PROSPECTUS
No. 33

FOR THE ISSUE OF DEBT SECURITIES
AS DEFINED IN THE SECURITIES ACT 1978
UP TO A MAXIMUM OF $250,000,000

ISSUE DATE: 31 AUGUST 2008

The Index of Matters Required in a Registered Prospectus for Debt Securities as set down in the Securities Regulations 1983

INDEX OF REQUIRED MATTERS

NAME OF ISSUER

Nelson Building Society ("the Society")

REGISTERED OFFICE

111 Trafalgar Street, NELSON, 7001

THE ISSUER

Nelson Building Society is a Building Society incorporated under the Building Societies Act 1965 and registered on 22nd April 1862. The Society's registration number is 1881/1. The Society's public file may be viewed on the Companies Office website www.companies.govt.nz under "Search Other Registers". The file reference number is "1781002". Copies of the documents may also be obtained (on payment of a fee) by telephoning the Companies Office Contact Centre on 0508-266-726. Copies of the Rules of the Society may be inspected and are available during normal office hours at 111 Trafalgar Street, Nelson and 207 Queen Street, Richmond.

CURRENCY OF ISSUE

The Society reserves the right to close this offer of Securities, refuse in whole or part and without assigning reasons any funds offered to it, and or issue a new Prospectus in substitution for or in addition to this Prospectus at any time.

MAIN TERMS OF OFFER

DESCRIPTION OF THE ACTIVITIES OF THE SOCIETY

The raising by subscriptions of the members and deposits from the public of a fund for making advances to members or other persons on security by way of mortgage of freehold or leasehold land, or on the security of the shares of members. To afford facilities to its investors for the profitable advances upon security of freehold or leasehold properties. To afford facilities by way of advances under Consumer Lending contracts secured on motor vehicles or chattels. The activities of the Society being conducted primarily within the Nelson region. The Society has, during the five years prior to the date of this Prospectus, been engaged in providing and developing these activities.

Amounts owing by the six largest borrowers (ie, loans and receivables) as at 31 March 2008 totalled $17,178,780 or 8.84% of the total advances. (March 2007: $12,915,659 being 7.16%)

SECURITIES OFFERED

All securities (being Deposits and Redeemable Shares) (the "Securities") offered are unsecured Debt Securities under the terms of the Securities Act 1978 and the Securities Act (Building Societies) Exemption Notice 2002 (SR2002/319). This Prospectus is for the issue of Debt Securities up to a maximum of $250,000,000.

Deposits: Deposits rank ahead of Redeemable Shares in the event of the Society's dissolution or winding up. A Member's Liability is limited to the amount invested. Each $1 paid by an applicant with the Society constitutes a deposit with consideration of the same amount.

Redeemable Shares: The Society's Rules provide for the issue of fully paid redeemable shares of $1.00 each to be issued for no fixed term or for such fixed term as the Board may determine at the time of issue of the shares. Shares issued for a fixed term may be fixed as to time or related to a specific purpose. A Member's Liability is limited to the amount invested. In the event of the Society's dissolution or winding up, the holders of any class of the abovementioned shares participate in the Society's Reserves. Shareholders are entitled to attend any Special or Annual General Meeting of the Society. Each shareholder age 18 years or more who holds shares to the value of $200.00 or more, is entitled to one vote. In the case of joint shareholding, the person named first in the Society's records is entitled to vote.

APPLICATION FORMS

Once an account has been opened, no application forms are required in respect of any transaction on a deposit or share account. Deposits and shares are accepted by the Society subject to the terms agreed by negotiation, established by the normal course of business, and/or contained in this Prospectus or the Rules of the Society and applicable law. There is no minimum subscription for deposits or shares and all subscriptions must be in cash.

PAYMENT OF INTEREST

The rate at which interest (if any) is payable and the manner in which it is calculated and paid in respect of deposits and shares is fixed by negotiation and any such rate or manner of calculation or payment may be reviewed by the Society from time to time except in the case of deposits or shares for a fixed term in which case the interest rate will remain as negotiated at the time of acceptance.

TRANSFER & NEW ZEALAND STOCK EXCHANGE

The Securities are not transferable. Listing of the Securities on the New Zealand Stock Exchange is not being sought.

PENDING PROCEEDINGS

There are no legal proceedings or arbitrations pending at the date of this Prospectus that may have a material adverse effect on the Society.

RANKING OF SECURITIES

The Debt Securities being offered are unsecured Deposits and Redeemable Shares. The unsecured Deposits rank equally with the Society's other unsecured Deposits ($55,312,523 as at 31 March 2008) and ahead of Redeemable Shares ($148,803,475 as at 31 March 2008) together classified as "borrowings" in the financial statements. As at the 31st day of March 2008, there were no securities that were secured by a mortgage or charge over any of the Society's assets and accordingly that rank in priority ahead of these securities. There are no charges registered over any of the Society's assets.

MATERIAL CONTRACTS

There are no material contracts entered into by the Society during the previous two years other than contracts entered into in the ordinary course of the business of the Society.

ISSUE EXPENSES

There will be no material issue expenses as this issue is not being made through a promoter or any organising brokers. Brokerage will be paid to agents during the term of this Prospectus for some funds received. Brokerage is paid monthly and is calculated on the investment balance of the agency at the end of each month at the rate of 0.375% per annum. This Prospectus has been prepared by staff of the Society. The estimated cost of issuing this Prospectus is $3,700.

REPAYMENT

The Society reserves the right to repay any call deposits or shares at any time. Deposits and shares which are accepted for a fixed term and for which the Society has not received instructions for re-investment or repayment by the date of maturity will be re-invested at the rate of interest (if any) then being paid by the Society for deposits or shares of similar amounts for the terms on current issue.

EARLY REPAYMENT

Deposits and shares for fixed terms will usually be repaid only on maturity, but in exceptional circumstances, and at the Society's sole discretion, they may be repaid prior to maturity. In any case of withdrawal before maturity, the Society reserves the right to adjust the interest rate to that which would have applied had the shortened period been the term originally fixed for the deposit or shares.

DIRECTORS' STATEMENT

In the opinion of the Directors of the Society after due enquiry by them in relation to the period between 31 March 2008 and the specified date, no circumstances have arisen which materially adversely affect the trading or profitability of the Society, the value of its assets, or its ability to pay its liabilities due within the next twelve months.

Trevor Nelson Cameron (Chairman)

Paul Anthony Bell

Garry Richard Dayman

Phillip James Robson

Jeffrey Craig Taylor

PROVISIONS APPLICABLE TO DEBT SECURITIES
DIRECTORATE & ADVISORS

Directors	**T N Cameron CA (Chairman)** 10 Di Pierri Way NELSON 7001	Chartered Accountant
	P A Bell LLB 18 The Cliffs NELSON 7001	Company Director
	J C Taylor 466 Main Road, Stoke NELSON 7001	Company Manager
	P J Robson 53 Fifeshire Crescent NELSON 7001	Businessman
	G R Dayman 2 Whitehead Place NELSON 7001	Dealer Principal
General Manager	**K J Beams** Neudorf Road Upper Moutere NELSON 7152	
Secretary Securities Registrar	**A J Cadigan** 27 Lobank Place, Richmond NELSON 7001	
Auditor	**Deloitte** 32 Oxford Terrace CHRISTCHURCH	
Solicitor	**Glasgow Harley** Halifax Street NELSON 7001	
Trustee	**Trustees Executors Limited** Level 5 10 Customhouse Quay WELLINGTON	
Registered Valuers	**Duke & Cooke Limited** 42 Halifax Street NELSON 7001	

Deloitte

31 August 2008

The Directors
Nelson Building Society
P O Box 62
NELSON

Dear Directors

AUDITORS' REPORT FOR INCLUSION IN PROSPECTUS

As auditors of Nelson Building Society (the 'Society' and 'Borrowing Entity') we have prepared this report pursuant to clause 36 of the Second Schedule of the Securities Regulations 1983 for inclusion in a prospectus to be dated 31 August 2008 for the issue of debt securities up to a maximum of $250,000,000.

This report is made solely to the directors, in accordance with clause 36 of the Second Schedule to the Securities Regulations 1983 ("the Second Schedule"). Our audit has been undertaken so that we might state to the directors 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 and subject to Section 61 of the Securities Act 1978, we do not accept or assume responsibility to anyone other than the directors 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 (the 'directors') are responsible for the preparation and presentation of:

(a) the financial statements as required by clauses 16 to 31 of the Second Schedule of the Securities Regulations 1983, that comply with the regulations; and subject to the regulations comply with generally accepted accounting practice in New Zealand; and give a true and fair view of the state of affairs of the Borrowing Entity as at 31 March 2008 and its financial performance and cash flows for the financial year ended on that date; and

(b) the summary of financial statements of the Borrowing Entity for the financial years ended 31 March 2008, 2007, 2006, 2005 and 2004 as required by clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983; and

(c) the details and amounts in respect of the ranking of securities of the Borrowing Entity as at 31 March 2008 as required by clause 12 of the Second Schedule of the Securities Regulations 1983.

Auditors' Responsibilities

It is our responsibility to:

(a) express an independent opinion on the financial statements of the Borrowing Entity as at 31 March 2008 and for the year ended on that date, prepared and presented by the directors, and report our opinion in accordance with clause 36(1) of the Second Schedule of the Securities Regulations 1983; and

(b) report in accordance with clause 36(1)(g) of the Second Schedule of the Securities Regulations 1983
   i) on the amounts included in the summary of financial statements for the financial years ended 31 March 2008, 2007, 2006, 2005 and 2004 presented by the directors; and
   ii) on the amounts included in the ranking of securities of the Borrowing Entity as at 31 March 2008 presented by the directors.

Deloitte

This report has been prepared for inclusion in the prospectus for the purpose of meeting the requirements of clause 36 of the Second Schedule of the Securities Regulations 1983. We disclaim any assumptions of responsibility for reliance on this report or the amounts included in the financial statements, the summary financial statements or the amounts included in the ranking of securities, for any other purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the prospectus not specifically mentioned in this report.

Basis of Opinion on the Financial Statements

An audit of the financial statements for the year ended 31 March 2008 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 Borrowing Entity 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.

Basis of Opinion on the Summary of Financial Statements

We have undertaken procedures to provide reasonable assurance that the amounts set out in the summary of financial statements on pages 13 and 14 of this prospectus, pursuant to clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Borrowing Entity for the financial years ended 31 March 2008, 2007, 2006, 2005 and 2004. For a better understanding of the financial position and results of the Borrowing Entity's operations for the financial period the summary financial information should be read in conjunction with the related annual financial statements.

Basis of Opinion on the Ranking of Securities

We have undertaken procedures to provide reasonable assurance that the amounts set out in the ranking of securities on page 3, pursuant to clause 12 of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Borrowing Entity as at 31 March 2008.

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

Unqualified Opinion on the Financial Statements

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

Deloitte

In our opinion:

- proper accounting records have been kept by the Borrowing Entity as far as appears from our examination of those records; and
- the financial statements of the Borrowing Entity on pages 15 to 42 of this prospectus, as required by clauses 16 to 31 of the Second Schedule of the Securities Regulations 1983, and that are required to be audited, have been drawn up to:
  - comply with the Securities Regulations 1983; and
  - subject to these Regulations, comply with generally accepted accounting practice in New Zealand; and
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the financial position of the Borrowing Entity as at 31 March 2008 and the results of their operations and cash flows for the financial year ended on that date.

Our audit was completed on 30 May 2008 and our unqualified opinion is expressed as at that date.

Unqualified Opinion on the Summary of Financial Statements

In our opinion

- the amounts set out in the summary of financial statements, on pages 13 and 14 of this prospectus, as required by clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Borrowing Entity for the financial years ended 31 March 2008, 2007, 2006, 2005 and 2004 from which they were extracted.

Unqualified Opinion on the Ranking of Securities

In our opinion the amounts set out in the ranking of securities, on page 3 of this prospectus, as required by clause 12 of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Borrowing Entity for the year ended 31 March 2008.

In terms of Regulations 7(1)(b)(ii) of the Securities Regulations 1983 we hereby give our consent to the inclusion in the above mentioned prospectus of this report in the form in which it is included. We also confirm that we have not, before delivery of this prospectus for registration, withdrawn our consent to the issue thereof.

Yours faithfully

Deloitte

Deloitte
Chartered Accountants
Christchurch, New Zealand

This audit report relates to the prospectus of Nelson Building Society dated 31 August 2008 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 prospectus since it was initially presented on the website. The audit report refers only to the prospectus named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the prospectus. 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 prospectus and related audit report dated 31 August 2008 to confirm the information included in the prospectus presented on this website. Legislation in New Zealand governing the preparation and dissemination of prospectuses may differ from legislation in other jurisdictions.

Trustees Executors
Level 5, 10 Customhouse Quay, PO Box 3222, DX SP20011,
Wellington, New Zealand. Phone (04) 495-0999, Fax (04) 496-2952

31 August 2008

The Directors
Nelson Building Society
P O Box 62
NELSON

Dear Sirs

Re: PROSPECTUS NO. 33

Clause 13(3) of the Second Schedule to the Securities Regulations 1983 requires us to confirm that the offer of securities ("the Securities") set out in this Prospectus complies with any relevant provisions of the Trust Deed dated 20 December 1990 (as amended). These provisions are those which:

(i) Entitle Nelson Building Society to constitute and issue under or with the benefit of the Trust Deed (as the case may be) the Securities offered in the Prospectus;

(ii) Impose restrictions on the right of Nelson Building Society to offer the Securities;

and are described in the summary of the Trust Deed in the Prospectus.

The Auditors have reported on the financial information set out in the Prospectus and our statement does not refer to that information or to any other material in the Prospectus which does not relate to the Trust Deed.

We confirm that the offer of the Securities set out in the Prospectus complies with any relevant provisions of the Trust Deed. We have given the above confirmation on the basis:

(a) set out above; and

(b) that, subject to the duties imposed on the Trustee by the Fifth Schedule of the Securities Regulations 1983, the Trustee relies on the information supplied to it by Nelson Building Society pursuant to the Trust Deed and does not carry out an independent check of that information.

Trustees Executors Limited does not guarantee the repayment of the Securities or the payment of interest.

Signed for and on behalf of
Trustees Executors Limited

Richard McLoughlin
Business Manager
Corporate Trust

INVESTOR PROTECTION

THE TRUST DEED

IMPORTANT DEFINITIONS

"Deposits" means all Debt Securities other than Redeemable Shares and includes the Principal Moneys thereof and other moneys payable in respect thereof.

The Trust Deed and the Society's rules refer to deposits as "shares". However in the financial statements these deposits are classified as borrowings as they do not meet the definition of equity under NZ IFRS.

"Debt Security" means any debt security which is outstanding and not secured by a Charge of which the Society is the issuer which is or at any time has been offered to the public for subscription by or on behalf of the Society (within the meaning of the Securities Act) and any debt security which is constituted as a Debt Security and any debt converted to a Debt Security in accordance with Clause 4.3, and includes every Redeemable Share whether or not offered to the public for subscription.

"Redeemable Share" means any participatory security (within the meaning of the Securities Act) in the form of the share issued, or to be issued, by the Society pursuant to Section 11 of the Building Societies Act and not redeemed; but does not include a share which carries the right to payment of any dividend, or on which interest is payable from the annual surplus of the Society, which is irredeemable or redeemable only at the option of the Society.

"Principal Moneys" means in relation to Deposits or Redeemable Shares, the amount (other than interest) payable on redemption of the Deposits or Redeemable Shares (as the case may be) inclusive of the premium (if any) of the Deposits or Redeemable Shares (as the case may be) payable in accordance with the conditions of issue thereof.

"Total Liabilities" means the aggregate on a consolidated basis of the amounts of all Liabilities of the Society and Guaranteeing Subsidiaries as would be disclosed in a Guaranteeing Group Balance Sheet if one was prepared as at the reference date adjusted by deducting all Subordinated Debt.

"Total Secured Liabilities" means the total on a consolidated basis of the amounts of all Secured Liabilities of the Guaranteeing Group as would be disclosed in a Guaranteeing Group Balance Sheet if one was prepared as at the Reference date.

"Total Liquid Assets" means total on a consolidated basis of the values of all Liquid Assets of the Guaranteeing Group as would be disclosed in a Guaranteeing Group Balance Sheet if one was prepared as at the Reference date.

"Guaranteed Investment Principal" means the principal or that portion of the principal outstanding to the Guaranteeing Group under any investment, liability or obligation not included in Liquid Assets for which a Prime Debtor is liable whether as principal debtor, guarantor, endorser or otherwise; including without limitation a registered mortgage, to the extent repayment of the principal outstanding is guaranteed by the Housing Corporation of New Zealand or by an insurance company or a wholly owned Subsidiary thereof which is certified by a Director's Certificate to be, to the best of the Director's knowledge and belief after taking appropriate advice, of a comparable credit-standing to a Prime Debtor, which means a Bank, any wholly-owned subsidiary of any Bank which subsidiary is itself a financial intermediary, a government, any person incorporated by statute and which is directly controlled or capable without further legislative act or decree of being controlled by a government, any corporation the shares in which are owned by a government and which if such corporation were a company within the meaning of the Companies Act 1993 would be a subsidiary of such government and any local authority within the meaning of the Local Authorities Loans Act 1956.

"Extraordinary Resolution" means an Extraordinary Resolution of the Depositors or a class thereof or of the Redeemable Shareholders or a class thereof, passed in the manner provided in Schedule 1 of the Trust Deed.

"Guaranteeing Group" means the Society and (if there are any) the Guaranteeing Subsidiaries or when the context so admits or requires any one or more of them.

"Guaranteeing Subsidiary" means any Subsidiary which shall at any time hereafter become a Guaranteeing Subsidiary as provided by this Deed so long as it shall not have been discharged from liability hereunder. As at the date of this prospectus, there were no Guaranteeing Subsidiaries.

THE TRUST DEED

1. The Deposits and Redeemable Shares (collectively the "Securities") offered in this Prospectus are issued under a Trust Deed dated 20th December 1990 as amended by subsequent deeds of amendment (the "Trust Deed") made between the Society and Trustees Executors Limited as Trustee for the Security holders, which came into effect on 1st January 1991. Except to the extent that this Prospectus sets out the terms and conditions relating to the Securities, those contained in the Trust Deed will apply.

2. The Securities constituted under the Trust Deed include all existing Deposits on issue to the public and all Redeemable Shares on issue. The holder of any Deposits or Redeemable Shares issued before 1st January 1991 has the benefit of the Trust Deed unless and until the holder notifies the Trustee or Society that he or she does not wish to be a beneficiary or be bound by the terms of the Trust Deed.

3. All Deposits rank equally on a winding up with all other Deposits and unsecured liabilities and before Redeemable Shares, and Redeemable Shares rank equally with all other Redeemable Shares, notwithstanding that such Securities may have been issued at different times and carry interest at different rates and are repayable at different times. The Rules of the Society applicable to Deposits and Redeemable Shares continue to apply.

4. The Terms referred to in this section and which are defined in the Trust Deed have the same meaning specified in the Trust Deed.

THE TRUSTEE

5. Under the Trust Deed, Trustees Executors Limited ("the Trustee"), is appointed, as trustee for Depositors and Redeemable Shareholders. The Trustee does not guarantee repayment of the Securities or the payment of any interest or dividends thereon.

LIMITATIONS

6. The Trust Deed does not prohibit the creation of new mortgages or charges ranking in point of security ahead of securities, but imposes a maximum to the total amount that may be so secured ("the Total Secured Liabilities") over the assets of the Society (see 7.2).

FINANCIAL RESTRICTIONS

7. The Trust Deed contains continuing covenants from the Guaranteeing Group with the Trustee that it will not:

7.1 Permit Total Liabilities to exceed 95% of Total Tangible Assets;

7.2 Permit Total Secured Liabilities to exceed 1% of Total Tangible Assets; Additional Secured Liabilities owed to Prime Debtors, (for example, Banks) are permitted for a limited time in certain prescribed circumstances and may increase Total Secured Liabilities up to a maximum of 7% of Total Tangible Assets at any particular time.

7.3
- (a) Permit Total Liquid Assets to be less than 15% of (Total Tangible Assets less Reserves);
- (b) Permit the total amount payable in cash over any half-years as interest and dividends to exceed income actually received in cash over the same period from investments of the Guaranteeing Group;
- (c) Fail to ensure that the assets of the Guaranteeing Group are sufficient or likely to be sufficient to enable its liabilities to be discharged as they become due;
- (d) Permit Exposure to a single issuer of Marketable Debt Securities or, in relation to such an issuer that is a member of a group of companies, Exposure to the Single Group of which the issuer is a Member (other than to a Bank) to exceed 15% of Total Liquid Assets.

7.4
- (a) Permit the aggregate of Total Secured Indebtedness and Total Unsecured Indebtedness owing to the Guaranteeing Group and the Total Listed Securities and the Total Unlisted Securities of the Guaranteeing Group to exceed 15% of Total Tangible Assets;
- (b) Permit the aggregate of Total Unsecured Indebtedness, Total Listed Securities and Total Unlisted Securities to exceed 5% of Total Tangible Assets.

7.5 Secure by way of charge over any assets of the Guaranteeing Group the payment of Principal or interest or other moneys payable under any Debt Securities or issue any Debt Securities to "bearer".

7.6 Sell or transfer the whole or any substantial part of the business, undertaking or assets of the Guaranteeing Group except to any member of the Guaranteeing Group.

7.7 Enter into or permit the subsistence of any guarantee, indemnity or security for the obligations of any External Person for any unlimited amount of liability.

TRANSACTIONS WITH ASSOCIATED PERSONS

8. An associated person is (broadly) any person (including a body corporate) or a relative of any person who controls or manages the Society, or who is controlled by the Society or whoever controls or manages the Society, and includes any non-guaranteeing body corporate which is related to or associated (in terms of accounting standards) with the Society.

9. Apart from equity investments in existence at the original date of the Trust Deed or which may be approved by the Trustee, the Guaranteeing Group covenants not to lend, invest in or guarantee the obligations of Associated Persons unless security is taken by way of mortgage or as Guaranteed Investment Principal on (except in the case of staff loans) normal commercial interest rates.

10. The Guaranteeing Group also covenants with the Trustee that it will not enter into transactions with Associated Persons other than for full market value, on an arms-length basis and in the ordinary course of business.

REPORTS TO TRUSTEE

11. To enable the Trustee to monitor the financial position of the Guaranteeing Group, the Guaranteeing Group covenants to report regularly to the Trustee on the Guaranteeing Group's financial affairs.

12. Audited financial statements must be presented yearly and unaudited financial statements half-yearly. The directors of the Society must report to the Trustee every three months on various matters specified in detail in the Trust Deed, and monthly management financial statements are to be supplied to the Trustee.

13. The Trustee may also request (in special circumstances) that the Society provide further accounts and relevant information.

DUTIES OF TRUSTEE

14. The following is a summary of the duties of the Trustee as stated by the Trust Deed:

(a) to oversee compliance with the covenants and obligations of the Guaranteeing Group under the Trust Deed on the basis of the provisions of the Trust Deed;
(b) to receive and consider the financial statements and reports of the Directors and Auditors;
(c) to ascertain whether or not the Guaranteeing Group has breached the covenants in the Trust Deed or the terms of issue of any of the Securities issued after 1st January 1991;
(d) upon occurrence of certain Events of Default under the Trust Deed, the Trustee may, or upon the written request of the holders of 20% of the principal amount of Depositors or Redeemable Shares or upon the Extraordinary Resolution of Depositors or Special Resolution of Shareholders, shall declare the Deposit Moneys and/or Redeemable Share Moneys to be immediately due and payable.

In addition, the Trustee has a statutory duty pursuant to the Securities Act 1978 and the Securities Regulations 1983 to exercise reasonable diligence to:

(a) ascertain whether or not there has been any breach of the terms of the Trust Deed or of the terms of the offer of the deposits and to do all it is empowered to do to cause any such breach to be remedied (except where satisfied that the breach will not materially prejudice the interest of the Holders); and
(b) ascertain whether or not assets of the Guaranteeing Group that are or may be available, whether by way of security or otherwise, are sufficient or likely to be sufficient to discharge the amounts on the deposits and redeemable shares as they become due.

POWER OF MAJORITY

15. The Trust Deed contains provisions for meetings of Depositors, Redeemable Shareholders and/or any class thereof. An Extraordinary Resolution (i.e.: a resolution passed by three-quarters of the votes cast at a meeting where there was a quorum of the holders of not less than a majority of the relevant Securities) of the Depositors or the Redeemable Shareholders (or a Class thereof) generally binds all the members of that Class (whether they vote or not). However, an Extraordinary Resolution which exclusively affects the rights and interests of a Class of Security holders shall be of no force and effect unless it has been assented to in writing by not less than three-fourths in Principal amount of that Class of Security holders.

MODIFICATIONS TO TRUST DEED

16. The Trustee may concur with the Society in making modifications to the Trust Deed in certain specified cases including where the modification is approved by an Extraordinary Resolution passed by the Depositors and Redeemable Shareholders, and (without such a resolution) where the Trustee is of the opinion that such alteration is not or is not likely to become prejudicial to the general interests of the Security holders (or any Class thereof).

RELEASE OF TRUST DEED

17. The Trust Deed will be discharged if the Society becomes a registered bank or transfers its engagements to a bank or to another building society or entity which has a Trust Deed in place which complies with the Securities Act and under which the Security holders will be beneficiaries or upon the Trustee being satisfied that all moneys owing under the Trust Deed have been repaid or provision has been made for such repayment.

SUMMARY OF FINANCIAL STATEMENTS FROM 2004 TO 2008

Income Statement

	Year Ended 31 March 2008 $ (NZ IFRS)	Year Ended 31 March 2007 $ (NZ IFRS)	Year Ended 31 March 2007 $ (NZ FRS)	Year Ended 31 March 2006 $ (NZ FRS)	Year Ended 31 March 2005 $ (NZ FRS)	Year Ended 31 March 2004 $ (NZ FRS)
Total Revenue	21,901,952	18,296,728	18,676,701	15,487,783	12,859,250	10,553,406
Other Income	60,000	238,995				
Total Income	21,961,952	18,535,723	18,676,701	15,487,783	12,859,250	10,553,406
Less Total Interest Expense (1)	15,716,577	13,520,472	13,520,472	11,103,768	8,870,864	7,087,590
Other Expense	4,808,386	4,206,740	4,320,626	3,909,727	3,616,981	2,997,703
Less Total Expense	20,524,963	17,727,212	17,841,097	15,007,495	12,487,825	10,085,293
Net Surplus Before Taxation	1,436,989	808,511	835,604	480,288	371,425	468,113
Less Taxation Expense	630,085	223,359	232,299	144,834	136,917	157,141
Net Surplus After Taxation	806,904	585,152	603,305	335,454	234,508	310,972
Transfer to General Reserve Fund	806,904	585,152	603,305	335,454	234,508	310,972

(1) Interest expense includes commission fees.

Balance Sheet as at 31 March

	$ (NZ IFRS)	$ (NZ IFRS)	$ (NZ FRS)	$ (NZ FRS)	$ (NZ FRS)	$ (NZ FRS)
Total Tangible Assets	223,894,148	206,953,779	207,390,676	191,298,907	170,178,128	148,184,641
Total Intangible Assets	160,180	361,750	-	-	-	-
Total Assets	224,054,328	207,315,529	207,390,676	191,298,907	170,178,128	148,184,641
Total Liabilities	205,467,238	191,047,537	191,044,152	184,184,290	163,460,237	142,282,900
Total Equity	18,587,090	16,267,992	16,346,524	7,114,617	6,717,891	5,901,741

Dividends Paid in Respect of Equity Securities

	Year Ended 31 March 2008 $ (NZ IFRS)	Year Ended 31 March 2007 $ (NZ IFRS)	Year Ended 31 March 2007 $ (NZ FRS)	Year Ended 31 March 2006 $ (NZ FRS)	Year Ended 31 March 2005 $ (NZ FRS)	Year Ended 31 March 2004 $ (NZ FRS)
Preference Shares	779,528	52,655	52,655	-	-	-
	0.068 cents per share	0.062 cents per share	0.062 cents per share	-	-	-

NOTES TO THE SUMMARY OF FINANCIAL STATEMENTS FROM 2004 TO 2008

1. The amounts stated in the above Summary of Financial Statements have been taken from Audited Annual Financial Statements.

2. There are no securities that are secured by a charge over the assets of the Society that rank in point of security ahead of or equal to the Securities being offered.

3. For the period reviewed, there were no:
   - abnormal items
   - extraordinary items
   - minority interests
   - amounts derived using equity accounting
   - no change in accounting policies

4. 'NZ IFRS' refers to New Zealand equivalents to International Financial Reporting Standards.
   'NZ FRS' refers to New Zealand Financial Reporting Standards which have been superseded by NZ IFRS from 1 April 2006.

Nelson Building Society
Income Statement for the year ended 31 March 2008

		Year to 31/03/2008 $	Year to 31/03/2007 $
INCOME			
Income Received From:			
Mortgages & Personal Loans		17,612,698	14,504,083
Consumer Lending		1,033,674	936,733
Bank Deposits, Investments & Debentures		2,131,264	1,790,914
Other Interest		-	4,970
INTEREST INCOME		20,777,636	17,236,700
Deduct Finance Costs			
Interest Incurred on:			
Term & Call Deposits		15,211,087	13,012,481
Other Borrowings		261,147	241,208
Commission on:			
Consumer Lending		244,343	266,783
		15,716,577	13,520,472
NET INTEREST AND COMMISSION INCOME		**5,061,059**	**3,716,228**
Add - Other Income			
Bad Debts Recovered		22,975	9,602
Commission		72,138	48,235
Establishment Fees		246,225	254,409
Consumer Lending Fees		114,496	84,445
Other Income		527,913	462,116
Rental Income on Investment Property		142,187	202,089
Rental Expenses on Investment Property		(1,618)	(868)
		1,124,316	**1,060,028**
GROSS CONTRIBUTION FROM ACTIVITIES		**6,185,375**	**4,776,256**
Deduct Overhead expenses			
Auditors Audit Fees		46,125	43,875
Assurance Services		44,544	44,942
Prospective Review		9,338	8,200
Administration Expenses		1,689,917	1,410,180
Amortisation & Depreciation		458,537	402,256
Bad Debts		235,419	13,110
Directors Fees		88,500	74,026
Operating Lease Costs		226,672	221,420
Personnel Costs		1,864,620	1,618,831
Provision for Credit Impairment		-	144,000
Sponsorship		144,714	129,224
TOTAL EXPENSES		**4,808,386**	**4,110,064**
OPERATING SURPLUS		**1,376,989**	**666,192**
Add Revaluation of Investment Property	Note 10	60,000	238,995
Deduct Loss on Sale of Investment Property		-	96,676
SURPLUS BEFORE TAXATION		**1,436,989**	**808,511**
Taxation	Note 2	630,085	223,359
NET SURPLUS FOR THE PERIOD		**$ 806,904**	**$ 585,152**

The Notes to the Financial Statements (pages 20 to 42) form part of and should be read in conjunction with these financial statements.

Nelson Building Society
Statement of Changes in Equity for the year ended 31 March 2008

			Year to 31/03/2008 $	Year to 31/03/2007 $
OPENING EQUITY			16,267,992	7,054,237
Net Surplus for the Period			806,904	585,152
OTHER RECOGNISED INCOME AND EXPENSES				
Revaluation of Land and Buildings, Net of Tax		Note 17	49,722	251,258
Total Recognised Income and Expenses			**856,626**	**836,410**
Shares -	Issued	Note 15	5,892,000	8,430,000
	Redeemed		(3,650,000)	
Dividends		Note 16	(779,528)	(52,655)
CLOSING EQUITY			**$ 18,587,090**	**$ 16,267,992**

The Notes to the Financial Statements (pages 20 to 42) form part of and should be read in conjunction with these financial statements.

Nelson Building Society
Balance Sheet as at 31 March 2008

		As at 31/03/2008 $	As at 31/03/2007 $
ASSETS			
Cash and Cash Equivalents	Note 3	21,255,017	17,312,101
Trade Receivables	Note 9	10,095	4,775
Prepayments		303,455	306,605
Investments	Note 5	3,535,522	4,580,592
Loans and Receivables	Note 4		
Mortgages		185,692,216	173,331,823
Personal Loans		593,842	461,669
Consumer Lending		8,150,591	6,696,886
Less Provision for Credit Impairment	Note 7	(148,000)	(148,000)
Investment Property	Note 10	2,000,000	1,940,000
Property, Plant & Equipment	Note 11	2,501,410	2,467,328
Intangible Assets	Note 12		
Software		160,180	361,750
		224,054,328	**207,315,529**
LIABILITIES			
Borrowings	Note 18	204,115,998	190,161,718
Employee Entitlements		125,371	116,065
Trade and Other Payables		810,600	578,160
Current Tax Liabilities	Note 2	192,553	53,870
Deferred Taxation	Note 13	222,716	137,724
		205,467,238	**191,047,537**
NET ASSETS		**$ 18,587,090**	**$ 16,267,992**
EQUITY			
Share Capital	Note 15	10,672,000	8,430,000
Retained Earnings	Note 16	6,914,480	6,887,104
Revaluation Reserve	Note 17	1,000,610	950,888
Attributable to Members of the Society		$ 18,587,090	$ 16,267,992

The Notes to the Financial Statements (pages 20 to 42) form part of and should be read in conjunction with these financial statements.

Nelson Building Society
Cash Flow Statement for the year ended 31 March 2008

	Year to 31/03/2008 $	Year to 31/03/2007 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Interest Received	20,777,636	17,069,233
Fees, Rents and Commissions	1,124,316	1,100,960
	21,901,952	18,170,193
Cash was disbursed to:		
Interest Paid	(15,688,405)	(13,202,383)
Operating Expenses	(4,141,344)	(3,668,569)
Income Taxes Paid	(380,617)	(324,032)
	(20,210,366)	(17,194,984)
Net Cash Flows From Operating Activities before changes in Operating Assets	1,691,586	975,209
Increase in Loans and Receivables: Advances	70,099,705	74,582,625
Decrease in Loans and Receivables: Repayments	(84,045,974)	(93,263,279)
Net Cash Flows From Operating Activities	**$ (12,254,683)**	**$ (17,705,445)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Decrease in Investments	1,045,071	297,329
Sale of Investment Property	-	2,433,324
	1,045,071	2,730,653
Cash was disbursed to:		
Increase in Investments	-	1,284
Property, Plant & Equipment	(216,763)	(271,109)
Intangible Assets	(47,461)	(16,650)
	(264,224)	(286,475)
Net Cash Flows used in Investing Activities	**$ 780,847**	**$ 2,444,178**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Increase in Borrowings	13,954,279	6,390,181
Issue of Shares	2,242,000	8,430,000
	16,196,279	14,820,181
Cash was disbursed to:		
Dividends Paid	(779,527)	(4,472)
Net Cash Flows from Financing Activities	**$ 15,416,752**	**$ 14,815,709**
Increase/(Decrease) in Cash Held	3,942,916	(445,558)
Add Opening Cash and Cash Equivalents	17,312,101	17,757,659
Closing Cash and Cash Equivalents	**$ 21,255,017**	**$ 17,312,101**

The Notes to the Financial Statements (pages 20 to 42) form part of and should be read in conjunction with these financial statements.

Nelson Building Society
Cash Flow Statement for the year ended 31 March 2008

	Year to 31/03/2008 $	Year to 31/03/2007 $
RECONCILIATION OF NET SURPLUS TO CASH FLOWS FROM OPERATING ACTIVITIES		
Net Surplus	806,904	585,152
Non Cash Items		
Deferred Taxation	110,784	(102,323)
Depreciation and Amortisation	458,537	402,256
Investment Properties (Revaluation)	(60,000)	(238,995)
Increase/(Decrease) in Provision for Credit Impairment	-	(119,090)
Loss on Sale of Investment Property	-	96,676
	509,321	38,524
Movement in Other Items		
Increase in Trade and Other Payables	229,543	241,129
Increase/(Decrease) in Taxation Payable	138,682	12,780
(Increase)/Decrease in Trade Receivables	(5,320)	413
(Increase)/Decrease in Prepayments	3,150	82,226
Increase/(Decrease) in Employee Entitlements	9,306	14,985
Increase in Loans and Receivables: Advances	70,099,705	74,582,625
Decrease in Loans and Receivables: Repayments	(84,045,974)	(93,263,279)
	(13,570,908)	(18,329,121)
	$ (12,254,683)	**$ (17,705,445)**

The Notes to the Financial Statements (pages 20 to 42) form part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2008

STATEMENT OF ACCOUNTING POLICIES
STATEMENT OF COMPLIANCE

Nelson Building Society (the Society) is a profit-orientated 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, insurances, 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. Compliance with NZ IFRS ensures that 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 30 May 2008.

ADOPTION OF NZ IFRS

The Society adopted NZ IFRS for the reporting period commencing 1 April 2007. Hence, from this date the Society has prepared financial statements using NZ IFRS as issued by the NZ Financial Reporting Standards Board and approved by the New Zealand Accounting Standard's Review Board.

These financial statements are the first financial statements prepared in accordance with NZ IFRS. NZ IFRS 1: First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards has been applied. An explanation of how the transition from previous GAAP to NZ IFRS has impacted the Society's previously reported Income Statement, Balance Sheet and Cash Flow Statement is set out in Note 29 Explanation of Transition to NZ IFRS.

The accounting policies set out below have been consistently applied to all periods in these financial statements and in preparing an opening NZ IFRS balance sheet as at 1 April 2006.

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 and mortgages.

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 Income Statement 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 Income Statement 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 income statement 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 Income Statement 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.

• Leasing

Operating lease payments are recognised in the Income Statement 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 Income Statement 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 balance sheet 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 income statement, except when it relates to items credited or debited to equity, in which case the deferred tax or current tax is also recognised directly in equity.

iv. GOODS AND SERVICES TAX

GST is recognised as part of the revenue, expense or asset. 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 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 Balance Sheet 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 Balance Sheet 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 Balance Sheet, 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.

• Investments

Investments in Listed Securities are classified as Held to Maturity Financial Instruments.
Investments in listed 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 subsequentially measured at amortised cost, using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

•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 amortised cost using the effective interest method.

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 annually, 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 income statement as an expense as incurred. Impairment losses are recognised as a non-interest expense in the income statement.

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 Income Statement 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 to the asset revaluation reserve included in equity unless it reverses a revaluation decrease of the same asset previously recognised in the Income Statement. Any revaluation deficit is recognised in the Income Statement 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 years	Straight Line
General Office Equipment	10%	Diminishing Value
Computer Hardware	Over 3 - 5 years	Straight Line
Other Assets	Over 3 - 5 years	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 Income Statement in the period in which they arise.

• Intangible Assets
Software is finite life intangibles and are 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.

vi. IMPAIRMENT

• Impairments of Financial Assets
Financial Assets comprising loans and receivables and held to maturity investments are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment based on the expected future cash flows from these assets discounted at their original effective interest rates. If any indication of impairment exists, the assets recoverable amount is estimated and provision is made for any shortfall between the carrying amount and the recoverable amount. Losses for impaired loans are recognised immediately when there is objective evidence that the impairment of a loan has occurred i.e. all reasonable actions to recover the debt have been exhausted. Until such time, the Society treats all amounts owing as collectable within the terms of the contract with the other party. 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.

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.

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 Income Statement immediately.

• Past Due Assets
Past Due assets represent the total loans and receivables due where the counter party is in default by one or more contractual repayments. Restructured Assets are loans and receivables that are impaired, have had their original terms changed and the new terms are not comparable with the terms for new facilities.

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 cost and are recorded in the Balance Sheet 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 balance sheet classification of the related debt or equity instruments.

ix. CASH FLOW STATEMENT

• Basis of presentation

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

• Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

• 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 loans and receivables and customer borrowings.

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.

xi. CHANGES IN ACCOUNTING POLICIES

The Society has changed its accounting policies from 1 April 2007 to comply with NZ IFRS. The impact of these changes have been explained in note 29. There have been no other changes in accounting policies.

xii. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

The Society has adopted all new standards and interpretaions as issued by the Financial Reporting Standards Board except for those listed in the tabe below.

Initial application of the following Standards will not affect any of the amounts recognised in the financial statements, but may change the disclosures presently made in relation to the Society's financial statements:

Standard	Effective for Annual reporting periods beginning on or after	Expected to be initially applied in the year ending
NZ IFRS-8 'Operating Segments'	01/01/2009	31/03/2010
NZ IAS-1 'Presentation of Financial Statements' (Revised Standard)	01/01/2009	31/03/2010
NZ IAS -23 'Borrowing Costs' (Revised Standard)	01/01/2009	31/03/2010
NZ IFRS - 3 "Business Combinations (Revised Standard)	01/07/2009	31/03/2011

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 31 March 2008

1. KEY MANAGEMENT COMPENSATION

Amounts received, or due and receivable by Directors:	**Year to 31/03/2008**	**Year to 31/03/2007**
T Cameron (Chairman)	28,500	25,000
P Bell (Deputy Chairman)	17,500	7,667
P Robson	15,000	14,750
G Dayman	13,750	11,000
JC Taylor	13,750	12,250
KA Carr	-	3,359
	$88,500	**$74,026**

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

Key Management Compensation which comprised:	**Year to 31/03/2008**	**Year to 31/03/2007**
Salaries & Short-Term Employee Benefits	323,738	298,532
Post-employment benefits	45,597	35,595
Total Compensation of Key Management Personnel	**$369,335**	**$334,127**

2. TAXATION

(a) Income Tax Recognised in Profit	**Year to 31/03/2008**	**Year to 31/03/2007**
Income Tax Expense Comprises:		
Current Tax Expense	519,300	325,682
Adjustments Recognised in the Current Year in Relation to the Current Tax of Prior Years:		
Deferred Tax Expense Relating to the Origination and Reversal of Temporary Differences	116,892	(102,323)
Deferred Tax Expense (Income) Relating to Changes in Tax Rates	(6,107)	-
Total Income Tax Expense Recognised in Profit	**$ 630,085**	**$ 223,359**

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

Profit from Operations	1,436,989	808,511
Taxation thereon at 33%	474,206	266,809
Non Assessable Income	(19,966)	(78,868)
Non-deductible Expenses	181,952	35,418
Effect on Deferred Tax balances due to change in Income Tax Rate from 33% to 30% effective 1 April	(6,107)	-
	$ 630,085	**$ 223,359**

The tax rate used on the above reconciliation is the corporate tax rate of 33% payable by New Zealand companies under New Zealand tax law.

The corporate tax rate in New Zealand was changed from 33% to 30% with effect from 1 April 2008. The revised rate has not impacted the current tax payable for the current year but will do so in future years. However, the impact of the change in tax rate has been taken into account in the measurement of deferred tax at the end of the reporting year.

(b) Income Tax Recognised in Equity		
The following deferred tax amounts were charged direct to equity during the year:		
Property Revaluations (Note 17)	(5,552)	(5,556)
Deferred Tax Expense (Income) Relating to Changes in Tax Rates	(20,240)	-
	$ (25,792)	**$ (5,556)**
(c) Current Tax (Asset) Liability		
Balance at the Beginning of the Year	53,870	41,090
Taxation Expense	519,300	325,682
Taxation Paid	(380,617)	(312,902)
Balance at End of Year	**$ 192,553**	**$ 53,870**
(d) Deferred Tax Balances		
Deferred tax liabilities comprise:		
Temporary Differences (Note 13)	222,716	137,724
	$ 222,716	**$ 137,724**

3. CASH AND CASH EQUIVALENTS

	Year to 31/03/2008	**Year to 31/03/2007**
Bank Deposits	20,522,935	16,703,552
Cash on Hand	732,082	608,549
	$ 21,255,017	**$ 17,312,101**

4. LOANS AND RECEIVABLES

	Year to 31/03/2008	Year to 31/03/2007
Secured	193,926,493	180,103,855
Unsecured	510,156	386,523
Gross Advances	**194,436,649**	**180,490,378**
Less Provisions for Credit Impairment	(148,000)	(148,000)
Total Net Advances	**$ 194,288,649**	**$ 180,342,378**

5. INVESTMENTS

	Year to 31/03/2008	Year to 31/03/2007
Investments	3,535,522	4,580,592
	$3,535,522	**$4,580,592**

Investment Securities have a nominal value of $3.5m (2007:$4.5m). Investment Securities include subordinated investments with a nominal value of $1m (2007:$2.5m).

6. ASSET CATEGORISATION

	Year to 31/03/2008	Year to 31/03/2007
FINANCIAL ASSETS:		
Loans and Receivables (including Cash and Cash Equivalents)	215,553,761	197,659,254
Assets Held to Maturity	3,535,522	4,580,592
	$219,089,283	**$202,239,846**
FINANCIAL LIABILITIES:		
Financial Liabilities Held at Amortised Cost	205,119,150	190,793,748
	$205,119,150	**$190,793,748**

7. PROVISION FOR CREDIT IMPAIRMENT

	Year to 31/03/2008		Year to 31/03/2007	
	Performing Assets	Impaired (Non-Accrual)	Performing Assets	Impaired (Non-Accrual)
Specific and General Provisions Against Loans and Receivables (All relate to Impaired Assets)				
Balance at Beginning of the Period				
Collective	73,000	-	148,000	-
Specific	75,000	-	119,090	-
	148,000	-	267,090	-
New Provisions during the Period				
Collective	87,419	-	(75,000)	-
Specific	148,000	-	219,000	-
Balances Written Off during the Period				
Collective	87,419	-	-	-
Specific	148,000	-	263,090	
Recoveries	-	-	-	-
Balance at End of the Period				
Collective	73,000	-	73,000	-
Specific	75,000	-	75,000	-
	$ 148,000	**$ -**	**$ 148,000**	**$ -**

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 relate 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.

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 31 March 2008

8. ASSET QUALITY

	Year to 31/03/2008	Year to 31/03/2007
(a) Asset Quality - Advances to Customers		
Past Due	577,140	634,842
Not Past Due	193,711,509	179,707,536
Total Carrying Amount	**$ 194,288,649**	**$ 180,342,378**

The average loan value for adbances issued to customers is 60% with no advances to customers having a Loan Value Ratio in excess of 85%.

	Year to 31/03/2008		Year to 31/03/2007	
	Performing Assets	Impaired (Non-Accrual)	Performing Assets	Impaired (Non-Accrual)
(b) Movements in Balances of Impaired and Past Due Assets				
Opening Balance	634,842	-	788,738	-
Assets Classified as Past Due	774,388	-	535,367	-
Charges	21,108	-	16,275	-
Customer Repayments	(35,162)	-	(55,136)	-
Loan Balance Written Off	(235,419)	-	(263,000)	-
Assets no Longer Meeting Definition	(582,617)	-	(387,402)	-
Closing Balance	$ 577,140	$ -	$ 634,842	$ -

(c) Ageing of Past Due Assets

	Year to 31/03/2008	Year to 31/03/2007
Past due 0-29 days	313,872	186,758
Past due 30-59 days	174,574	287,956
Past due 60-89 days	40,978	53,654
Past due 90 days+	47,717	106,473
Carrying Amount	$ 577,140	$ 634,842

The balance is 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 impairment issues.

9. TRADE RECEIVABLES

	Year to 31/03/2008	Year to 31/03/2007
Other Receivables	10,095	4,775
	$ 10,095	$ 4,775

10. INVESTMENT PROPERTY

	Year to 31/03/2008	Year to 31/03/2007
Freehold Land (at valuation)		
Balance at Beginning of the Period	980,000	956,000
Net Revaluation Increments	110,000	24,000
Balance at End of the Period	1,090,000	980,000
Buildings (at valuation)		
Balance at Beginning of the Period	960,000	744,000
Additions	-	1,005
Net Revaluation Increments	(50,000)	214,995
	910,000	960,000
Balance at End of the Period	$ 2,000,000	$ 1,940,000

Investment Property

The property at 231 Trafalgar Street, Nelson, is classified as an investment property. An independent valuation of the property was carried out at 31 March 2008 by Murray Lauchlan of Duke & Cooke Ltd, Registered Valuers. The valuation was based on highest and best 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 property has been valued in accordance with NZ IAS 40 using the Income Capitalisation Approach.

The investment property has a rental income of $140,000 per annum with its next renewal date being the 20th December 2009.

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 31 March 2008

11. PROPERTY, PLANT & EQUIPMENT

Land and Buildings

An independent valuation of the Society's freehold land and building was carried out at 31 March 2008 by Murray Lauchlan of Duke & Cooke Ltd, Registered Valuers. The valuations were based on highest and best 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 property has been valued in accordance with NZ IAS 40 using the Income Capitalisation Approach.

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

	Year to 31/03/2008	Year to 31/03/2007
Freehold Land	16,550	16,550
Buildings	833,435	833,435
	$ 849,985	$ 849,985

	Year to 31/03/2008	Year to 31/03/2007
Freehold Land and Buildings		
Cost		
Balance at Beginning of the Period	1,985,411	1,728,587
Additions	-	-
Net Revaluation Increments	26,824	256,824
Balance at End of the Period	**2,012,235**	**1,985,411**
Amortisation and Impairment		
Balance at Beginning of the Period	245,411	228,587
Depreciation for the Period	16,824	16,824
Impairment Losses	-	-
Balance at End of the Period	**262,235**	**245,411**
Total Freehold Land and Buildings	**$ 1,750,000**	**$ 1,740,000**
Computer Equipment		
Cost		
Balance at Beginning of the Period	256,616	221,385
Additions	102,449	35,231
Net Revaluation Increments	-	-
Balance at End of the Period	**359,065**	**256,616**
Amortisation and Impairment		
Balance at Beginning of the Period	183,711	164,119
Depreciation for the Period	68,001	19,592
Impairment Losses	-	-
Balance at End of the Period	**251,712**	**183,711**
Total Computer Equipment	**$ 107,353**	**$ 72,905**
Other		
Cost		
Balance at Beginning of the Period	1,128,976	894,145
Additions	114,314	234,831
Net Revaluation Increments	-	
Balance at End of the Period	**1,243,290**	**1,128,976**
Amortisation and Impairment		
Balance at Beginning of the Period	474,553	381,611
Depreciation for the Period	124,680	92,942
Impairment Losses	-	-
Balance at End of the Period	**599,233**	**474,553**
Total Other Assets	**$ 644,057**	**$ 654,423**
Total Property, Plant and Equipment	**$ 2,501,410**	**$ 2,467,328**

12. INTANGIBLE ASSETS

	Year to 31/03/2008	Year to 31/03/2007
Software		
Cost		
Balance at Beginning of the Period	1,223,484	1,206,834
Additions	47,461	16,650
Balance at End of the Period	**1,270,945**	**1,223,484**
Amortisation and Impairment		
Balance at Beginning of the Period	861,734	618,878
Amortisation for the Period [1]	249,031	242,856
Impairment Losses	-	-
Balance at End of the Period	**1,110,765**	**861,734**
Total Software	**$ 160,180**	**$ 361,750**

[1] Amortisation expense is included in the line item 'depreciation and amortisation expense' in the Income Statement.

No impairment losses have been recognised against the gross carrying amount of software for the year ended 31 March 2008 (March 2007 $nil).

There are no contractual commitments to purchase software at 31 March 2008 (March 2007 $nil).

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 31 March 2008

13. DEFERRED TAXATION

	Opening Balance $NZ	Charged to Income $NZ	Charged to Equity $NZ	Closing Balance $NZ
2008				
Establishment Fees in Advance	24,798	307	-	25,105
Provision for Credit Impairment	48,840	(4,440)	-	44,400
Investment Property	53,766	(168,947)	-	(115,181)
Property, Plant and Equipment	(237,079)	12,359	25,792	(198,928)
Intangible Assets - Software	(65,229)	53,995	-	(11,234)
Employee Entitlements	38,301	(690)	-	37,611
Other	(1,121)	(3,368)	-	(4,489)
	(137,724)	**(110,784)**	**25,792**	**(222,716)**
2007				
Establishment Fees in Advance	-	24,798	-	24,798
Provision for Credit Impairment	88,140	(39,300)	-	48,840
Investment Property	53,766	-	-	53,766
Property, Plant and Equipment	(323,929)	81,284	5,566	(237,079)
Intangible Assets - Software	(65,229)	-	-	(65,229)
Employee Entitlements	-	38,301	-	38,301
Other	1,639	(2,760)	-	(1,121)
	(245,613)	**102,323**	**5,566**	**(137,724)**

14. IMPUTATION CREDIT ACCOUNT

	Year to 31/03/2008	Year to 31/03/2007
Opening Balance	1,958,140	1,660,041
Tax Paid	376,300	324,034
Dividends Paid	(820,722)	(25,935)
Closing Balance	**$ 1,513,718**	**$ 1,958,140**

15. SHARE CAPITAL

During the year ending 31 March 2008 an additional 2,242,000(net) preference shares were issued for $1 each, fully paid (31st March 2007 8,430,000 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 the 90 day bill rate, set at the beginning of each quarter, plus 1.5% pa. 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.

	31/03/2008		31/03/2007	
	Number of Shares	$	Number of Shares	$
Opening Balance	8,430,000	8,430,000	-	-
Shares Issued	5,892,000	5,892,000	8,430,000	8,430,000
Shares Redeemed	(3,650,000)	(3,650,000)	-	-
	2,242,000	2,242,000	8,430,000	8,430,000
Closing Balance	**10,672,000**	**$ 10,672,000**	**8,430,000**	**$ 8,430,000**

16. RETAINED EARNINGS

	Year to 31/03/2008	Year to 31/03/2007
Opening Balance	6,887,104	6,354,607
Net Surplus for the Period	806,904	585,152
Dividends	(779,528)	(52,655)
Closing Balance	**$ 6,914,480**	**$ 6,887,104**
Dividends Paid per Share	$0.068 cents per Share	$0.0062 cents per Share

17. REVALUATION RESERVE - PROPERTY PLANT & EQUIPMENT

Balance at Beginning of the Period	950,888	699,630
Surplus on Revaluation of Land and Buildings	55,274	256,824
Deferred Tax on Revaluation	(5,552)	(5,566)
Balance at End of the Period	**$ 1,000,610**	**$ 950,888**

18. BORROWINGS

	Year to 31/03/2008	Year to 31/03/2007
BORROWINGS		
Call Borrowings - Depositors	27,047,084	28,627,055
Term Borrowings - Depositors	177,068,914	159,534,663
ASB Funding Line	-	2,000,000
TOTAL BORROWINGS	**$ 204,115,998**	**$ 190,161,718**

All borrowings are unsecured.

	31/03/2008	Weighted Average Interest Rate %	31/03/2007	Weighted Average Interest Rate %
MATURITY ANALYSIS OF TERM AND CURRENT BORROWINGS				
Borrowings at Call	27,047,084	3.38	30,627,055	4.33
Between 0 and 1 year	169,923,367	8.55	149,811,890	7.49
Between 1 and 2 years	7,145,547	8.80	9,462,481	7.68
Between 2 and 5 years	-	-	260,292	6.60
Total Borrowings	**$204,115,998**	**7.87**	**$190,161,718**	**6.98**

19. COMMITMENTS AND CONTINGENT LIABILITIES

The Society has a commitment for loans approved but not yet paid at 31 March 2008 of $5,286,751 (31 March 2007 for a total of $10,728,218) .

The Society has entered into property leases in Richmond, Motueka, Murchison, Westport and Greymouth for 3 years commencing 1 November 2006, 1 August 2005, 1 January 2007, 15 November 2004 and 1 May 2006 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:

	Year to 31/03/2008	Year to 31/03/2007
Less than 1 year	157,515	206,277
Between 1 and 2 years	60,309	154,972
Between 2 and 5 years	24,151	68,417
	$ 241,975	**$ 429,666**

Sponsorship commitments beyond 31 March 2008 total $7,500. (March 2007: $27,000).

The Society had no contingent liabilities as at 31 March 2008. (2007: $Nil).

The Society has no contractual capital commitments at 31 March 2008 (2007:nil).

20. SEGMENTAL ANALYSIS

The Society operates in one industry and one geographical location: a building society within the Nelson and West Coast Region.

21. FAIR VALUE

Disclosed below is the estimated fair value of the Society's financial instruments disclosed in terms of NZ IFRS 7(Financial Instruments). Financial instruments are incorporated in the financial statements at their expected realisable value. For variable interest rate advances, the carrying amount is a reasonable estimate of fair value.

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
Investments are held to maturity and are valued at amortised cost. Fair value is determined in accordance with current market values.

Loans and Receivables
Carrying amounts are calculated using discounted cash flow methodology and available market interest rates.

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.

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 31 March 2008

Trade Payables
Carrying amount is equivalent to fair value.

	31/03/2008		31/03/2007	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial Assets				
Cash and Cash Equivalents	21,255,017	21,255,017	17,312,101	17,312,101
Investments	3,535,522	3,460,355	4,580,592	4,538,669
Loans and Receivables	194,288,649	189,774,191	180,342,379	187,861,788
Trade Receivables	10,095	10,095	4,775	4,775
Total Financial Assets	**$219,089,283**	**$214,499,658**	**$202,239,847**	**$209,717,333**
Financial Liabilities				
Borrowings	204,115,998	193,548,844	190,161,718	190,403,772
Trade and Other Payables	810,600	810,600	578,160	578,160
Total Financial Liabilities	**$204,926,599**	**$194,359,444**	**$190,739,878**	**$190,981,932**

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 and guarantees. 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.

The maturity profile of monetary assets and liabilities and loan commitments shows the undiscounted cash flows and has been prepared on the basis of the remaining period to contractual maturity as at balance date. The maturity profile of assets and liabilities presented below is not considered by the Society to be in any way indicative of future cash flows as a significant proportion of the Society's borrowings are renewed at maturity and therefore do not have a cash flow impact. In addition, all mortgage advances are repayable on demand, or repayable on three months notice of demand, at the Society's discretion. While the Society is not likely to call advances on demand the contractual maturity date is not indicative of future cash flows due to early repayments, further drawdowns and principal reductions.

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 Balance Sheet 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.The Society gained approval from the trustee to operate outside this limit for a short period during the September quarter while a new funding line was finalised.

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.

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 31 March 2008

Monetary assets receivable matched against liabilities payable as at 31 March 2008.
(The interest rate risk profile matches the liquity risk profile)

	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
Monetary Assets							
Cash & Cash Equivalents	8.71%	732,082	20,522,935	-	-	-	**21,255,017**
Investments	7.08%	-	545,430	499,503	2,490,589	-	**3,535,522**
Trade Receivables		10,095	-	-	-	-	**10,095**
Personal Loans	14.11%	593,842	-	-	-	-	**593,842**
Consumer Lending	14.01%	-	1,443,691	1,414,417	2,637,916	2,654,568	**8,150,592**
Mortgage Advances	9.83%	21,053,396	10,247,933	6,333,360	148,057,527		**185,692,216**
Provision for Credit Impairment		(148,000)	-	-	-	-	**(148,000)**
		$ 22,241,415	**$ 32,759,989**	**$ 8,247,280**	**$ 153,186,032**	**$ 2,654,568**	**$ 219,089,284**
Interest		-	6,183,158	4,554,564	3,710,476	270,400	**14,718,598**
Total Monetary Assets		**$ 22,241,415**	**$ 38,943,147**	**$ 12,801,844**	**$ 156,896,508**	**$ 2,924,968**	**$ 233,807,882**
Financial Liabilities							
Borrowings	7.87%	27,047,084	42,291,654	127,631,713	7,145,547	-	**204,115,998**
Trade and Other Payables		810,600	-	-	-	-	**810,600**
Employee Entitlements		125,371	-	-	-	-	**125,371**
Current Tax Liabilities		-	192,553	-	-	-	**192,553**
		$ 27,983,055	**$ 42,484,207**	**$ 127,631,713**	**$ 7,145,547**	**$ -**	**$ 205,244,522**
Interest		-	5,570,612	4,299,105	778,241		10,647,958
Total Monetary Liabilities		**$ 27,983,055**	**$ 48,054,819**	**$ 131,930,818**	**$ 7,923,788**	**$ -**	**$ 215,892,480**
Net Monetary Assets/(Liabilities)		**$ (5,741,640)**	**$ (9,111,672)**	**$ (119,128,974)**	**$ 148,972,720**	**$ 2,924,968**	**$ 17,915,402**
Unrecognised Loan Commitments		$5,286,751	-	-	-	-	**$5,286,751**
Net Liquidity Gap		**$ (11,028,391)**	**$ (9,111,672)**	**$ (119,128,974)**	**$ 148,972,720**	**$ 2,924,968**	**$ 12,628,651**

Monetary assets receivable matched against liabilities payable as at 31 March 2007

	Interest Effective Rate %	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	Greater than 2 Years	Total Carrying Amount
Monetary Assets							
Cash & Cash Equivalents	7.65%	2,225,493	15,086,608	-	-	-	**17,312,101**
Investments	6.64%	-	2,574,492	-	999,053	1,007,047	**4,580,592**
Trade Receivables		4,775	-	-	-	-	**4,775**
Personal Loans	13.93%	461,669	-	-	-	-	**461,669**
Consumer Lending	13.47%	-	1,410,949	1,318,887	2,072,220	1,894,830	**6,696,886**
Mortgage Advances	9.32%	9,667,426	8,487,068	10,634,778	144,542,551	-	**173,331,823**
Provision for Credit Impairment		(148,000)	-	-	-	-	**(148,000)**
		$ 12,211,363	**$ 27,559,117**	**$ 11,953,665**	**$ 147,613,824**	**$ 2,901,877**	**$ 202,239,846**
Interest			5,539,018	4,274,442	36,935,455	35,700	**46,784,615**
Total Monetary Assets		**$ 12,211,363**	**$ 33,098,135**	**$ 16,228,107**	**$ 184,549,279**	**$ 2,937,577**	**$ 249,024,461**
Financial Liabilities							
Borrowings	6.98%	28,627,055	25,474,587	124,337,303	9,462,481	260,292	**188,161,718**
ASB Bank Funding Line	9.56%	2,000,000	-	-	-	-	**2,000,000**
Trade and Other Payables		578,160	-	-	-	-	**578,160**
Employee Entitlements		116,065	-	-	-	-	**116,065**
Current Tax Liabilities		-	53,870	-	-	-	**53,870**
		$ 31,321,280	**$ 25,528,457**	**$ 124,337,303**	**$ 9,462,481**	**$ 260,292**	**$ 190,909,813**
Interest		-	458,835	3,580,186	988,340	-	5,027,361
Total Monetary Liabilities		**$ 31,321,280**	**$ 25,987,292**	**$ 127,917,489**	**$ 10,450,821**	**$ 260,292**	**$ 195,937,174**
Net Monetary Assets/(Liabilities)		**$ (19,109,917)**	**$ 7,110,843**	**$ (111,689,382)**	**$ 174,098,458**	**$ 2,677,285**	**$ 53,087,287**
Unrecognised Loan Commitments		$10,728,218	-	-	-	-	**$10,728,218**
Net Liquidity Gap		**$ (29,838,135)**	**$ 7,110,843**	**$ (111,689,382)**	**$ 174,098,458**	**$ 2,677,285**	**$ 42,359,069**

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 are committed but undrawn funding lines. As at 31 March 2008, the Society had total committed funding lines with Registered Banks of $10,000,000 (March 2007 $10,000,000). $4,000,000 is with ASB and $6,000,000 with Westpac. Of these facilities $nil (March 2007 $2,000,000) were drawn down at 31 March 2008.

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 balance sheet plus loans approved but undrawn. 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 Stock, deposits and bonds with New Zealand registered banks and 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 funds are invested in residential mortgages. Over 90% 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	31/03/2008		31/03/2007	
%	Bank	Other	Bank	Other
10-19	-	4	-	6
20-29	-	3	-	-
30-39	-	-	-	-
40-49	2	-	1	-
50-59		-	-	-
60-69	-	-	1	-

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.

	Year to 31/03/2008	Year to 31/03/2007
Residential	130,839,993	127,261,255
Commercial	54,777,221	45,995,569
Personal Lending	593,842	461,669
Consumer Finance	8,077,593	6,623,885
	$ 194,288,649	**$ 180,342,378**

The table below shows the level of lending by region.

	Year 31/03/2008	Year 31/03/2007
Nelson	167,711,905	157,636,758
West Coast	26,428,744	22,705,620
	$ 194,288,649	**$ 180,342,378**

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 99% of the borrowings can be repriced within twelve months.

At 31 March 2008 there were 484 fixed rate borrowings totalling $55,075,457 not reviewable within one year. (31 March 2007: 578 fixed rate borrowings totalling $73,804,340).

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 2008 the capital ratio was 8.30% (31 March 2007:7.85%) 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

	31/03/2008	31/03/2007
Measurement of Equity		
Share Capital	10,672,000	8,430,000
Retained Earnings	6,914,480	6,887,104
Revaluation Reserve	1,000,610	950,888
Total Equity	**$18,587,090**	**$16,267,992**
Total Assets	**$224,054,328**	**$207,315,529**
Capital Adequacy Ratio (Trust Deed Minimum 5%)	**8.30%**	**7.85%**

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.

27. RELATED PARTIES

A number of transactions are entered into with related parties (including key management personnel)[1] in the normal course of business. Details of these transactions are outlined below.

[1] 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 Year to 31/03/2008	Year to 31/03/2007
Loans and advances outstanding at beginning of period	1,287,841	722,159
Net loans issued/(repaid) during the period	(182,411)	565,682
Loans and advances outstanding at end of period	**$1,105,430**	**$1,287,841**

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 2008 (March 2007 $nil).

(b) Deposits from Related Parties

	Directors and Other Key Management Personnel Year to 31/03/2008	Year to 31/03/2007
Deposits at beginning of period	453,152	302,468
Net deposits received/(repaid) during the period	30,055	150,684
Deposits at end of period	**$483,207**	**$453,152**

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.

Loans and advances with non-executive key management personnel of the Society are made in the ordinary course of business on commercial terms and conditions. Loans and advancess with executive key management personnel of the Society are made either:
- on normal terms and conditions; or
- on terms and conditions which apply to other employees in the Society

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 31st March 2008 it is estimated that a general increase of one percentage point in interest rates would increase the Society's profit before income tax by $193,736 (2007:$71,630).

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

Notes to the Financial Statements for the year ended 31 March 2008.

29. Explanation of Transition to NZ IFRS

The Society has prepared these financial statements using the New Zealand Standards that are equivalent to International Financial Reporting Standards ('NZ IFRS'). As these financial statements are for the first year reported in accordance with IFRS pages 39 to 42 provide explanation of how transition from previous New Zealand generally accepted accounting principles ('previous GAAP') to NZ IFRS has affected previously reported financial position, financial performance and cash flows.

The Society changed its accounting policies on 1 April 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards', with 1 April 2006 as the transition date.

NZ IFRS adjustments with effect from 1 April 2006

(a) Fee Revenue
Initial reduction in retained earnings; Some impact on future earnings

Under NZ IAS-18: 'Revenue', certain service type fees (such as administration fees) which had been recognised when billed, have been deferred and amortised over the period of service. Further, under NZ IAS-39: 'Financial Instruments: Recognition and Measurement', certain fee income (such as loan approval fees) integral to the yield of an originated financial instrument (such as loans and receivables measured at amortised cost), net of any direct incremental costs, will be capitalised as part of the amortised cost of the item and deferred over the expected life of the financial instrument using the effective interest method.

On 1 April 2006, certain fees that had previously been recognised in the Income Statement, are deferred and recognised against net loans and receivables in the Balance Sheet with a corresponding reduction to retained earnings. The impact was a reduction to opening retained earnings at 1 April 2006 of $23,505 (post tax) with a corresponding decrease to Loans and Receivables of $35,082 and an increase to deferred tax assets of $11,577. The impact of this change on the Income Statement for the period ended 31 March 2007 is a decrease to net surplus of $40,065 post tax with a corresponding decrease in Loans and Receivables at 31 March 2007 of $40,065 and a decrease in deferred tax liability at 31 March 2007 of $24,798. The ongoing impact of this change on the Income Statement for the Society is not expected to be material. However, there will be an increase in interest income offset by a reduction in fee income and a reclassification of certain assets and liabilities.

(b) Employee Benefits
Impact on retained earnings; immaterial impact on future earnings

Under previous GAAP employee entitlements to salaries and wages, annual leave, long service leave, and other benefits are recognised when they accrue to empoyees and are fully vested. Under NZ IFRS accrued leave is recognised on an actuarial basis over the period of service.

For the Society this resulted in an increase to Holiday Pay and Sick Leave liabilities at 1 April 2006 of $55,037 to $101,080 together with a corresponding decrease to retained earnings. As at 31 March 2007 the Holiday Pay and Sick Leave liability was adjusted upwards to $116,065 resulting in a decrease to retained earnings of $28,184 with a corresponding decrease to operating expenses.

(c) Property, Plant and Equipment and Intangible Assets
No impact on earnings; Reclassification only

On transition to NZ IFRS capitalised software assets have been reclassified from Property, Plant and Equipment to a separately identifiable intangible asset. For the Society this resulted in a reclassification of $587,956 at 1 April 2006 and a further $(226,206) as at 31 March 2007. On transition to NZ IFRS all temporary tax differences on building revaluation are now recognised. For the Society this resulted in a temporary difference of $103,534. There is no impact on the Income Statement.

(d) Investments - Cash & Bank
No impact on earnings; Reclassification only

On transition to NZ IFRS term bank deposits have been reclassified from Investments to bank & cash on hand. For the Society this resulted in a reclassification of $4,530,549 at 1 April 2006 and a further $10,556,059 as at 31 March 2007. There is no impact on the Income Statement.

Reconciliations from previous GAAP to NZ IFRS

The tables that follow contain reconciliations from previous GAAP to NZ IFRS in accordance with NZ IFRS 1. The NZ IFRS adjustment column is referenced to detailed discussion of the changes under NZ IFRS.

29. Explanation of Transition to NZ IFRS (continued)

Reconciliation of Income Statement for the year ended 31 March 2007

	Previous GAAP	Deferred Fee Revenue (note a)	Employee Benefits (note b)	Reclassification of Assets (note c & d)	Total IFRS Adjustments	NZ IFRS
INCOME						
Income Received From:						
Mortgages & Personal Loans	14,504,083	-	-	-	-	14,504,083
Consumer Lending	936,733	-	-	-	-	936,733
Bank Deposits , Investments & Debentures	1,790,914	-	-	-	-	1,790,914
Other Interest	4,970	-	-	-	-	4,970
INTEREST INCOME	**17,236,700**	**-**	**-**	**-**	**-**	**17,236,700**
Deduct Finance Costs						
Interest Incurred on:						
Term and Call Deposits	13,012,481	-	-	-	-	13,012,481
Other Borrowings	241,208	-	-	-	-	241,208
Commission on:						
Consumer Lending	266,783	-	-	-	-	266,783
	13,520,472	**-**	**-**	**-**	**-**	**13,520,472**
NET INTEREST INCOME	**3,716,228**	-	-	-	-	3,716,228
Add - Other Income						
Bad Debts Recovered	9,602	-	-	-	-	9,602
Commission	48,235	-	-	-	-	48,235
Establishment Fees	294,474	(40,065)	-	-	(40,065)	254,409
Consumer Lending Fees	84,445	-	-	-	-	84,445
Other Income	462,116	-	-	-	-	462,116
Rental Income on Investment Property	202,089	-	-	-	-	202,089
Rental Expense on Investment Property	(868)	-	-	-	-	(868)
	1,100,093	**(40,065)**	**-**	**-**	**(40,065)**	**1,060,028**
OPERATING INCOME	**4,816,321**	**(40,065)**	**-**	**-**	**(40,065)**	**4,776,256**
Deduct Overhead expenses						
Auditors - Audit Fees	43,875	-	-	-	-	43,875
- Other Services	44,942	-	-	-	-	44,942
- Prospectus Review	8,200					8,200
Administration Expenses	3,041,983	-	(12,972)	-	(12,972)	3,029,011
Amortisation & Depreciation	402,256	-	-	-	-	402,256
Bad Debts	13,110	-	-	-	-	13,110
Directors Fees	74,026	-	-	-	-	74,026
Operating Lease Costs	221,420	-	-	-	-	221,420
Provision for Credit Impairment	144,000	-	-	-	-	144,000
Sponsorship	129,224	-	-	-	-	129,224
TOTAL EXPENSES	**4,123,036**	**-**	**(12,972)**	**-**	**(12,972)**	**4,110,064**
OPERATING SURPLUS	693,285	(40,065)	12,972	-	(27,093)	666,192
Add Revaluation of Investment Property	238,995	-	-	-	-	238,995
Deduct Loss on Sale of Investment Property	96,676	-	-	-	-	96,676
SURPLUS BEFORE TAXATION	**835,604**	**(40,065)**	**12,972**	**-**	**(27,093)**	**808,511**
Taxation	232,299	(13,221)	4,281		(8,941)	223,359
NET SURPLUS FOR THE YEAR	**$603,305**	**$ (26,844)**	**$ 8,691**	**$ -**	**$ (18,152)**	**$585,152**

Notes to the Financial Statements for the year ended 31 March 2008

Explanation of Transition to NZ IFRS (continued)

Reconciliation of Balance Sheet as at 1 April 2006

	Previous GAAP	Deferred Fee Revenue (note a)	Employee Benefits (note b)	Reclassification of Assets (note c & d)	Total IFRS Adjustments	NZ IFRS
ASSETS						
Cash and Cash Equivalents	13,186,469	-	-	4,530,549	4,530,549	17,717,018
Debtors	4,360	-	-	-	-	4,360
Prepayments	389,659	-	-	-	-	389,659
Investments	9,182,882	-	-	(4,530,549)	(4,530,549)	4,652,333
Loans and Receivables						
Mortgages	155,421,771	(35,082)	-	-	(35,082)	155,386,689
Personal Loans	259,865	-	-	-	-	259,865
Consumer Lending	6,203,235	-	-	-	-	6,203,235
Less Provision for Credit Impairment	(267,090)	-	-	-	-	(267,090)
Property						
Investment Properties	1,700,000	-	-		-	1,700,000
Property Plant & Equipment	2,687,756	-	-	(587,956)	(587,956)	2,099,800
Property Intended for Sale	2,530,000	-	-	-	-	2,530,000
Intangible Assets						
Software	-	-	-	587,956	587,956	587,956
	$191,298,907	**$ (35,082)**	**$ -**	**$ -**	**$ (35,082)**	**$191,263,825**
LIABILITIES						
Borrowings	183,504,024	-	-	-	-	183,504,024
Employee Entitlements	46,043	-	55,037	-	55,037	101,080
Trade and Other Payables	317,781	-	-	-	-	317,781
Current Tax Liabilities	70,829	(11,577)	(18,162)	-	(29,739)	41,090
Deferred Taxation	245,613	-	-	-	-	245,613
	$184,184,290	**$ (11,577)**	**$36,875**		**$ 25,298**	**$184,209,588**
NET ASSETS	**$7,114,617**	**$ (23,505)**	**$ (36,875)**	**$ -**	**$ (60,380)**	**$7,054,237**
EQUITY						
Share Capital						
Reserve Fund	6,311,453	(23,505)	(36,875)	103,534	43,154	6,354,607
Revaluation Reserve	803,164	-	-	(103,534)	(103,534)	699,630
Attributable to Members of the Society	**$7,114,617**	**$ (23,505)**	**$ (36,875)**	**$ -**	**$ (60,380)**	**$7,054,237**

Notes to the Financial Statements for the year ended 31 March 2008

Explanation of Transition to NZ IFRS (continued)

Reconciliation of Balance Sheet as at 31 March 2007

	Previous GAAP	Deferred Fee Revenue (note a)	Employee Benefits (note b)	Reclassification of Assets (note c & d)	Total IFRS Adjustments	NZ IFRS
ASSETS						
Cash and Cash Equivalents	2,225,493	-	-	15,086,608	15,086,608	17,312,101
Debtors	4,775	-	-	-	-	4,775
Prepayments	306,605	-	-	-	-	306,605
Investments	19,667,200	-	-	(15,086,608)	(15,086,608)	4,580,592
Loans and Receivables						
Mortgages	173,406,970	(75,147)	-	-	(75,147)	173,331,823
Personal Loans	461,669	-		-	-	461,669
Consumer Lending	6,696,886	-	-	-	-	6,696,886
Less Provision for Doubtful Debts	(148,000)	-	-	-	-	(148,000)
Property						
Investment Properties	1,940,000	-	-		-	1,940,000
Property Plant & Equipment	2,829,078	-	-	(361,750)	(361,750)	2,467,328
Intangible Assets						
Software	-	-	-	361,750	361,750	361,750
	$207,390,676	**$ (75,147)**	**$ -**	**$ -**	**$ (75,147)**	**$207,315,529**
LIABILITIES						
Borrowings	190,161,718	-	-	-	-	190,161,718
Employee Entitlements	74,000	-	42,064	-	42,064	116,064
Trade and Other Payables	578,160	-	-	-	-	578,160
Current Tax Liabilities	53,870	-	-	-	-	53,870
Deferred Taxation	176,404	(24,798)	(13,881)	-	(38,679)	137,725
	$191,044,152	**$ (24,798)**	**$ 28,183**	**$ -**	**$ 3,385**	**$191,047,537**
NET ASSETS	**$16,346,524**	**$ (50,349)**	**$ (28,183)**	**$ -**	**$ (78,532)**	**$16,267,992**
EQUITY						
Share Capital	8,430,000	-	-	-	-	8,430,000
Reserve Fund	6,862,102	(50,349)	(28,183)	103,534	25,002	6,887,104
Revaluation Reserve	1,054,422	-	-	(103,534)	(103,534)	950,888
Attributable to Members of the Society	**$16,346,524**	**$ (50,349)**	**$ (28,183)**	**$ -**	**$ (78,532)**	**$16,267,992**

29. Explanation of Transition to NZ IFRS (continued)

Reconciliation of Cash Flows for the year ended 31 March 2007

	Previous GAAP	Effect of Transition to NZ IFRS	NZ IFRS
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Interest Received	17,036,851	32,382	17,069,233
Fees, Rents and Commissions	1,100,960	-	1,100,960
	18,137,811	32,382	18,170,193
Cash was disbursed to:			-
Interest paid	(13,202,383)	-	(13,202,383)
Operating Expenses	(3,668,569)	-	(3,668,569)
Taxation Paid	(324,032)	-	(324,032)
	(17,194,984)	-	(17,194,984)
Net Cash Flows From Operating Activities before changes in Operating Assets	942,827	32,382	975,209
Increase in Loans and Receivables: Advances	-	74,582,625	74,582,625
Decrease in Loans and Recieivables:Repayments	-	(93,263,279)	(93,263,279)
Net Cash Flows From Operating Activities	**$ 942,827**	**$ (18,648,272)**	**$ (17,705,445)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Net (Increase) / Decrease in Investments	297,329	-	297,329
Sale of Property held for Resale	2,433,324	-	2,433,324
	2,730,653	-	2,730,653
Cash was Disbursed to:			
Net increases in Advances	(18,680,654)	18,680,654	-
Net Increase in Investments	(10,481,752)	10,483,036	1,284
Purchase of Property, Plant & Equipment	(271,109)	-	(271,109)
Purchase of Intangibles	(16,650)	-	(16,650)
	(29,450,165)	29,163,690	(286,475)
Net Cash Flows used in Investing Activities	**$ (26,719,512)**	**$ 29,163,690**	**$ 2,444,178**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Net Increase in Borrowings	6,390,181	-	6,390,181
Issue of Shares	8,430,000	-	8,430,000
	$ 14,820,181	**$ -**	**$ 14,820,181**
Cash was disbursed to:			
Dividends Paid	(4,472)	-	(4,472)
Net Cash Flows From Financing Activities	**$ 14,815,709**	**$ -**	**$ 14,815,709**
Net Increase/(Decrease) in Cash Held	(10,960,976)	29,196,072	(445,558)
Add Opening Cash and Cash Equivalents	13,186,469	4,571,191	17,757,659
Closing Cash and Cash Equivalents	**$ 2,225,493**	**$ 33,767,263**	**$ 17,312,101**

The main NZ IFRS transition effects presented by the Society in its statement of cashflows for the year ended 31 March 2007, were

(i) Under NZ IFRS, the definition of cash and cash equivalents has been widened to include short-term, highly liquid investments that are readily convertible to cash. This includes short-term bank deposits with an original maturity of less than 90 days. Previously, bank deposits were classified as investments.

(2) Advances made and repayments received on Loans and Advances are reclassified from Investing Activities to Operating Activities.

Risk Weighted Balance Sheet Exposures

		% Risk Weight	31/03/2008 Principal	31/03/2008 Adjusted Risk Value	31/03/2007 Principal	31/03/2007 Adjusted Risk Value
Cash and Cash Equivalents		20	21,255,017	4,251,003	17,312,101	3,462,420
Trade Receivables		20	10,095	2,019	4,775	955
Prepayments		20	303,455	60,691	306,605	61,321
Investments		20	3,535,522	707,104	4,580,592	916,118
Loans and Receivables				-		-
Mortgages	Fully Secured Residential	35	130,914,995	45,820,248	127,336,254	44,567,689
	Fully Secured	100	54,777,221	54,777,221	45,995,569	45,995,569
Personal Loans		100	593,842	593,842	461,669	461,669
Consumer Lending		100	8,150,591	8,150,591	6,696,886	6,696,886
Less Provision for Credit Impairment		100	(148,000)	(148,000)	(148,000)	(148,000)
Investment Property		100	2,000,000	2,000,000	1,940,000	1,940,000
Property, Plant & Equipment		100	2,501,410	2,501,410	2,467,328	2,467,328
Intangible Assets						
Software		100	160,180	160,180	361,750	361,750
			$224,054,328	**$118,876,310**	**$207,315,529**	**$106,783,705**

	31/03/2008	31/03/2007
Risk Weighted Capital Ratio	**15.64%**	**15.23%**

Ministry of Economic Development
Manatū Ōhanga
Companies Office

CERTIFICATE OF REGISTRATION OF PROSPECTUS

(Under Section 42(5) of the Securities Act 1978)

NELSON BUILDING SOCIETY

1781002

This is to certify that a Prospectus, for NELSON BUILDING SOCIETY, dated the 31st day of August 2008 was registered on the 1st day of September 2008.

Neville Harris

Neville Harris
Registrar of Building Societies
Dated this 17th day of September 2008

DISTRICT REGISTRAR OF COMPANIES
AUCKLAND, N.Z.