoke School. Nelson College. Nelson Bay's Football. Nelson Repertory Theatre. Nelson RSA. Stoke JAB Rugby. Nelson Boxing Association. The Nelson Historic Theatre Trust. Star & Garter Wheelers. Special Olympics. Lions Club of Nelson.

### RICHMOND BRANCH

Waimea Rugby Football Club. Greenacres Golf Club. Tasman Tennis. Totaradale Golf Club. Richmond Touch. Richmond Contract Bridge Club. A&P Equestrian Section. Nelson Harness Racing. Hope Indoor Bowls. Grey Power. Bridge Valley Adventure Centre. Wakefield Gala. Richmond Bowling Club. Nelson Veterans Tennis.

### MOTUEKA BRANCH

Motueka Golf Club. Motueka Memorial RSA. Top of the South Country Music Awards. Festival of Lights. Motueka Basketball. Senionet Motueka. Mapua Bowling Club. Riwaka Bowling Club. Grey Power Motueka. Ngatimoti Bowling Club. Motueka Bowling Club. SuperCross. Search and Rescue. Tasman Golf. Richmond Rodeo Club. Top Team. Mapua Easter Fair. Motueka Highland Dance.

### MURCHISON BRANCH

Murchison Rugby and Netball. Murchison Bowling Club. Murchison Area School. Murchison A&P. Murchison Community Services. Murchison Golf. Murchison Garden Club.

### WESTPORT BRANCH.

Beryl Collins School of Dance. Buller District Council. Buller Netball. Buller Women's Triathlon. Te Waiponamu Foundation Trust. Westport Contract Bridge Club. Westport Rugby JAB. Westport Trotting Club. Westport Tennis & Squash Club. Buller Cricket. Thor Hutt.

### GREYMOUTH BRANCH

NBS Karoro Hockey. West Coast Netball Association. Grey District Primary Football. Greymouth Squash Club. West Coast Cricket Association. West Coast Sports Awards Trust.



Westport Branch Manager Fiona Phibbs with her 10.5 lb Brown Trout caught on a back country river.



Thor Hutt is maintained for the enjoyment of all visitors by the Department of Conservation with generous support from fresh water anglers, Fish & Game and the Nelson Building Society.

*The Nelson, Tasman and West Coast regions are a special corner of New Zealand. This is our place. And our history.*







## COMMUNITY.



## WE BELIEVE IN IT.



Pictured above: Te Waipounamu Foundation Trust - Karamea Beach clean up, students from Karamea Area School. Lynne Ehau, Miles Drewery, Peter Wakelin, Jan Willcocks at the NBS Golf Day - Greenacres Golf Club. Lynette Havill - Lending Administrator, Garry Hammond - Credit Manager, Toni Lane - Branch Manager Richmond, Kay Stansbury-Ward - Personal Banker Nelson, Rebecca Gibb - Senior Personal Banker Nelson and Ruth Frost - Customer Service Officer Richmond at the Teams Triathlon. Terry Harwick with Brian Gabites - Senior Lending Administrator at Business House Bowls, Richmond Bowling Club.





## WE'RE PART OF IT.



## WE INVEST IN IT.



Pictured above: Waimea College Girls Tennis Team - Ashleigh, Breanne, Laura, Amanda and Taylor. Mapua School Students at the Nelson Primary School Cross-Country Champs. Peter Havill - Branch Manager Nelson, presents prizes at one of many local sports tournaments sponsored by NBS. NBS umbrellas are up - Waimea Town and Country Club. Children at play on the NBS inflatable - Bridge Valley Adventure Camp.

We have audited the financial statements on pages 11 to 36. The financial statements provide information about the past financial performance of Nelson Building Society (the Society) and its financial position as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 16 to 20.

This report is made solely to the Society's Members, as a body, in accordance with Section 101 of the Building Societies Act 1965. Our audit has been undertaken so that we might state to the Society's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the Society as at 31 March 2010 and the results of operations and cash flows for the year ended on that date.

### Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board of Directors.

### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor and the provision of advisory services, we have no relationship with or interests in the Society.

### Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Society as far as appears from our examination of those records; and
- the financial statements on pages 11 to 36 :
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the financial position of Nelson Building Society as at 31 March 2010 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 31 May 2010 and our unqualified opinion is expressed as at that date.



Chartered Accountants  
CHRISTCHURCH, NEW ZEALAND

This audit report relates to the financial statements of Nelson Building Society for the year ended 31 March 2010 included on Nelson Building Society's website. Nelson Building Society's Board of Directors is responsible for the maintenance and integrity of Nelson Building Society's website. We have not been engaged to report on the integrity of Nelson Building Society's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 31 May 2010 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# Statement of Comprehensive Income

For The Year Ended 31 March 2010

	Year to 31/03/2010 \$	Year to 31/03/2009 \$
<b>Income</b>		
<b>Income Received From:</b>		
Income from Mortgages & Personal Loans	15,598,786	18,366,285
Income from Consumer Lending	1,106,869	1,263,742
Income from Bank Deposits, Investments & Debentures	2,525,942	2,520,927
<b>Interest Income</b>	<b>19,231,597</b>	<b>22,150,954</b>
<b>Deduct Finance Costs</b>		
<b>Interest Incurred on:</b>		
Interest on Term & Call Deposits	(12,087,154)	(16,348,858)
Interest on Other Borrowings	(40,907)	(15,702)
Interest on Consumer Lending	(262,975)	(219,071)
Crown Guarantee	(133,780)	(9,209)
	<b>(12,524,816)</b>	<b>(16,592,840)</b>
<b>Net Interest Income</b>	<b>6,706,781</b>	<b>5,558,114</b>
<b>Add - Other Income</b>		
Bad Debts Recovered	106,372	32,490
Commission - Other	79,878	104,047
Other Income	553,069	552,625
Rental Income on Investment Property	157,500	157,500
	<b>896,819</b>	<b>846,662</b>
<b>Gross Contribution From Activities</b>	<b>7,603,600</b>	<b>6,404,776</b>
<b>Deduct Overhead Expenses</b>		
PIE Management Fee	(34,913)	-
Auditors Audit Fees	(50,625)	(47,813)
Taxation	(19,339)	(23,411)
Prospectus, Trust Deed and Annual Return	(9,600)	(9,675)
Administration Expenses	(2,036,118)	(1,688,898)
Amortisation & Depreciation	(270,907)	(320,256)
Directors Fees	(95,000)	(95,000)
Operating Lease Costs	(219,836)	(233,860)
Personnel Costs	(2,024,884)	(1,901,738)
Provision for Credit Impairment	(303,473)	(844,580)
Sponsorship	(228,894)	(182,683)
<b>Total Expenses</b>	<b>(5,293,589)</b>	<b>(5,347,914)</b>
<b>Operating Surplus</b>	<b>2,310,011</b>	<b>1,056,862</b>
Add Revaluation of Investment Property	(190,000)	90,000
<b>Surplus Before Taxation</b>	<b>2,120,011</b>	<b>1,146,862</b>
Income Tax Expense	(650,151)	(392,412)
<b>Net Surplus For The Period</b>	<b>1,469,860</b>	<b>754,450</b>
<b>Total Comprehensive Income For The Period</b>	<b>1,469,860</b>	<b>754,450</b>

The Notes to the Financial Statements (pages 16 to 36) form part of and should be read in conjunction with these financial statements.

## Statement of Changes in Equity

For The Year Ended 31 March 2010

	Share Capital	Reserves	Retained Earnings	Total
<b>Balance at 1 April 2008</b>	10,672,000	1,000,610	6,914,480	18,587,090
Total Comprehensive Income	-	-	754,450	754,450
Shares Issued	300,000	-	-	300,000
Shares Redeemed	(1,750,000)	-	-	(1,750,000)
Dividends Paid	-	-	(627,249)	(627,249)
<b>Balance at 31 March 2009</b>	<b>9,222,000</b>	<b>1,000,610</b>	<b>7,041,681</b>	<b>17,264,291</b>
Total Comprehensive Income	-	-	1,469,860	1,469,860
Shares Issued	2,720,000	-	-	2,720,000
Shares Redeemed	(4,439,500)	-	-	(4,439,500)
Dividends Paid	-	-	(327,821)	(327,821)
<b>Balance at 31 March 2010</b>	<b>7,502,500</b>	<b>1,000,610</b>	<b>8,183,720</b>	<b>16,686,830</b>

### Approval of Financial Statements for the Year Ended 31 March 2010

#### Authorised for Issue

The Directors authorised the issue of these financial statements on 31 May 2010.

#### Approval by Directors

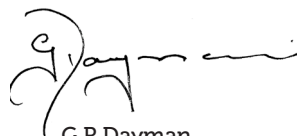
The Directors are pleased to present the financial statements of Nelson Building Society for the year ended 31 March 2010.



**K J Beams**  
General Manager



**T N Cameron CA**  
Chairman of Directors



**G R Dayman**  
Deputy Chairman of Directors

The Notes to the Financial Statements (pages 16 to 36) form part of and should be read in conjunction with these financial statements.



# Statement of Financial Position

As at 31 March 2010

		As at 31/03/2010 \$	As at 31/03/2009 \$
<b>Assets</b>			
Cash and Cash Equivalents	Note 3	43,293,629	42,693,245
Trade Receivables	Note 9	77,504	17,894
Prepayments		533,348	512,101
Investments	Note 5	6,137,505	7,701,979
<b>Loans and Receivables</b>	Note 4		
Mortgages		210,530,390	184,907,709
Personal Loans		391,499	451,919
Consumer Lending		7,243,017	8,108,550
Less Provision for Credit Impairment	Note 7	(260,000)	(716,396)
<b>Property</b>			
Investment Property	Note 10	1,900,000	2,090,000
Property, Plant & Equipment	Note 11	2,720,558	2,640,569
<b>Intangible Assets</b>	Note 12		
Software		156,424	76,186
		<b>272,723,874</b>	<b>248,483,756</b>
<b>Liabilities</b>			
Borrowings	Note 18	254,776,095	229,946,828
Employee Entitlements		146,410	143,025
Trade and Other Payables		720,019	882,261
Current Tax Liabilities	Note 2	200,941	188,093
Deferred Taxation	Note 13	193,579	59,258
		<b>256,037,044</b>	<b>231,219,465</b>
<b>Net Assets</b>		<b>16,686,830</b>	<b>17,264,291</b>
<b>Equity</b>			
Share Capital	Note 15	7,502,500	9,222,000
Retained Earnings	Note 16	8,183,720	7,041,681
Revaluation Reserve	Note 17	1,000,610	1,000,610
<b>Attributable to Members of the Society</b>		<b>16,686,830</b>	<b>17,264,291</b>

The Notes to the Financial Statements (pages 16 to 36) form part of and should be read in conjunction with these financial statements.

# Statement of Cash Flows

For The Year Ended 31 March 2010

		Year to 31/03/2010 \$	Year to 31/03/2009 \$
<b>Cash Flows From Operating Activities</b>			
<b>Cash was provided from:</b>			
Interest Received		19,231,597	22,150,954
Fees, Rents and Commissions		896,819	846,662
		<b>20,128,416</b>	<b>22,997,616</b>
<b>Cash was disbursed to:</b>			
Interest Paid		(12,524,816)	(16,592,840)
Operating Expenses		(5,718,793)	(4,586,391)
Income Taxes Paid	Note 2	(502,981)	(560,330)
		<b>(18,746,590)</b>	<b>(21,739,561)</b>
<b>Net Cash Flows From Operating Activities before changes in Operating Assets</b>		<b>1,381,826</b>	<b>1,258,055</b>
Redemption of Loans and Receivables		67,251,075	61,699,195
Issuance of Loans and Receivables		(91,947,803)	(60,730,724)
Increase in Borrowings		24,829,267	25,830,830
<b>Net Cash Flows From Operating Activities</b>		<b>1,514,365</b>	<b>28,057,356</b>
<b>Cash Flows From Investing Activities</b>			
<b>Cash was provided from:</b>			
Redemption of Investments		1,564,474	1,003,551
		<b>1,564,474</b>	<b>1,003,551</b>
<b>Cash was disbursed to:</b>			
Purchase of Investments		-	(5,170,009)
Property, Plant & Equipment	Note 11	(283,724)	(323,025)
Intangible Assets	Note 12	(147,410)	(52,396)
		<b>(431,134)</b>	<b>(5,545,430)</b>
<b>Net Cash Flows from (used in) Investing Activities</b>		<b>1,133,340</b>	<b>(4,541,879)</b>
<b>Cash Flows From Financing Activities</b>			
<b>Cash was provided from:</b>			
Issue of Shares	Note 15	2,720,000	300,000
		<b>2,720,000</b>	<b>300,000</b>
<b>Cash was disbursed to:</b>			
Dividends Paid	Note 16	(327,821)	(627,249)
Redemption of Shares	Note 15	(4,439,500)	(1,750,000)
<b>Net Cash Flows from (used in) Financing Activities</b>		<b>(2,047,321)</b>	<b>(2,077,249)</b>
Increase in Cash Held		600,384	21,438,228
Add Opening Cash and Cash Equivalents		42,693,245	21,255,017
<b>Closing Cash and Cash Equivalents</b>		<b>43,293,629</b>	<b>42,693,245</b>

The Notes to the Financial Statements (pages 16 to 36) form part of and should be read in conjunction with these financial statements.



## Statement of Cash Flows

For The Year Ended 31 March 2010

	Year to 31/03/2010 \$	Year to 31/03/2009 \$
<b>Reconciliation Of Net Surplus To Cash Flows From Operating Activities</b>		
<b>Net Surplus</b>	1,469,860	754,450
<b>Non Cash Items</b>		
Deferred Taxation	134,321	(163,458)
Depreciation and Amortisation	270,907	320,256
Investment Properties (Revaluation)	190,000	(90,000)
(Decrease)/Increase in Provision for Credit Impairment	(456,396)	568,396
	138,832	635,194
<b>Movement in Working Capital</b>		
Increase in Trade and Other Payables	(162,242)	71,662
Increase/(Decrease) in Taxation Payable	12,848	(4,460)
(Increase)/Decrease in Trade Receivables	(59,610)	(205,139)
Decrease/(Increase) in Prepayments	(21,247)	(11,306)
(Decrease)/Increase in Employee Entitlements	3,385	17,654
Issuance in Loans and Receivables	(91,947,803)	(60,730,724)
Redemption in Loans and Receivables	67,251,075	61,699,195
Increase in Borrowings	24,829,267	25,830,830
	(94,327)	26,667,712
<b>Net Cash Flows from Operating Activities</b>	<b>1,514,365</b>	<b>28,057,356</b>

The Notes to the Financial Statements (pages 16 to 36) form part of and should be read in conjunction with these financial statements.

# Notes to the Financial Statements

For The Year Ended 31 March 2010

## Summary of Significant Accounting Policies Statement Of Compliance

Nelson Building Society (the Society) is a profit-oriented mutual entity incorporated in New Zealand under the Building Societies Act 1965. The Society is a financial institution which takes deposits and provides banking type services to the community. Banking services include personal and commercial loans, investments, mortgages and online and telephone banking.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), the Financial Reporting Act 1993 and the Securities Regulations 1983. They comply with the New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable reporting standards as appropriate for profit-orientated entities. The financial statements comply with International Financial Reporting Standards ('IFRS').

The Society is an issuer as defined in the Financial Reporting Act 1993.

The financial statements were authorised by the directors on 31 May 2010.

## Basis Of Preparation

The financial statements have been prepared on the general principles of historical cost accounting, as modified by the revaluation of certain assets. The going concern concept and the accrual basis of accounting have been adopted. Cost is based on the fair value of the consideration given in exchange for assets. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

## Presentation Currency

The amounts contained in the financial statements are presented in New Zealand dollars, unless otherwise stated.

## Principal Activities

The Society's principal activities during the year were:

- Receiving deposits for investments.
- Providing personal banking services including current accounts, personal loans, mortgages and credit card facilities.

## Particular Accounting Policies

### i. Revenue Recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Society and that revenue can be reliably measured. The principle sources of revenue are interest income, fees and commissions.

#### • Interest Income

Interest income for all instruments measured at amortised cost is recognised in the Profit or Loss as it accrues using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial asset or liability initially recognised. When calculating the effective interest rate, cash flows are estimated based upon contractual terms and behavioural aspects of the financial instrument (e.g. prepayment options), but do not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

#### • Leases as Lessor

Operating lease rentals are included in the Profit or Loss on a systematic basis over the lease term. Gross operating lease income comprises amounts received under the lease contracts.

#### • Fee and Commission Income

Fees and commissions are generally recognised on an accrual basis over the period during which the service is performed. However all fees related to the successful origination or settlement of a loan (together with the related direct costs) are deferred and are recognised as an adjustment to the effective interest rate on the loan. Asset management fees relating to investment funds are recognised over the period the service is provided.

#### • Gain or Loss on Sale of Property, Plant and Equipment

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised as non-interest income.

### ii. Expense Recognition

#### • Interest Expense

Interest expense, including premiums or discounts and associated issue expenses incurred on the issue of securities is recognised in the Profit or Loss for all financial liabilities measured at amortised cost using the effective interest method.

#### • Losses on Loans and Receivables Carried at Amortised Cost

The charge recognised in the Profit or Loss for losses on loans and receivables carried at amortised cost reflects the net movement in the provisions for individually assessed and collectively assessed loans, write offs and recoveries of losses previously written off.



## Notes to the Financial Statements

For The Year Ended 31 March 2010

### • Leasing

Operating lease payments are recognised in the Profit or Loss as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit received.

### • Commissions and Other Fees

External commissions and other costs paid to acquire mortgage loans through brokers are deferred and are recognised as an adjustment to the effective interest rate. All other fees and commissions are recognised in the Profit or Loss over the period which the related service is consumed.

## iii. Taxation

### Income Tax

Income tax expense on the profit for the period comprises current tax and movements in deferred tax balances. Current tax is the expected tax payable or recoverable on the taxable profit or tax loss for the period, using tax rates that have been enacted or substantively enacted as at balance date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the comprehensive Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding amounts used for taxation purposes. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted as at balance date that are expected to apply when the liability is settled or the asset is realised.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current and deferred tax is recognised as an expense or income in the Profit or Loss, except when it relates to items recognised directly in other comprehensive income or directly in equity, in which case the deferred tax or current tax is also recognised directly in other comprehensive income or directly in equity.

## iv. Goods And Services Tax

Revenue, expense and assets are recognised net of the amount of goods and services tax ('GST') except where the amount of GST is not recoverable from the Inland Revenue Department. GST attaches to all Investment Property activities. It is also recoverable in direct proportion to the Society's commercial clients on all expenditure, pursuant to Section 20F of the Goods and Services Tax Act 1985.

## v. Assets

### • Financial Assets

The Society classifies its financial assets in the following categories:

- Loans and Receivables
- Financial Assets Held to Maturity (investments in listed debt securities)

Management determines the classification of its financial assets at initial recognition.

### • Recognition and Derecognition of Financial Assets and Financial Liabilities

The Society recognises a financial asset or liability on its Statement of Financial Position when, and only when, the Society becomes a party to the contractual provisions of the financial asset or liability. Financial assets are initially recognised at their fair value plus transaction costs.

The Society derecognises a financial asset from its Statement of Financial Position when, and only when, (i) the contractual rights to the cash flows from the financial asset expire, or (ii) the Society has transferred all or substantially all of the risks and rewards of ownership of the financial asset. The Society derecognises a financial liability from its Statement of Financial Position, when and only when, it is extinguished.

### • Loans and Receivables

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not available for sale. They arise when the Society provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans are recognised when cash is advanced to the borrowers. Loans include mortgages, personal loans and consumer lending. Security is obtained if, based on an evaluation of the customer's credit worthiness, it is considered necessary for the customer's overall borrowing facility. Security would normally consist of assets such as cash deposits, receivables, inventory, plant and equipment, real estate and investments.

Loans and Receivables are recorded at amortised cost using the effective interest method less impairment. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the amount initially recognised.

## Notes to the Financial Statements

For The Year Ended 31 March 2010

### • Investments

Investments in Listed Debt Securities are classified as Held to Maturity Financial Instruments. Investments in listed debt securities are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Society has the intention and ability to hold to maturity. Investment securities are managed by Bancorp Treasury Services Limited. They comprise financial institution subordinated debt and financial institution bonds.

Investment securities are initially recorded at fair value plus directly attributable transaction costs. Subsequent to initial recognition, investment securities are recorded at amortised cost using the effective interest method less impairment.

### • Trade Receivables

Trade Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in Profit or Loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

### • Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand; cash in branches and investments in money market instruments with maturity within three months. Money market instruments (short term deposits) are recorded at cost adjusted by the interest accrued.

Cash and cash equivalents reflect the balance of cash and liquid assets used in the day-to-day cash management of the Society.

### • Property, Plant and Equipment

#### Asset Recognition

Land and Buildings are initially recognised at cost and are subsequently valued by an independent registered valuer. Valuations of Land and Buildings are carried out once every three years, at highest and best use. Land and Buildings are carried at the revalued amount less accumulated depreciation. Other items of Property, Plant and Equipment are carried at cost less accumulated depreciation and impairment losses.

Cost of an asset is the fair value of the consideration provided plus incidental costs directly attributable to the acquisition of the asset and includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the Profit or Loss as an expense as incurred. Impairment losses are recognised as a non-interest expense in the Profit or Loss.

An item of Property, Plant and Equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Profit or Loss in the period the item is derecognised.

### • Revaluation

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

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

### • Depreciation

Depreciation is provided in the financial statements on all Property, Plant and Equipment other than land, on a basis which will write down the net cost or revalued amount of each item of property, plant and equipment over its expected useful life.

The following methods and rates have been applied to the major categories:

	Estimated Life	Method
Buildings and Improvements	10 - 50 yrs	Straight Line
Computer Hardware	Over 3 - 5 yrs	Straight Line
Other Assets	Over 3 - 5 yrs	Straight Line

### • Investment Property

Investment property, which is property held to earn rental and/or for capital appreciation, is measured at its fair value at the reporting date. Gains or losses arising from changes in fair value of the investment property are included in the Profit or Loss in the period in which they arise.

### • Intangible Assets

Software is a finite life intangible asset and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the estimated useful lives of 3 - 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

# Notes to the Financial Statements

For The Year Ended 31 March 2010

## vi. Impairment

Loans and Receivables are reviewed at each Statement of Financial Position date to determine whether there is any objective evidence of impairment. If any indication of impairment exists, the asset's recoverable amount is estimated and provision is made for any shortfall between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Losses for impaired loans are recognised immediately when there is objective evidence that the impairment of a loan has occurred. When a loan is recognised as being impaired action is taken to recover the debt security. The Society does not hold assets acquired under enforcement of a debt security. The security is immediately realised in satisfaction of the loan. Loans are written off when the proceeds from realising the security have been received.

Impaired assets are loans and receivables where an event has occurred and for which it is probable the Society will not be able to collect all amounts owing in terms of the contract. An individual provision is raised to cover the expected loss, where full recovery is doubtful. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in the Profit or Loss immediately.

Impairment provisions are raised for Loans and Receivables that are known to be impaired. Loans and receivables are impaired and impairment losses incurred if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the advance or loan and that loss event (or events) has had a reliably measurable impact on the estimated future cash flows of the individual loan or receivable or the collective portfolio of Loans and Receivables.

Past due assets are any assets that have not been operated by the counterparty within its contractual terms, and which are not impaired assets. Where loan receivables are outstanding beyond the normal contractual terms, the likelihood of the recovery of these loans is assessed by management. If any indication of impairment exists the specific impairment loss is estimated with reference to the loan property value ratio (LVR), the probability of recovery, the cost of possible acquisition through enforcement of security, and related costs and sale proceeds. The process of estimating the recoverable amount involves considerable management judgement. These judgements are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

## vii. Liabilities

### • Borrowings

Term and Call borrowings are measured initially at fair value plus transaction costs. Subsequent to initial recognition Term and Call borrowings are measured at amortised costs and are recorded in the Statement of Financial Position inclusive of accrued interest. Interest payable on borrowings is recognised using the effective interest rate method. Call borrowings include those amounts in the Trust Deed and previously referred to as Call Shares.

### • Trade and Other Payables

Trade and other payables and accrued expenses are recognised when the Society becomes obliged to make future payments resulting from the purchase of goods and services. They are measured initially at fair value plus transaction costs. Subsequent to initial recognition trade and other payables are carried at amortised cost. These amounts are unsecured.

### • Employee Entitlements

#### Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the balance date are recognised in other provisions in respect of employees' services and are measured at the amounts expected to be paid when the liabilities are settled.

## viii. Equity

### • Debt and Equity Instruments

Perpetual Preferential Shares are classified as equity and are recognised at the amount paid per Perpetual Preferential Share.

Debt and Equity instruments are classified in accordance with the substance of the contractual arrangement.

Interest and dividends are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments.

### • Revaluation Reserve

Any revaluation increase arising on the revaluation of land and buildings is credited in other comprehensive income and accumulated in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in Profit or Loss, in which case the increase is credited in other comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in Profit or Loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.



# Notes to the Financial Statements

For The Year Ended 31 March 2010

## ix. Cash Flow Statement

### • Basis of Presentation

The Cash flow statement has been prepared using the direct approach modified by the netting of certain items disclosed below.

Operating activities are the principal revenue producing activities of the Society and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity of the entity.

Cash and cash equivalents reflect the balance of cash and liquid assets used in the day-to-day cash management of the Society.

### • Netting of Cash Flows

Certain cash flows have been netted in order to provide more meaningful disclosure, as many of the cash flows are received and disbursed on behalf of customers and reflect the activities of those customers rather than the Society. These include customer borrowings.

### • Cash and Cash Equivalents

Cash and cash equivalents reflect the balance of cash and liquid assets used in the day-to-day cash management of the Society.

## x. Significant Judgements, Accounting Estimates And Assumptions

The preparation of the financial statements requires the use of management judgements, estimates and assumptions that affect the application of accounting policies and the carrying values of assets and liabilities that are not readily available from other sources. The judgements, estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances the results of which form the basis of making the judgements. Such judgements include determining whether substantially all the significant risks and rewards of ownership of financial assets are transferred to other entities. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements, estimates and assumptions made by management in the application of NZ IFRS and in the preparation of these financial statements are outlined below:

### • Estimation of Average Lives of Loans used to Defer Fees and Costs

The estimation of the useful lives of loans has been based on historical experience, and market and statistical trends. In addition, the average life of loans is assessed at least once per year and considered against the remaining contractual life. Adjustments to the average life are made when considered necessary. The average life of loans is used to defer fees and costs under the effective interest rate method.

### • Impairment Analysis

Where loan receivables are outstanding beyond the normal contractual terms, the likelihood of the recovery of these loans is assessed by management. If any indication of impairment exists the specific impairment loss is estimated with reference to the loan property value ratio (LVR), the probability of recovery, the cost of possible acquisition through enforcement of security, and related costs and sale proceeds. The process of estimating the recoverable amount involves considerable management judgement. These judgements are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

## xi. Changes In Accounting Policies

There have been no changes in accounting policies during the period.

## xii. Standards And Interpretations Effective in the Current Period

### • Those with Disclosure Impact:

NZ IAS 1 Presentation of Financial Statements (revised 2007)

This has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

NZ IFRS 8 Operating Segments

This is a Disclosure Standard that has resulted in a minor change to the Society's segment disclosures (see Note 20).

Amendments to NZ IFRS 7 - Financial Instruments - Disclosure

The amendments to NZ IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Society has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

All other new standards or interpretations effective in the current period have not had a material impact on the financial statements.

## xiii. Statements in Issue But Not Yet Effective

We are not aware of any standards in issue but not yet effective which would materially impact the amounts recognised or disclosed in the financial statements.

# Notes to the Financial Statements

For The Year Ended 31 March 2010

## 1. Key Management Compensation

Amounts received, or due and receivable by Directors:

	31/03/2010	31/03/2009
T Cameron (Chairman)	30,000	30,000
G Dayman (Deputy Chairman)	18,750	15,000
P Bell	15,000	16,250
P Robson	15,000	15,000
JC Taylor	16,250	18,750
	<b>95,000</b>	<b>95,000</b>

Fees to directors' include chairman fees, travel and other allowances and are short term.

**Key Management Compensation (Excluding Directors) comprised:**

	31/03/2010	31/03/2009
Salaries & Short-Term Employee Benefits	380,200	366,939
Post-employment benefits	37,994	35,578
<b>Total Compensation of Key Management Personnel (Excluding Directors)</b>	<b>418,194</b>	<b>402,517</b>

## 2. Taxation

### (a) Income Tax Recognised in Profit

**Income Tax Expense Comprises:**

	31/03/2010	31/03/2009
Current Tax Expense	554,909	555,870
Adjustments Recognised in Relation to the Current Tax of Prior Years	(39,080)	-
Deferred Tax Expense Relating to the Origination and Reversal of Temporary Differences	118,790	(163,458)
Adjustments Recognised in Relation to Deferred Tax of Prior Years	15,532	-
<b>Total Income Tax Expense Recognised in Profit</b>	<b>650,151</b>	<b>392,412</b>

The prima facie income tax expense on pre tax accounting profit reconciles to the income tax expense in the financial statements as follows:

Surplus before tax	2,120,011	1,146,862
Taxation thereon at 30% (2008: 33%)	636,003	344,059
Non Assessable Income	-	(27,000)
Non Deductable Expenses	37,696	75,353
Under/(Over) Provision of Income Tax in Previous Year	(23,548)	-
<b>Income Tax Expense Recognised in Profit and Loss</b>	<b>650,151</b>	<b>392,412</b>

The tax rate used on the above reconciliation is the corporate tax rate of 30% payable by New Zealand companies under New Zealand tax law.

### (b) Current Tax (Asset) Liability

Balance at the Beginning of the Year	188,093	192,553
Taxation Expense	554,909	555,870
Adjustments Recognised in Relation to the Current Tax of Prior Year	(39,080)	-
Taxation Paid	(502,981)	(560,330)
<b>Balance at End of Period</b>	<b>200,941</b>	<b>188,093</b>

### (c) Deferred Tax Balances

Deferred Tax Liabilities Comprise:

Temporary Differences (Note 13)	193,579	59,258
	<b>193,579</b>	<b>59,258</b>

## Notes to the Financial Statements

For The Year Ended 31 March 2010

### 3. Cash And Cash Equivalents

	31/03/2010	31/03/2009
Bank Deposits	42,811,720	42,297,821
Cash on Hand	481,909	395,424
	<b>43,293,629</b>	<b>42,693,245</b>

### 4. Loans And Receivables

	31/03/2010	31/03/2009
Secured	217,773,407	193,016,259
Unsecured	391,499	451,919
Gross Advances	<b>218,164,906</b>	<b>193,468,178</b>
Less Provisions for Credit Impairment	(260,000)	(716,396)
<b>Total Net Advances</b>	<b>271,904,906</b>	<b>192,751,782</b>

### 5. Investments

	31/03/2010	31/03/2009
Investments	6,137,505	7,701,979
	<b>6,137,505</b>	<b>7,701,979</b>

Investment Securities have a nominal value of \$6m (31st March 2009:\$7.5m).  
Investment Securities include subordinated investments with a nominal value of \$3m (2009:\$3m).

### 6. Asset Categorisation

#### Financial Assets:

	31/03/2010	31/03/2009
Loans and Receivables (including Cash and Cash Equivalents)	261,276,039	235,462,921
Assets Held to Maturity	6,137,505	7,701,979
	<b>267,413,544</b>	<b>243,164,900</b>

#### Financial Liabilities:

	31/03/2010	31/03/2009
Financial Liabilities Held at Amortised Cost	255,496,114	230,829,089
	<b>255,496,114</b>	<b>230,829,089</b>

### 7. Provision For Credit Impairment

#### Specific and General Provisions Against Loans and Receivables Balance at Beginning of the Period

	31/03/2010 Provisions	31/03/2009 Provisions
Collective	266,396	73,000
Specific	450,000	75,000
	<b>716,396</b>	<b>148,000</b>

#### New Provisions during the Period

	31/03/2010 Provisions	31/03/2009 Provisions
Collective	46,129	334,453
Specific	257,344	510,127

#### Balances Written Off during the Period

	31/03/2010 Provisions	31/03/2009 Provisions
Collective	(127,525)	(141,057)
Specific	(632,344)	(135,127)

#### Balance at End of the Period

	31/03/2010 Provisions	31/03/2009 Provisions
Collective	185,000	266,396
Specific	75,000	450,000
	<b>260,000</b>	<b>716,396</b>



## Notes to the Financial Statements

For The Year Ended 31 March 2010

The collective provision is a provision for potential loss on mortgages and personal loans. Collateral is held by way of first mortgage over the clients residential assets. It is normal business practice that the loan does not exceed 80% of the registered valuation of the property. The specific provisions relates to the consumer lending. In most cases the Society has recourse for the debt against the car dealers.

There are no restructured assets or assets acquired through enforcement of security.

The following provides a reconciliation of the above movements in provisions for credit impairment reported in the Profit or Loss:

	31/03/2010	31/03/2009
Bad Debts Written Off for the Period	(759,869)	(276,184)
Add New Provisions Made	303,473	844,580
Movement in Provision for Credit Impairment	(456,396)	568,396

### 8. Asset Quality

	31/03/2010	31/03/2009
<b>(a) Asset Quality Advances to Customers</b>		
Past Due But Not Impaired	1,301,135	612,674
Impaired	411,223	1,435,000
Neither Past Due or Impaired	216,192,548	190,704,108
<b>Total Carrying Amount</b>	<b>217,904,906</b>	<b>192,751,782</b>

	31/03/2010		31/03/2009	
	Past Due Assets	Impaired	Past Due Assets	Impaired
<b>b) Movements in Balances of Impaired and Past Due Assets</b>				
Opening Balance	612,674	1,435,000	577,140	-
Assets Classified as Past Due/Impaired	1,601,394	411,223	1,262,509	1,435,000
Charges	7,161	-	10,020	-
Customer Repayments	(112,827)	(962,433)	(607,476)	-
Loan Balance Written Off	(759,869)	(472,567)	(276,184)	-
Assets no Longer Meeting Definition	(47,398)	-	(353,335)	-
<b>Closing Balance</b>	<b>1,301,135</b>	<b>411,223</b>	<b>612,674</b>	<b>1,435,000</b>

<b>(c) Ageing of Past Due Assets</b>	31/03/2010	31/03/2009
Past due 0-29 days	485,717	368,331
Past due 30-59 days	398,565	95,943
Past due 60-89 days	12,011	24,200
Past due 90 days+	404,842	124,200
<b>Carrying Amount</b>	<b>1,301,135</b>	<b>612,674</b>

The balance is in respect of Residential Housing and Consumer Lending. The Society holds insurance of \$253,604 and security of \$1,259,287 over outstanding residential housing balances of \$864,367. In respect of the impaired asset, the Society has a Sale and Purchase agreement for \$395,000 and has provided an additional \$42,000 for the expected shortfall. In respect of Consumer Lending, in most cases the Society has recourse for the debt against the car dealers and as such it is not necessary to determine the fair value of the collateral (which is the responsibility of the third party car dealer). The balance is reviewed regularly and the Society is satisfied that there are no additional issues other than those disclosed above.

## Notes to the Financial Statements

For The Year Ended 31 March 2010

### (d) Restructured Assets and Assets Acquired Through Enforcement of Securities

	Restructured Advances	Real Estate Assets Acquired Through the Enforcement of Security	Other Assets Acquired Through the Enforcement Security
<b>Year Ended 31 March 2009</b>			
Opening Balance	-	-	-
Additions	-	-	-
Deletions	-	-	-
Closing Balance	-	-	-
<b>Year Ended 31 March 2010</b>			
Opening Balance	-	-	-
Additions	-	-	-
Deletions	-	-	-
Closing Balance	-	-	-

The Restructured Advances included in these Financial Statements.

### 9. Trade Receivables

	31/03/2010	31/03/2009
Other Receivables	77,504	17,894
	<b>77,504</b>	<b>17,894</b>

### 10. Investment Property

	31/03/2010	31/03/2009
<b>Freehold Land (at valuation)</b>		
Balance at Beginning of the Period	1,090,000	1,090,000
Net Revaluation Increments/decrease	(105,000)	-
Balance at End of the Period	985,000	1,090,000
<b>Buildings (at valuation)</b>		
Balance at Beginning of the Period	1,000,000	910,000
Additions	-	-
Net Revaluation Increments/decrease	(85,000)	90,000
	915,000	1,000,000
<b>Balance at End of the Period</b>	<b>1,900,000</b>	<b>2,090,000</b>
<b>Total Carrying Amount</b>		

#### Investment Property

The property at 231 Trafalgar Street is classified as an investment property. An independent valuation of the property was carried out at 31 March 2010 by Murray Lauchlan of Duke & Cooke Ltd, Registered Valuers. The valuation was based on market value for existing use. Such valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable, willing seller in an arm's length transaction at the valuation date. The rental capitalisation rate adopted for the valuation of the properties as at 31 March 2010 was 7.00% (2009:6.75%).

## Notes to the Financial Statements

For The Year Ended 31 March 2010

The carrying amount of Investment Properties had they been recognised under the cost model are as follows:

	31/03/2010	31/03/2009
Freehold Land	633,000	633,000
Buildings	698,875	698,875
	<b>1,331,875</b>	<b>1,331,875</b>

### 11. Property, Plant & Equipment

	31/03/2010	31/03/2009
<b>Freehold Land and Buildings</b>		
<b>Fair Value</b>		
Balance at Beginning of the Period	1,878,809	1,750,000
Additions	158,105	128,809
Net Revaluation Increments	-	-
Balance at End of the Period	<b>2,036,914</b>	<b>1,878,809</b>
<b>Depreciation and Impairment</b>		
Balance at Beginning of the Period	16,824	-
Depreciation for the Period <sup>1</sup>	15,422	16,824
Balance at End of the Period	<b>32,246</b>	<b>16,824</b>
<b>Total Freehold Land and Buildings</b>	<b>2,004,668</b>	<b>1,861,985</b>

	31/03/2010	31/03/2009
<b>Computer Equipment</b>		
<b>Cost</b>		
Balance at Beginning of the Period	455,488	359,065
Additions	2,596	96,423
Balance at End of the Period	<b>458,084</b>	<b>455,488</b>
<b>Depreciation and Impairment</b>		
Balance at Beginning of the Period	313,907	251,712
Depreciation for the Period <sup>1</sup>	73,197	62,195
Balance at End of the Period	<b>387,104</b>	<b>313,907</b>
<b>Total Computer Equipment</b>	<b>70,980</b>	<b>141,581</b>
<b>Other Assets</b>		
<b>Cost</b>		
Balance at Beginning of the Period	1,341,083	1,243,290
Additions	123,023	97,793
Balance at End of the Period	<b>1,464,106</b>	<b>1,341,083</b>



## Notes to the Financial Statements

For The Year Ended 31 March 2010

	31/03/2010	31/03/2009
<b>Depreciation and Impairment</b>		
Balance at Beginning of the Period	704,080	599,233
Depreciation for the Period <sup>1</sup>	115,116	104,847
Balance at End of the Period	<b>819,196</b>	<b>704,080</b>
<b>Total Other Assets</b>	<b>644,910</b>	<b>637,003</b>
<b>Total Property, Plant and Equipment</b>	<b>2,720,558</b>	<b>2,640,569</b>

<sup>1</sup>Depreciation expense is included in the line item 'depreciation and amortisation expense' in the Statement of Comprehensive Income.

No impairment losses have been recognised against the gross carrying amount of property, plant and equipment for the year ended 31 March 2010 (March 2009 \$Nil).

The land and buildings of NBS were valued by Duke & Cook, independent registered valuers, as at 31 March 2008. These are valued on the basis of market value for existing use. A rental capitalisation valuation methodology has been used in determining this value. The rental capitalisation rate adopted for the valuation of the properties as at 31 March 2008 was 725%.

The carrying amount of land and buildings had they been recognised under the cost model are as follows:

	31/03/2010	31/03/2009
Freehold Land	16,550	16,550
Buildings	1,120,349	962,244
	<b>1,136,899</b>	<b>978,794</b>

### 12. Intangible Assets

	31/03/2010	31/03/2009
<b>Software</b>		
<b>Cost</b>		
Balance at Beginning of the Period	1,323,341	1,270,945
Additions	147,410	52,396
Balance at End of the Period	<b>1,470,751</b>	<b>1,323,341</b>
<b>Amortisation and Impairment</b>		
Balance at Beginning of the Period	1,247,155	1,110,765
Amortisation for the Period <sup>2</sup>	67,172	136,390
Impairment Losses	-	-
Balance at End of the Period	<b>1,314,327</b>	<b>1,247,155</b>
<b>Total Software</b>	<b>156,424</b>	<b>76,186</b>

<sup>2</sup>Amortisation expense is included in the line item 'depreciation and amortisation expense' in the Statement of Comprehensive Income.

No impairment losses have been recognised against the gross carrying amount of software for the year ended 31 March 2010 (March 2009 \$Nil)

## Notes to the Financial Statements

For The Year Ended 31 March 2010

<b>13. Deferred Taxation</b>	<b>Opening Balance</b>	<b>Charged to Income</b>	<b>Charged to Equity</b>	<b>Closing Balance</b>
<b>31/03/2010</b>				
Establishment Fees in Advance	24,630	(24,630)	-	-
Provision for Credit Impairment	214,919	(136,919)	-	78,000
Investment Property	(142,182)	16,962	-	(125,220)
Property, Plant and Equipment	(208,767)	20,622	-	(188,145)
Intangible Assets - Software	9,235	(11,373)	-	(2,138)
Employee Entitlements	42,907	1,017	-	43,924
Other	-	-	-	-
	<b>(59,258)</b>	<b>(134,321)</b>	<b>-</b>	<b>(193,579)</b>
<b>31/03/2009</b>				
Establishment Fees in Advance	25,105	(475)	-	24,630
Provision for Credit Impairment	44,400	170,519	-	214,919
Investment Property	(115,181)	(27,001)	-	(142,182)
Property, Plant and Equipment	(198,928)	(9,839)	-	(208,767)
Intangible Assets - Software	(11,234)	20,469	-	9,235
Employee Entitlements	37,611	5,296	-	42,907
Other	(4,489)	4,489	-	-
	<b>(222,716)</b>	<b>163,458</b>	<b>-</b>	<b>(59,258)</b>

## 14. Imputation Credit Account

	<b>31/03/2010</b>	<b>31/03/2009</b>
Opening Balance	1,818,120	1,930,204
Tax Paid at 33 cents	-	196,860
Dividends Paid at 33 cents	(161,464)	(308,944)
<b>Closing Balance at 33 cents</b>	<b>1,656,656</b>	<b>1,818,120</b>
Opening Balance	363,470	-
Tax Paid at 30 cents	502,981	363,470
Dividends Paid at 30 cents	-	-
<b>Closing Balance at 30 cents</b>	<b>866,451</b>	<b>363,470</b>
Opening Balance	2,181,590	1,930,204
Tax Paid	502,981	560,330
Dividends Paid	(161,464)	(308,944)
<b>Closing Balance</b>	<b>2,523,107</b>	<b>2,181,590</b>

## Notes to the Financial Statements

For The Year Ended 31 March 2010

### 15. Share Capital

During the year ending 31 March 2010 1,719,500 (net) preference shares were redeemed for \$1 each, fully paid (31st March 2009 1,450,000 (net) redeemed for \$1 each). Each share attracts a fully imputed dividend. Dividends, paid quarterly, may only be paid from the surplus profits of the Society. The dividend shall be paid at a percentage set at the beginning of each quarter (31 March 2010 6.50%). The Society can cancel the payment of a dividend by giving the holder a Dividend Cancellation Notice. The holder of shares has no right to attend, vote or speak at general meetings nor do the shares carry any right to participate in any cash, bonus or other issues of shares declared or made by the Society. The shares may only be redeemed by the Society giving a Redemption Notice to the holders.

	31/03/2010		31/03/2009	
	Number of Shares	\$	Number of Shares	\$
Opening Balance	9,222,000	9,222,000	10,672,000	10,672,000
Shares Issued	2,720,000	2,720,000	300,000	300,000
Shares Redeemed	(4,439,500)	(4,439,500)	(1,750,000)	(1,750,000)
	(1,719,500)	(1,719,500)	(1,450,000)	(1,450,000)
<b>Closing Balance</b>	<b>7,502,500</b>	<b>7,502,500</b>	<b>9,222,000</b>	<b>9,222,000</b>

### 16. Retained Earnings

	31/03/2010	31/03/2009
Opening Balance	7,041,681	6,914,480
Net Surplus for the Period	1,469,860	754,450
Dividends	(327,821)	(627,249)
<b>Closing Balance</b>	<b>8,183,720</b>	<b>7,041,681</b>
<b>Dividends Paid per Share</b>	<b>\$0.044</b> cents per Share	<b>\$0.068</b> cents per Share

### 17. Revaluation Reserve - Property, Plant & Equipment

Balance at Beginning of the Period	1,000,610	1,000,610
Surplus on Revaluation of Land and Buildings	-	-
Deferred Tax on Revaluation	-	-
<b>Balance at End of the Period</b>	<b>1,000,610</b>	<b>1,000,610</b>

### 18. Borrowings

	31/03/2010	31/03/2009
<b>Borrowings</b>		
Call Borrowings - Depositors	38,616,005	34,901,796
Term Borrowings - Depositors	216,160,090	195,045,032
<b>Total Borrowings</b>	<b>254,776,095</b>	<b>229,946,828</b>

All borrowings are unsecured.



## Notes to the Financial Statements

For The Year Ended 31 March 2010

	31/03/2010	Weighted Average Interest Rate %	31/03/2009	Weighted Average Interest Rate %
<b>Maturity Analysis Of Term And Current Borrowings</b>				
Borrowings at Call	38,616,005	2.94	34,901,786	3.15
Between 0 and 1 year	187,885,541	4.97	187,606,905	6.64
Between 1 and 2 years	27,890,661	5.42	7,045,258	6.31
Between 2 and 5 years	383,888	6.46	392,869	7.74
<b>Total Borrowings</b>	<b>254,776,095</b>	<b>4.89</b>	<b>229,946,818</b>	<b>5.88</b>

On 12 November 2008 NBS was confirmed by New Zealand Treasury as an Approved Institution under the Government Deposit Guarantee Scheme. The guarantee shall be in force for a period of 2 years from the announcement of the scheme on 12 October 2008.

The maximum liability of the Crown to each creditor (not being a Nominated Beneficiary) under the Crown Guarantee is one million New Zealand dollars (\$1,000,000). For this purpose amounts owed to creditors by the Society under any Debt Security will be aggregated with other amounts owed to the same creditor by the Society that are supported by the Crown Guarantee.

All Borrowing in excess of this are unsecured.

### 19. Commitments And Contingent Liabilities

The Society has a commitment for loans approved but not yet paid at 31 March 2010 of \$3,398,197 (31 March 2009 for a total of \$9,372,214).

The Society has entered into property leases in Richmond, Motueka, Murchison, Westport and Greymouth for 3 years commencing 1 November 2009, 1 August 2008, 1 January 2007, 15 November 2007 and 1 May 2009 respectively, with right of renewal for a further 3 years at the conclusion of the current lease periods.

The Society also entered into certain motor vehicle leases.

Lease commitments under non-cancellable operating leases:

	31/03/2010	31/03/2009
Less than 1 year	186,600	152,516
Between 1 and 2 years	123,967	62,819
Between 2 and 5 years	46,351	8,633
	<b>356,918</b>	<b>223,968</b>

The Society has entered into a property lease, as a lessor, in Nelson for 6 years beginning 31/12/2009.

Lease commitments under non-cancellable operating lease:

	31/03/2010	31/03/2009
Less than 1 year	157,500	157,500
Between 1 and 2 years	157,500	157,500
Between 2 and 5 years	275,625	420,000
	<b>590,625</b>	<b>735,000</b>

Sponsorship commitments beyond 31 March 2010 total \$Nil (March 2009: \$Nil).

The Society had no contingent liabilities as at 31 March 2010. (March 2009: \$Nil).

## Notes to the Financial Statements

For The Year Ended 31 March 2010

### 20. Segmental Analysis

NBS operates in one industry and one geographical location: a Building Society within the Nelson and West Coast Region. The Society has a geographical concentration of funding in the Nelson and West Coast region.

#### Adoption of NZ IFRS 8 Operating Segments

The Society has adopted NZ IFRS 8 Operating Segments, with effect from 1 April 2009. NZ IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Society that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (NZ IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.

#### Products and services from which reportable segments derive their revenues

NBS operates in one industry and one geographical location: a building society within the Nelson and West Coast Region. The Society has a geographical concentration of funding in the Nelson and West Coast Region. The service and product provision for each branch is similar, the class of customer, methods of distribution and regulatory environment is consistent across all the branches.

#### Segment revenues and results

The following is an analysis of the Society's revenue and results by reportable segment:  
No operations were discontinued during the year.

The accounting policies of the reportable segment are the same as the Society's accounting policies described in Note 1. As there is only one reportable segment for the Society the segment profit represents profit earned for the segment after all costs including all administration costs, directors salaries, interest revenue, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources to the segment, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to the segment. All assets are allocated to the reportable segment.

#### Information about major customers

Included in total revenue are revenues which arose from transactions to the Society's largest customers as follows:

31 March 2010: There was no one customer that individually comprised 10 per cent or more of the total revenue.

31 March 2009: There was no one customer that individually comprised 10 per cent or more of the total revenue.

### 21. Fair Value

Disclosed below is the estimated fair value of the Society's financial instruments disclosed in terms of NZ IFRS 7: Financial Instrument Disclosure.

#### Methodologies

The methodologies and assumptions used when determining fair value depend on the terms and risk characteristics of the various instruments.

The following methods have been used:

#### Cash and Cash Equivalents

Carrying amount is equivalent to fair value.

#### Investments

Fair value is determined based on current market value.

#### Loans and Receivables

For Floating Rate Advances the carrying amount in the Statement of Financial Position is considered a reasonable estimate of fair value, after making allowances for impaired loans as there has been no significant shift in credit profile. For Fixed Rate Advances, fair value is estimated using discounted cash flow models based on the interest rate repricing of the Advances. Interest rates applied in this calculation are based on current market rates for Advances with similar credit and maturity profiles.

# Notes to the Financial Statements

For The Year Ended 31 March 2010

## Trade Debtors

Carrying amount is equivalent to fair value.

## Borrowings

The fair value of demand deposits is the amount payable on demand at the reporting date. For other liabilities with maturities of less than 3 months the carrying amount is a reasonable estimate of fair value.

For liabilities with maturities of 3 months or longer, fair values have been based on quoted market prices, where such prices exist. Otherwise, fair values have been estimated using the discounted cash flow approach by reference to rates currently offered for similar liabilities of similar remaining maturities.

## Trade Payables

Carrying amount is equivalent to fair value.

Financial Assets	31/03/2010		31/03/2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Cash Equivalents	43,293,629	43,293,629	42,693,245	42,693,245
Investments	6,137,505	6,182,388	7,701,979	7,526,161
Loans and Receivables	217,904,906	216,776,835	192,751,782	197,888,969
Trade Receivables	77,504	77,504	17,894	17,894
<b>Total Financial Assets</b>	<b>267,413,544</b>	<b>266,330,356</b>	<b>243,164,900</b>	<b>248,126,269</b>
<b>Financial Liabilities</b>				
Borrowings	254,776,095	254,784,550	229,946,828	231,360,729
Trade and Other Payables	720,019	720,019	882,261	882,261
<b>Total Financial Liabilities</b>	<b>255,843,465</b>	<b>255,851,920</b>	<b>231,160,207</b>	<b>232,574,108</b>

## 22. Liquidity Risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting commitments associated with its financial liabilities, e.g. call and term borrowings, and future commitments, e.g. loan draw-downs. The Society manages its exposure to liquidity risk by maintaining sufficient liquid funds to meet its commitment based on historical and forecasted cash flow requirements.

The Society monitors its liquidity position on a daily basis.

To meet both expected and unexpected fluctuations in operating cash flows the Society maintains a stock of liquid investments which it considers from analysis of historical cashflows, forecast cash flows and the current composition of the Statement of Financial Position to be adequate.

Cash demands are usually met by realising liquid investments, drawing uncommitted lines and raising new deposits.

The Society's Trust Deed prescribes that liquid assets are to be maintained at a minimum of 15% of Total Tangible Assets less Reserves.

Asset liquidity includes Cash and Cash Equivalents, Investments and Loans and Receivables.

The primary funding source for the Society comes from its members who reside in the Nelson and West Coast Region.

The following tables are prepared in accordance with NZ IFRS 7 and analyse the Society's assets and liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date. The amounts shown in the tables are based on the contractual undiscounted cash flows and therefore will not agree to the carrying values on the Statement of Financial Position. The tables include estimates made by management as to the average interest rate applicable for each asset or liability class during the contractual term.

The majority of the longer term Loans and Receivables are housing loans, which are likely to be repaid earlier than their contractual terms. Loans and Receivables with maturity dates within 24 months are expected to run to term, but it is expected that a proportion of the Advances in the over 24 month category could repay earlier due to changes in the borrowers personal circumstances, but on average would still remain in the over 24 month category.



# Notes to the Financial Statements

For The Year Ended 31 March 2010

## Monetary Assets Receivable Matched Against Liabilities Payable as at 31 March 2010

	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	2 to 5 Years	Greater than 5 Years	Total Carrying Amount
<b>Monetary Assets</b>							
Cash & Cash Equivalents	6,180,337	37,136,126	456,367	-	-	-	43,772,830
Investments	-	1,331,583	160,544	3,252,659	2,048,968	-	6,793,754
Trade Receivables	77,504	-	-	-	-	-	77,504
Personal Loans	-	7,609	23,331	138,177	222,382	-	391,499
Consumer Lending	101,750	1,904,159	1,728,195	2,762,186	2,358,700	-	8,854,990
Mortgages and Interest	20,624,024	12,489,847	6,307,475	13,627,173	62,412,820	311,930,752	427,392,091
Provision for Credit Impairment	(260,000)	-	-	-	-	-	(260,000)
<b>Total Monetary Assets</b>	<b>26,723,615</b>	<b>52,869,324</b>	<b>8,675,912</b>	<b>19,780,195</b>	<b>67,042,870</b>	<b>311,930,752</b>	<b>487,022,668</b>
<b>Liabilities</b>							
Borrowings	38,616,005	142,150,863	50,792,415	28,456,743	420,166	-	260,436,191
Trade and Other Payables	720,019	-	-	-	-	-	720,019
Employee Entitlements	146,410	-	-	-	-	-	146,410
Current Tax Liabilities	-	200,941	-	-	-	-	200,941
<b>Total Monetary Liabilities</b>	<b>39,482,434</b>	<b>142,351,804</b>	<b>50,792,415</b>	<b>28,456,743</b>	<b>420,166</b>	<b>-</b>	<b>261,503,561</b>
<b>Net Monetary Assets/ (Liabilities)</b>	<b>(12,758,819)</b>	<b>(89,482,480)</b>	<b>(42,116,503)</b>	<b>(8,676,548)</b>	<b>66,622,704</b>	<b>311,930,752</b>	<b>225,519,106</b>
<b>Unrecognised Loan Commitments</b>	<b>3,398,197</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,398,197</b>
<b>Net Liquidity Gap</b>	<b>(16,157,016)</b>	<b>(89,482,480)</b>	<b>(42,116,503)</b>	<b>(8,676,548)</b>	<b>66,622,704</b>	<b>311,930,752</b>	<b>222,120,909</b>

## Monetary Assets Receivable Matched Against Liabilities Payable as at 31 March 2009

	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	2 to 5 Years	Greater than 5 Years	Total Carrying Amount
<b>Monetary Assets</b>							
Cash & Cash Equivalents	6,211,817	23,825,434	13,542,519	-	-	-	43,579,770
Investments	-	1,896,716	1,223,274	370,600	5,536,889	-	9,027,479
Trade Receivables	17,894	-	-	-	-	-	17,894
Personal Loans	-	5,534	40,633	405,752	-	-	451,919
Consumer Lending	-	1,989,515	1,980,242	3,033,159	2,918,094	-	9,921,010
Mortgages and Interest	19,474,467	12,979,875	11,115,065	16,140,573	182,460,408	311,830,798	554,001,186
Provision for Credit Impairment	(716,396)	-	-	-	-	-	(716,396)
<b>Total Monetary Assets</b>	<b>24,987,782</b>	<b>40,697,074</b>	<b>27,901,733</b>	<b>19,950,084</b>	<b>190,915,391</b>	<b>311,830,798</b>	<b>616,282,862</b>
<b>Liabilities</b>							
Borrowings	31,803,250	118,854,982	74,723,301	7,082,959	496,036	-	232,960,528
Trade and Other Payables	882,261	-	-	-	-	-	882,261
Employee Entitlements	143,025	-	-	-	-	-	143,025
Current Tax Liabilities	-	188,093	-	-	-	-	188,093
<b>Total Monetary Liabilities</b>	<b>32,828,536</b>	<b>119,043,075</b>	<b>74,723,301</b>	<b>7,082,959</b>	<b>496,036</b>	<b>-</b>	<b>234,173,907</b>
<b>Net Monetary Assets/ Liabilities</b>	<b>(7,840,754)</b>	<b>(78,346,001)</b>	<b>(46,821,568)</b>	<b>12,867,125</b>	<b>190,419,355</b>	<b>311,830,798</b>	<b>382,108,955</b>
<b>Unrecognised Loan Commitments</b>	<b>9,372,214</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,372,214</b>
<b>Net Liquidity Gap</b>	<b>(17,212,968)</b>	<b>(78,346,001)</b>	<b>(46,821,568)</b>	<b>12,867,125</b>	<b>190,419,355</b>	<b>311,830,798</b>	<b>372,736,741</b>

## Notes to the Financial Statements

For The Year Ended 31 March 2010

Although the Society has the right to call up advances at any time no such demands have been made. No estimate of the amount likely to be received from an early repayment of advances has been included in these financial statements. While all financial assets/liabilities are at call the ability to liquidate a financial asset is ultimately constrained by the timeliness to realise the asset.

### Loans and Receivables

Table Mortgages with no minimum term: The principal balances are shown as "on demand" from the time of advance.

### Credit Facility

Included in the definition of liquid assets is a committed but undrawn funding line. As at 31 March 2010, the Society had total committed funding lines with Registered Banks of \$6,000,000 ( March 2009 \$10,000,000). \$6,000,000 is with SBS. None of this facility \$Nil ( March 2009 \$Nil) was drawn down at 31 March 2010.

## 23. Credit Risk Exposure

The nature of the Society's activities as a financial intermediary necessitates the Society dealing in financial instruments that contain an inherent element of credit risk. Credit exposure means the amount of the maximum loss that the Society could incur as a result of the counterparty to a contract failing to discharge its obligations, without taking into account the value of collateral, guarantees, indemnities, other support arrangements and any potential recoveries. The maximum amount of credit exposure is limited to the carrying amount of the financial assets disclosed in the Statement of Financial Position plus capital commitments. The Society's activities are conducted within the bounds of prudent and conservative banking practice.

Financial instruments which potentially subject the Society to credit risk are mortgages, personal loans, consumer lending, investments, bank and sundry debtors. The Society's Loans and Receivables are secured by first mortgage over residential and commercial properties. As a guideline the Society will lend up to 80% of a property's valuation by a registered valuer on a residential first mortgage and up to 60% on a commercial first mortgage. The Society invests in New Zealand Government and Local Authority Stock, deposits and bonds with New Zealand Registered Banks and debentures with New Zealand listed companies. The Society has appointed Bancorp Treasury Services Ltd to manage its investments. The credit risk on loans and receivables are limited because most counter parties are banks and companies with high credit ratings assigned by international credit-rating agencies. Personal advances are generally secured by way of guarantee. Consumer lending advances are all secured by chattel security.

In the normal course of business, the Society incurs credit risk from debtors. The Society has a credit policy, which is used to manage its exposure to unsecured advances. There are no significant concentrations of credit risk in any of the above areas. The majority of the Society's loans and receivables are invested in residential mortgages. Over 80% of all Loans and Receivables are in the Nelson Region. This concentration does not significantly increase the Society's credit exposure.

### Concentrations of Credit Risk to Individual Counterparties and Bank Counterparties

The table below shows the numbers of bank counterparties or groups of closely related counterparties of which a bank is a parent and individual counterparties (other than banks or groups of closely related counterparties of which a bank is parent) where the Society has large credit exposures. These have been disclosed in bands of 10% of the Society's equity at balance date.

% of Equity	31/03/2010		31/03/2009	
	Bank	Other	Bank	Other
10-19	3	8	2	9
20-29	-	2	-	1
30-39	-	-	-	-
40-49	1	-	-	-
50-59	-	-	-	-
60-69	1	-	-	-
70-79	1	-	-	-
80-89	-	-	1	-
90+	-	-	1	-

## Notes to the Financial Statements

For The Year Ended 31 March 2010

### Credit Risk Profile by Category

The table below shows the level of lending by category. The Society has 4 major categories of lending: residential, commercial, personal lending and consumer finance.

	31/03/2010	31/03/2009
Residential	159,028,751	127,606,564
Commercial	51,241,639	56,584,749
Personal Lending	391,499	451,919
Consumer Finance	7,243,017	8,108,550
	217,904,906	192,751,782

The table below shows the level of lending by region.

	Year to 31/03/2010	Year to 31/03/2009
Nelson	183,605,638	163,139,414
West Coast	34,299,268	29,612,368
	217,904,906	192,751,782

### 24. Interest Rate Risk

The Society's normal lending terms allow it to reset interest rates at thirty days notice.

Interest rates on "at call" loans and receivables can be reset immediately.

Interest rates on term borrowings are all fixed until their respective maturity dates. Over 89% of the borrowings can be repriced within twelve months (March 2009: 96%).

At 31 March 2010 there were 618 fixed rate borrowings totalling \$28,274,549 not reviewable within one year. (31 March 2009: 106 fixed rate borrowings totalling \$7,438,127). The table below shows the next interest maturity date for financial assets and liabilities.

#### Interest Rate Repricing Schedule as at 31 March 2010

	Effective Interest Rate%	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	Greater than 2 Years	Total Carrying Amount
<b>Monetary Assets</b>							
Cash & Cash Equivalents	4.89%	6,180,337	37,136,126	456,367	-	-	43,772,830
Investments	6.94%	-	1,331,583	160,544	3,252,659	2,048,968	6,793,754
Trade Receivables		77,504	-	-	-	-	77,504
Personal Loans	12.33%	181,860	6,590	17,714	88,163	97,172	391,499
Consumer Lending	14.30%	101,750	1,904,159	1,728,195	2,762,186	2,358,700	8,854,990
Mortgage Advances	6.98%	49,486,755	43,411,348	49,083,280	81,535,229	432,067	223,948,699
Provision for Credit Impairment		(260,000)	-	-	-	-	(260,000)
<b>Total Monetary Assets</b>		<b>55,768,226</b>	<b>83,789,806</b>	<b>51,446,100</b>	<b>87,638,237</b>	<b>4,936,907</b>	<b>283,579,276</b>
<b>Liabilities</b>							
Borrowings	4.89%	38,616,005	141,777,409	51,165,868	28,456,743	420,166	260,436,191
Trade and Other Payables		720,019	-	-	-	-	720,019
Employee Entitlements		146,410	-	-	-	-	146,410
Current Tax Liabilities		-	200,941	-	-	-	200,941
<b>Total Monetary Liabilities</b>		<b>39,482,434</b>	<b>141,978,350</b>	<b>51,165,868</b>	<b>28,456,743</b>	<b>420,166</b>	<b>261,503,561</b>
<b>Net Monetary Assets/ (Liabilities)</b>		<b>16,285,792</b>	<b>(58,188,544)</b>	<b>280,232</b>	<b>59,181,494</b>	<b>4,516,741</b>	<b>22,075,715</b>
<b>Unrecognised Loan Commitments</b>		<b>3,398,197</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,398,197</b>
<b>Net Liquidity Gap</b>		<b>12,887,595</b>	<b>(58,188,544)</b>	<b>280,232</b>	<b>59,181,494</b>	<b>4,516,741</b>	<b>18,677,518</b>



## Notes to the Financial Statements

For The Year Ended 31 March 2010

### Interest Rate Repricing Schedule as at 31 March 2009

	Effective Interest Rate%	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	Greater than 2 Years	Total Carrying Amount
<b>Monetary Assets</b>							
Cash & Cash Equivalents	6.71%	6,211,817	23,825,434	13,542,519	-	-	43,579,770
Investments	7.38%	-	1,896,716	1,223,274	370,600	5,536,889	9,027,479
Trade Receivables		17,894	-	-	-	-	17,894
Personal Loans	12.64%	-	5,534	40,633	405,752	-	451,919
Consumer Lending	13.79%	-	1,989,515	1,980,242	3,033,159	2,918,094	9,921,010
Mortgage Advances	8.28%	19,802,989	10,506,343	6,544,421	155,706,229	1,162	192,561,144
Provision for Credit Impairment		(716,396)	-	-	-	-	(716,396)
<b>Total Monetary Assets</b>		<b>25,316,304</b>	<b>38,223,542</b>	<b>23,331,089</b>	<b>159,515,740</b>	<b>8,546,145</b>	<b>254,842,820</b>
<b>Liabilities</b>							
Borrowings	5.83%	31,803,250	118,854,982	74,723,301	7,082,959	496,036	232,960,528
Trade and Other Payables		882,261	-	-	-	-	882,261
Employee Entitlements		143,025	-	-	-	-	143,025
Current Tax Liabilities		-	188,093	-	-	-	188,093
<b>Total Monetary Liabilities</b>		<b>32,828,536</b>	<b>119,043,075</b>	<b>74,723,301</b>	<b>7,082,959</b>	<b>496,036</b>	<b>234,173,907</b>
<b>Net Monetary Assets/ (Liabilities)</b>		<b>(7,512,232)</b>	<b>(80,819,533)</b>	<b>(51,392,212)</b>	<b>152,432,781</b>	<b>7,960,109</b>	<b>20,668,913</b>
<b>Unrecognised Loan Commitments</b>		<b>9,372,214</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,372,214</b>
<b>Net Liquidity Gap</b>		<b>(16,884,446)</b>	<b>(80,819,533)</b>	<b>(51,392,212)</b>	<b>152,432,781</b>	<b>7,960,109</b>	<b>11,296,699</b>

### 25. Currency Risk

The Society is not exposed to currency risk.

### 26. Capital Adequacy

The Society is subject to minimum capital requirements of 5% as specified in its Trust Deed dated 20 December 1990. As at 31 March 2010 the capital ratio was 6.12% (31 March 2009: 6.95%) This is calculated as Total Equity as a percentage of Total Assets.

Set out below are the Capital Ratios in relation to the above specified benchmarks.

#### Capital Adequacy Ratio Calculation

Measurement of Equity	31/03/2010	31/03/2009
Share Capital	7,502,500	9,222,000
Retained Earnings	8,183,720	7,041,681
Revaluation Reserve	1,000,610	1,000,610
<b>Total Equity</b>	<b>16,686,830</b>	<b>17,264,291</b>
<b>Total Assets</b>	<b>272,723,874</b>	<b>248,483,756</b>
<b>Capital Adequacy Ratio (Trust Deed Minimum 5%)</b>	<b>6.12%</b>	<b>6.95%</b>

The Society's policy is to maintain a strong capital base so as to maintain investor, creditor and customer confidence and to sustain future development of the business. The impact of the level of capital on shareholders return is also recognised and the Society recognises the need to maintain a balance between higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

## Notes to the Financial Statements

For The Year Ended 31 March 2010

### 27. Related Parties

A number of transactions are entered into with related parties (including key management personnel)<sup>3</sup> in the normal course of business. Details of these transactions are outlined below.

<sup>3</sup>Key management personnel are defined as being Directors and Senior Management of the Society. The information relating to key management personnel disclosed below includes transactions with those individuals, their close family members and their controlled entities.

#### (a) Loans and Advances to Related Parties

#### Directors and Other Key Management Personnel

	31/03/2010	31/03/2009
Loans and advances outstanding at beginning of period	1,342,840	1,105,430
Net loans issued/(repaid) during the period	933,140	237,410
Loans and advances outstanding at end of period	<b>2,275,980</b>	<b>1,342,840</b>

No provisions have been recognised in respect of loans given to related parties. There were no debts with any of the above parties written off or forgiven during the year ended March 2010 (March 2009 \$Nil).

#### (b) Deposits from Related Parties

#### Directors and Other Key Management Personnel

	31/03/2010	31/03/2009
Deposits at beginning of period	920,494	483,207
Net deposits received/(repaid) during the period	692,243	437,287
Deposits at end of period	<b>1,612,737</b>	<b>920,494</b>

The above deposits are unsecured and are repayable on demand.

#### (c) Key Management Compensation

Details of remuneration paid or payable to the Directors and other key management personnel are outlined in Note 1. All loans made to key management personnel have been made in accordance with the Society's lending policies.

### 28. Sensitivity Analysis

In managing interest rate risk the Society aims to reduce the impact of short term fluctuations. Over the long term, however, permanent changes in interest rates will have an impact on profit. At 31 March 2010 it is estimated that a general increase of one percentage point in interest rates would increase the Society's profit before income tax and equity by \$323,749 (March 2009: \$352,520). This analysis has been applied against all call and term deposits and interest received on mortgage advances, personal loans, investments, bank deposits and consumer lending.

A decrease in interest rates would have the opposite impact on profit than that described above.

### 29. Subsequent Events

On 20 May 2010 the Government announced that the company tax rate will reduce from 30% to 28% and tax depreciation deductions will no longer be available for any buildings with an estimated useful life of 50 years or more. The changes are effective for years beginning on or after 1 April 2011.

The effect of these changes has not been brought to account in the financial statements for the year ended 31 March 2010. An estimation of the financial effect that the change in deductibility of tax depreciation on buildings will have on the company's deferred tax balances has not yet been determined.

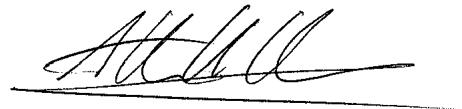
At NBS we understand that . .  
no two lifestyles  
are the same

To the NBS Team

I am writing this letter to acknowledge the fantastic job that the team at NBS is doing in regards to our relationship with my family and our business banking. I find the team at NBS friendly and approachable but also very professional. From the front counter staff, that I or my staff members deal with on a regular basis, to my bank manager who understands my business needs, I have peace of mind knowing that I can rely on NBS to deliver a quality service.

I find the level of communication excellent, I can process transactions with ease via internet banking, over the phone or via email so quick and easy and the staff are so helpful. It is fair to say that my last relationship with my previous bank was not a relationship at all. I felt like a number and was treated that way. I am very comfortable with making the change to NBS and I appreciate the attention to detail that NBS delivers to clients.

I look forward to a long relationship with NBS, you guys are doing a great job, thanks so much.



Anthony Holder





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