

**NEW ZEALAND'S
OLDEST
BUILDING SOCIETY**

NBS

NELSON BUILDING SOCIETY



The last two years have been big ones in our family. We sold our family home, dragged our kids through Mongolia and Russia on camels and trains, bought a house and a section, (planning a new build) started two new businesses and are growing a third, not to mention the voyage into public office.

Behind all of this has been the Nelson Building Society, supporting us with advice, finance and the occasional reality check.

I believe that a successful business is one where the operator and the customer understand and respect the symbiosis that exists between them. They both have an ownership of the business and both receive benefits from the business. I feel ownership of NBS. Its success is my success. My success is its success.

Since arriving back in Nelson, fifteen years ago, I have been passing through the doors of NBS. I have observed changes in staff, in its appearance, in services offered and the growth of more branches. I hope that it continues to grow, but as it grows, it manages to retain that essence that makes it an important and special part of our community.

Eelco Boswijk



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

General Manager K J Beams

Secretary A J Cadigan

Solicitor Glasgow Harley

Banker Westpac

Auditor Deloitte

Head Office 111 Trafalgar Street
PO Box 62
Nelson

Notice Of Annual General Meeting

Notice is hereby given that the One Hundred and Forty Ninth Annual General Meeting of Shareholders of the Nelson Building Society will be held at The Nelson Building Society, 207 Queen Street, Richmond on Wednesday 29th June 2011 at 5.30pm.

- Business**
1. To receive the Director's Report and Statement of Accounts.
 2. To fix the remuneration for the Directors for the ensuing year.
 3. To appoint the Auditors for the ensuing year and fix their remuneration.
 4. To elect two Directors.
 5. To propose a special resolution to shareholders to adopt the proposed new Rules and that the alteration be sent to the Registrar of Building Societies for registration
 6. General Business.

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

A J Cadigan
Secretary

N Chairman of Directors' & General Manager's Report

With the continued development of our Branch Network using our mutual ownership model has provided a solid base from which to maintain and grow our market presence in the Nelson/Tasman and West Coast regions.

Mergers and acquisitions in the "Non Bank Deposit Taker" sector of NZ have seen the number of participants steadily decline. We still hold the belief that NBS has an important role to fulfill as a niche player in the Banking market and are happy to maintain our independence. NBS fared well in the 2010 KPMG Financial Institutions Performance Survey, coming out best for growth achieved and with the lowest impaired assets provisions.

The key results for the year:

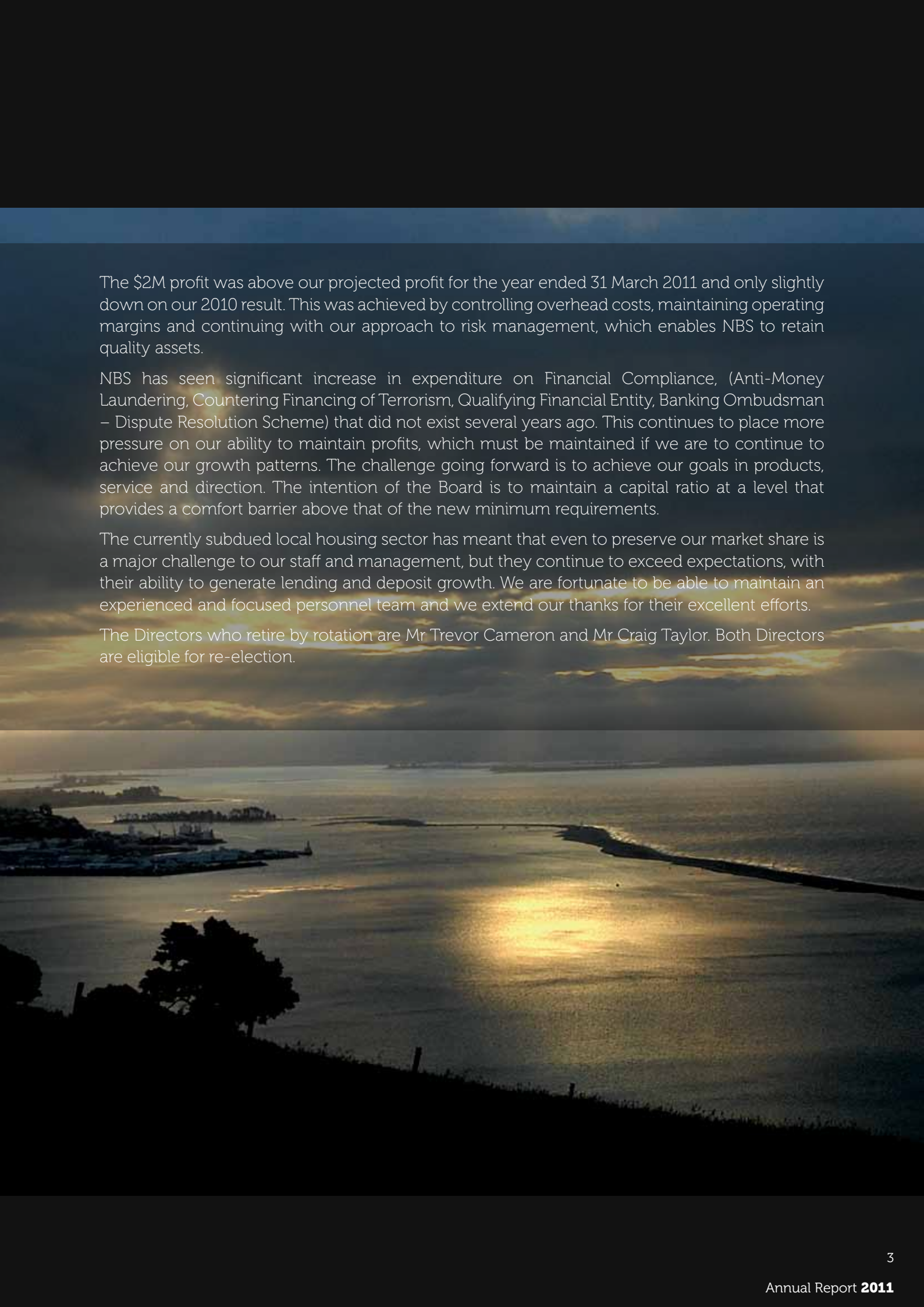
Borrowings	\$ 276M	2010 \$255 M
Advances (Loans and Receivables)	\$225M	2010 \$218 M
Total Assets	\$ 296M	2010 \$273 M
Profit (Surplus Before Tax)	\$ 2M	2010 \$ 2.1 M



Trevor Cameron
Chairman

Ken Beams
General Manager





The \$2M profit was above our projected profit for the year ended 31 March 2011 and only slightly down on our 2010 result. This was achieved by controlling overhead costs, maintaining operating margins and continuing with our approach to risk management, which enables NBS to retain quality assets.

NBS has seen significant increase in expenditure on Financial Compliance, (Anti-Money Laundering, Countering Financing of Terrorism, Qualifying Financial Entity, Banking Ombudsman – Dispute Resolution Scheme) that did not exist several years ago. This continues to place more pressure on our ability to maintain profits, which must be maintained if we are to continue to achieve our growth patterns. The challenge going forward is to achieve our goals in products, service and direction. The intention of the Board is to maintain a capital ratio at a level that provides a comfort barrier above that of the new minimum requirements.

The currently subdued local housing sector has meant that even to preserve our market share is a major challenge to our staff and management, but they continue to exceed expectations, with their ability to generate lending and deposit growth. We are fortunate to be able to maintain an experienced and focused personnel team and we extend our thanks for their excellent efforts.

The Directors who retire by rotation are Mr Trevor Cameron and Mr Craig Taylor. Both Directors are eligible for re-election.



Trevor in action during the Rainbow Raze.



Garry with his grandson Oliver.

T N Cameron

Trevor has been a Chartered Accountant and Partner of the firm Richards Woodhouse for 25 years dealing with an extensive range of business clients. His knowledge, experience and contacts within the local business community contributes greatly to NBS. Trevor has been on the NBS Board for 17 years. He has four grown children and is a keen mountain biker.

G R Dayman

Garry was nominated to the Board in 2004. He is a Company Director of Dayman Motors Limited T/A Nelson Bays Motor Group, with 34 years of Motor Industry experience and knowledge. He is a Director of several other companies in the motor industry, property sector and finance sector. Garry's extensive knowledge and commercial experience is of great benefit to the Society. Garry is married to Julie, has two grown up children with two grandchildren and is interested in squash, fishing, diving and spending time with family.

P J Robson

Phil joined the Board in 1999. After education at Nelson College, Phil started his career in land surveying before entering real estate in 1980. He became a licensee in 1983 with a local firm that was later to become the first South Island Harcourts franchise. During this time he held interests in offices in Nelson, Richmond, Motueka and Westport. Since selling out of the real estate business he has maintained other business interests both in and out of the Nelson region. Phil enjoys getting out on the rivers of the West Coast whitebaiting.

P A Bell

Paul held General Management and Director positions with Telecom New Zealand, Westpac, Contact Energy and Nelson Marlborough Health before joining his fellow directors at NBS. He graduated with an LLB in 1980 and practiced law for four years. He is now the Managing Director of Faneslow Bell - Human Resource & Recruitment Specialists. A keen sportsman Paul devotes his time to coaching volleyball and supporting his childrens' endeavours.

J C Taylor

Craig was appointed to the Board in 1987, coinciding with the opening of the Society's first full branch in Richmond and has been part of considerable change in the last 24 years. His background is in accountancy and retailing. Being the Managing Director of Taylor's Shoes with two busy retail footwear stores keep him and his wife Jan closely in touch with fashion, the business climate and the local community. Craig and Jan have three grown children and two gorgeous granddaughters to spoil. Family times and values are very important to Craig, he enjoys spending time with his family at their Kaiteriteri bach, boating and fishing as well as snow skiing in winter.



Phil whitebaiting on the picturesque West Coast.



Paul enjoying the slopes with his children.



Craig out on the water in Kaiteriteri.

N NBS Directors Role

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

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

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

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

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

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

NBS and OUR Community

As a Building Society our heritage is immersed in community. For 149 years we have strengthened our ties and pride ourselves on our active community involvement.

NBS is a significant sponsor of healthy outdoor recreational, cultural and sporting activities. NBS marquees, community vehicle and an inflatable obstacle course are well utilised by sporting clubs, schools, charities and other community groups within the region.

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

NELSON BRANCH

Nelson Indoor Bowls. Stoke Hockey Club. Nelson Bays Squash. Fifehire Foundation. Nelson Golf Club. Nelson Performing Arts. Stoke Netball. Nelson Croquet. Tahunanui Bowling Club. Nelson Events. Dancesport. Nelson Provincial Museum. KP Racing. Tahunanui School. Ngawhatu Bowls. Life Education Trust. Nelson Motorcycle Club. National Youth Choir. Haven Sports. March Fest. Nelson Bowling Club. Nelson Regional Hospice. Uniquely Nelson. Stoke School. Nelson College. Nelson Bay's Football. Nelson Repertory Theatre. Nelson RSA. Stoke JAB Rugby. Nelson Boxing Association. The Nelson Historic Theatre Trust. Star & Garter Wheelers. Special Olympics. Lions Club of Nelson. Nelson Girls College. Upper South Island Softball. Nelson Basketball. Rotary Club of Nelson. Tasman Netball. Celtic Squash Club. Nelson City Brass Band. Annesbrook Church. Nelson Seafood Festival. Birchwood School. Nelson Softball. Waimea College. Nelson Netball. Nelson City Church of Christ. Nelson Intermediate. Waimea Intermediate. Founders Heritage Park. Nelson Giants. Nelson Junior Cricket.

RICHMOND BRANCH

Waimea Rugby Football Club. Greenacres Golf Club. Tasman Tennis. Totoradale Golf Club. Richmond Contract Bridge Club. A&P Equestrian Section. Nelson Harness Racing. Hope Indoor Bowls. Grey Power. Bridge Valley Adventure Centre. Richmond Bowling Club. Nelson Veterans Tennis. Nelson Junior Badminton. Tasman Golf. Hope Country Bazaar. Waimea Indoor Bowling Club. Appleby School. Mahana School. Richmond Playcentre. Garin College. Golden Downs Golf Club. Club Waimea. Henley School. Stoke Community Hall Assn. United Softball. Paula's Preschool.



Tasman Golf members - Enjoying the shade at the 19th

MOTUEKA BRANCH

Motueka Golf Club. Motueka Memorial RSA. Top of the South Country Music Awards. Festival of Lights. Senior Net Motueka. Mapua Bowling Club. Riwaka Bowling Club. Ngatimoti Bowling Club. Motueka Bowling Club. Search and Rescue. Top Team. Mapua Easter Fair. Grapevine. Motueka Bowling Club. Motueka Brass Band. Motueka High School. Motueka Pipe Band. K-Bar. Halberg Golf. Abbeyfield Golden Bay. Mapua Business Assn. Huia RFC. Coppermine Epic. Tamaha Scouts. Tasman Bay Christian School. Riwaka RFC. Motueka Probus. Motueka Hokioi Eagles Rugby League Club.

MURCHISON BRANCH

Murchison Rugby and Netball. Murchison Bowling Club. Murchison Area School. Murchison A&P. Murchison Golf. Murchison Garden Club. Murchison Community Resource Centre. Murchison Emergency Services. Murchison Swimming Club. Murchison Sport And Recreation Centre.

WESTPORT BRANCH

Beryl Collins School of Dance. Buller District Council. Buller Netball. Buller Women's Triathlon. Westport Contract Bridge Club. Westport Rugby JAB. Westport Trotting Club. Westport Tennis & Squash Club. Buller Cricket. Westport Golf Club. Westport Rugby Club. Buller Rugby Union. Buller Boardriders. Buller A&P Show. White Star Rugby Club.

GREYMOUTH BRANCH

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



Motueka Senior Net - Class in progress



Nelson Events - Set up for fun



Nelson Events - Prize giving



Personal Banker - Ammie McHardy -
Clowning around during the Our Town
Motueka Christmas Parade.



Customer Service Officer - Paula Fleming with
Ammie at the Mapua Easter Fair.



N Win a Car Promotion



Westport Customer Service Officers Taryn
Collins & Kerianne Fussell enjoying setting up
their Branch for the Win a Car promotion.



Mr Garry Dayman with the prize draw winner
Annette Garard of Murchison.



Customer Service Officer Brenda Thomson (front) and Paula - Getting soaked during the Motueka River Raft Race where they were winners of Best Female Raft.



Ammie (top left) with her Motueka BNI (Business Network International) team members during the Top Team finals held at the Upper Moutere Domain.



Annette with her brand new Subaru Impreza.



Taryn with the Westport promotion.

Independent Auditor's Report

To The Members of Nelson Building Society

Deloitte.

Report on the Financial Statements

We have audited the financial statements of Nelson Building Society on pages 11 to 36, which comprise the statement of financial position as at 31 March 2011, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements, in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Our firm carries out other assignments for Nelson Building Society in the area of taxation advice. In addition to this, principals and employees of our firm deal with Nelson Building Society on normal terms within the ordinary course of trading activities of the business of Nelson Building Society. The firm has no other relationship with, or interests in, Nelson Building Society.

Opinion

In our opinion, the financial statements on pages 11 to 36:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Nelson Building Society as at 31 March 2011, and its financial performance and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2011:

- we have obtained all the information and explanations we have required
- in our opinion proper accounting records have been kept by Nelson Building Society as far as appears from our examination of those records.



Chartered Accountants

31 May 2011

CHRISTCHURCH, NEW ZEALAND

This audit report relates to the financial statements of Nelson Building Society for the year ended 31 March 2011 included on Nelson Building Society's website. The Directors are responsible for the maintenance and integrity of Nelson Building Society's website. We have not been engaged to report on the integrity of Nelson Building Society's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/ from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 31 May 2011 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Comprehensive Income

For The Year Ended 31 March 2011

	Year to 31/03/2011 \$	Year to 31/03/2010 \$
Income		
Income Received From:		
Income from Mortgages & Personal Loans	15,641,033	15,598,786
Income from Consumer Lending	1,196,511	1,106,869
Income from Bank Deposits, Investments & Debentures	2,985,552	2,525,942
Interest Income	19,823,096	19,231,597
Deduct Finance Costs		
Interest Incurred on:		
Interest on Term & Call Deposits	(12,868,403)	(12,087,154)
Interest on Other Borrowings	(15,743)	(40,907)
Interest on Consumer Lending	(307,102)	(262,975)
Crown Guarantee	(97,883)	(133,780)
	(13,289,131)	(12,524,816)
Net Interest Income	6,533,965	6,706,781
Add - Other Income		
Bad Debts Recovered	7,976	106,372
Commission - Other	68,065	79,878
Other Income	598,307	553,069
Rental Income on Investment Property	159,250	157,500
	833,598	896,819
Gross Contribution From Activities	7,367,563	7,603,600
Deduct Overhead Expenses		
PIE Management Fee	(8,225)	(34,913)
Auditors Audit Fees	(53,475)	(50,625)
Taxation	(20,351)	(19,339)
Prospectus, Trust Deed and Annual Return	(10,372)	(9,600)
Administration Expenses	(2,150,947)	(2,036,118)
Amortisation & Depreciation	(381,875)	(270,907)
Directors Fees	(110,000)	(95,000)
Operating Lease Costs	(248,430)	(219,836)
Personnel Costs	(2,127,161)	(2,024,884)
Provision for Credit Impairment	(36,690)	(303,473)
Sponsorship	(213,000)	(228,894)
Total Expenses	(5,360,526)	(5,293,589)
Operating Surplus	2,007,037	2,310,011
Add Revaluation of Investment Property	-	(190,000)
Surplus Before Taxation	2,007,037	2,120,011
Income Tax Expense	(679,521)	(650,151)
Net Surplus For The Year	1,327,516	1,469,860
Total Comprehensive Income For The Year	1,327,516	1,469,860

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

Statement of Changes in Equity

For The Year Ended 31 March 2011

	Share Capital	Reserves	Retained Earnings	Total
Balance at 1 April 2009	9,222,000	1,000,610	7,041,681	17,264,291
Net Profit and Total Comprehensive Income	-	-	1,469,860	1,469,860
Shares Issued	2,720,000	-	-	2,720,000
Shares Redeemed	(4,439,500)	-	-	(4,439,500)
Dividends Paid	-	-	(327,821)	(327,821)
Balance at 31 March 2010	7,502,500	1,000,610	8,183,720	16,686,830
Net Profit and Total Comprehensive Income	-	-	1,327,516	1,327,516
Shares Issued	900,000	-	-	900,000
Shares Redeemed	(150,000)	-	-	(150,000)
Dividends Paid	-	-	(351,596)	(351,596)
Balance at 31 March 2011	8,252,500	1,000,610	9,159,640	18,412,750

Approval of Financial Statements for the Year Ended 31 March 2011

Authorised for Issue

The Directors authorised the issue of these financial statements on 31 May 2011.

Approval by Directors

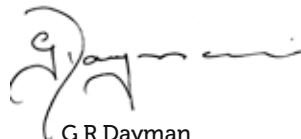
The Directors are pleased to present the financial statements of Nelson Building Society for the year ended 31 March 2011.



K J Beams
General Manager



T N Cameron CA
Chairman of Directors



G R Dayman
Deputy Chairman of Directors

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

Statement of Financial Position

As at 31 March 2011

		As at 31/03/2011 \$	As at 31/03/2010 \$
Assets			
Cash and Cash Equivalents	Note 3	41,908,577	43,293,629
Term Deposits		17,519,519	-
Trade Receivables	Note 9	26,995	77,504
Prepayments		813,464	533,348
Investments	Note 5	6,108,837	6,137,505
Loans and Receivables	Note 4		
Mortgages		217,140,666	210,530,390
Personal Loans		403,628	391,499
Consumer Lending		7,562,047	7,243,017
Less Provision for Credit Impairment	Note 7	(230,000)	(260,000)
Property			
Investment Property	Note 10	1,900,000	1,900,000
Property, Plant & Equipment	Note 11	3,167,316	2,720,558
Intangible Assets			
Software	Note 12	101,031	156,424
		296,422,080	272,723,874
Liabilities			
Employee Entitlements		173,014	146,410
Trade and Other Payables		1,003,893	720,019
Current Tax Liabilities	Note 2	150,374	200,941
Borrowings	Note 18	276,358,989	254,776,095
Deferred Taxation	Note 13	323,060	193,579
		278,009,330	256,037,044
Net Assets		18,412,750	16,686,830
Equity			
Share Capital	Note 15	8,252,500	7,502,500
Retained Earnings	Note 16	9,159,640	8,183,720
Revaluation Reserve	Note 17	1,000,610	1,000,610
Attributable to Members of the Society		18,412,750	16,686,830

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

Statement of Cash Flows

For The Year Ended 31 March 2011

		Year to 31/03/2011 \$	Year to 31/03/2010 \$
Cash Flows From Operating Activities			
Cash was provided from:			
Interest Received		19,823,096	19,231,597
Fees, Rents and Commissions		833,598	896,819
		20,656,694	20,128,416
Cash was disbursed to:			
Interest Paid		(13,289,131)	(12,524,816)
Operating Expenses		(4,927,781)	(5,718,793)
Income Taxes Paid	Note 2	(600,607)	(502,981)
		(18,817,519)	(18,746,590)
Net Cash Flows From Operating Activities before changes in Operating Assets		1,839,175	1,381,826
Redemption of Loans and Receivables		54,802,303	67,251,075
Issuance of Loans and Receivables		(61,743,738)	(91,947,803)
Net Increase in Borrowings		21,582,894	24,829,267
Net Cash Flows From Operating Activities		16,480,634	1,514,365
Cash Flows From Investing Activities			
Cash was provided from:			
Redemption of Investments		28,668	1,564,474
		28,668	1,564,474
Cash was disbursed to:			
Property, Plant & Equipment	Note 11	(739,787)	(283,724)
Intangible Assets	Note 12	(33,452)	(147,410)
Term Deposits		(17,519,519)	-
		(18,292,758)	(431,134)
Net Cash Flows from (used in) Investing Activities		(18,264,090)	1,133,340
Cash Flows From Financing Activities			
Cash was provided from:			
Issue of Shares	Note 15	900,000	2,720,000
		900,000	2,720,000
Cash was disbursed to:			
Dividends Paid	Note 16	(351,596)	(327,821)
Redemption of Shares	Note 15	(150,000)	(4,439,500)
Net Cash Flows from (used in) Financing Activities		398,404	(2,047,321)
Increase in Cash Held		(1,385,052)	600,384
Add Opening Cash and Cash Equivalents		43,293,629	42,693,245
Closing Cash and Cash Equivalents		41,908,577	43,293,629

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

Statement of Cash Flows

For The Year Ended 31 March 2011

	Year to 31/03/2011 \$	Year to 31/03/2010 \$
Reconciliation Of Net Surplus To Cash Flows From Operating Activities		
Net Surplus	1,327,516	1,469,860
Non Cash Items		
Deferred Taxation	129,481	134,321
Depreciation and Amortisation	381,875	270,907
Investment Properties (Revaluation)	-	190,000
(Decrease)/Increase in Provision for Credit Impairment	(30,000)	(456,396)
	481,356	138,832
Movement in Working Capital		
Increase in Trade and Other Payables	283,874	(162,242)
Increase/(Decrease) in Taxation Payable	(50,567)	12,848
(Increase)/Decrease in Trade Receivables	50,509	(59,610)
Decrease/(Increase) in Prepayments	(280,117)	(21,247)
(Decrease)/Increase in Employee Entitlements	26,604	3,385
Issuance in Loans and Receivables	(61,743,738)	(91,947,803)
Redemption in Loans and Receivables	54,802,303	67,251,075
Increase in Borrowings	21,582,894	24,829,267
	14,671,762	(94,327)
Net Cash Flows from Operating Activities	16,480,634	1,514,365

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

Notes to the Financial Statements

For The Year Ended 31 March 2011

Summary of Significant Accounting Policies Statement Of Compliance

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

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

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

The financial statements were authorised by the directors on 31 May 2011.

Basis Of Preparation

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

Presentation Currency

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

Principal Activities

The Society's principal activities during the year were:

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

Particular Accounting Policies

i. Revenue Recognition

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

• Interest Income

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

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

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

• Leases as Lessor

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

• Fee and Commission Income

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

• 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 other income.

ii. Expense Recognition

• Interest Expense

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

• Losses on Loans and Receivables Carried at Amortised Cost

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

Notes to the Financial Statements

For The Year Ended 31 March 2011

• Leasing

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

• Commissions and Other Fees

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

iii. Taxation

Income Tax

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

Deferred tax is provided using the comprehensive 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 Profit or Loss, except when it relates to items recognised directly in other comprehensive income or directly in equity, in which case the deferred tax or current tax is also recognised directly in other comprehensive income or directly in equity.

iv. Goods And Services Tax

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

v. Assets

• Financial Assets

The Society classifies its financial assets in the following categories:

Loans and Receivables

Financial Assets Held to Maturity (investments in listed debt securities)

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

• Recognition and Derecognition of Financial Assets and Financial Liabilities

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

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

• Loans and Receivables

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

Subsequent to initial recognition Loans and Receivables are recorded at amortised cost using the effective interest method less impairment.

Notes to the Financial Statements

For The Year Ended 31 March 2011

• Investments

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

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

• Trade Receivables

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

• Cash and Cash Equivalents

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

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

• Property, Plant and Equipment Asset Recognition

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

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

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

• Revaluation

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

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

• Depreciation

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

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

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

• Investment Property

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

• Intangible Assets

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

Notes to the Financial Statements

For The Year Ended 31 March 2011

vi. Impairment

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

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

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

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

vii. Liabilities

• Borrowings

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

• Trade and Other Payables

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

• Employee Entitlements

Wages and Salaries, Annual Leave and Sick Leave

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

viii. Equity

• Debt and Equity Instruments

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

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

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

• Revaluation Reserve

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

Notes to the Financial Statements

For The Year Ended 31 March 2011

ix. Cash Flow Statement

• Basis of Presentation

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

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

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

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

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

• Netting of Cash Flows

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

• Cash and Cash Equivalents

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

x. Significant Judgements, Accounting Estimates And Assumptions

The preparation of the financial statements requires the use of management judgements, estimates and assumptions that affect the application of accounting policies and the carrying values of assets and liabilities that are not readily available from other sources. The judgements, estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances the results of which form the basis of making the judgements. 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 as follows:

- **Valuation of Property, Plant and Equipment**
Policy (v) and Note 11.

- **Valuation of Investment Property**
Policy (v) and Note 10.

- **Impairment Analysis**
Policy (vi) and Note 7 and Note 8.

xi. Changes In Accounting Policies

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

xii. Standards And Interpretations Effective In The Current Period

- **Those with No Material Impact:**

Improvements to NZ IFRS (2008).

Improvements to NZ IFRS (2009).

NZ IFRS 3 (revised 2008) Business Combinations (1 July 2009).

NZ IAS 27 (revised 2008) Consolidated and Separate Financial Statements (1 July 2009).

NZ IFRS 2 Share-based Payment: Group cash-settled Share-based Payment transactions (1 January 2009).

Amendments to NZ IAS 39 'Financial Instruments: Recognition and Measurement' - Eligible Hedged Items (1 July 2009).

NZ IFRIC 17 Distributions of Non-Cash Assets to Owners (1 January 2009).

NZ IFRIC 18 Transfers of Assets from Customers (1 July 2009).

NZ Specific Omnibus Amendments (2009-1) (July 2009).

Amendments to NZ IAS 32 'Financial Instruments: Presentation' - Classification of Rights Issues.

We have chosen to early adopt amendments to NZ IAS 12 'Income Taxes' Deferred Tax: Recovery of underlying Assets with an impact of \$64,523 recognised in the current year as part of the tax expense.

xiii. Statements In Issue But Not Yet Effective

In May 2011 the IASB issued IFRS 13 Fair Value Measurement which will become effective from 1 January 2013. This is expected to be adopted by NBS for the year ended 31 March 2014. The potential impact of this new standard has not yet been assessed. In other respects, we are not aware of any standards in issue but not yet effective which would materially impact the amounts recognised or disclosed in the financial statements.

Notes to the Financial Statements

For The Year Ended 31 March 2011

1. Key Management Compensation

	31/03/2011	31/03/2010
Amounts received, or due and receivable by Directors:	110,000	95,000
Fees to directors' include chairman fees, travel and other allowances and are short term.		
Key Management Compensation (Excluding Directors) comprised:		
	31/03/2011	31/03/2010
Salaries & Short-Term Employee Benefits	413,403	380,200
Post-employment benefits	33,881	37,994
Total Compensation of Key Management Personnel (Excluding Directors)	447,284	418,194

2. Taxation

(a) Income Tax Recognised in Profit

Income Tax Expense Comprises:

	31/03/2011	31/03/2010
Current Tax Expense	573,531	554,909
Adjustments Recognised in Relation to the Current Tax of Prior Years	(23,491)	(39,080)
Deferred Tax Expense Relating to the Origination and Reversal of Temporary Differences	129,481	118,790
Adjustments Recognised in Relation to Deferred Tax of Prior Years	-	15,532
Total Income Tax Expense Recognised in Profit	679,521	650,151

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

Surplus before tax	2,007,037	2,120,011
Taxation thereon at 30% (2010: 30%)	602,111	636,003
Non Assessable Income	-	-
Non Deductable Expenses	6,530	37,696
Removal of Tax Depreciation on Long Life Buildings	157,193	-
Effect of Change to Investment Property Through Adoption of Revised NZ IAS 12	(64,523)	-
Changes in Taxation Rate to Deferred Tax Due to Change in Legislation	(23,076)	-
Under/(Over) Provision of Income Tax in Previous Year	1,287	(23,548)
Income Tax Expense Recognised in Profit and Loss	679,521	650,151

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

(b) Current Tax Liability

Balance at the Beginning of the Year	200,941	188,093
Taxation Expense	573,531	554,909
Adjustments Recognised in Relation to the Current Tax of Prior Year	(23,491)	(39,080)
Taxation Paid	(600,607)	(502,981)
Balance at End of Period	150,374	200,941

(c) Deferred Tax Balances

Deferred Tax Liabilities Comprise:

Temporary Differences (Note 13)	323,060	193,579
	323,060	193,579

Notes to the Financial Statements

For The Year Ended 31 March 2011

3. Cash And Cash Equivalents

	31/03/2011	31/03/2010
Bank Deposits	41,351,576	42,811,720
Cash on Hand	557,001	481,909
	41,908,577	43,293,629

4. Loans And Receivables

	31/03/2011	31/03/2010
Secured	224,702,713	217,773,407
Unsecured	403,628	391,499
Gross Advances	225,106,341	218,164,906
Less Provisions for Credit Impairment	(230,000)	(260,000)
Total Net Advances	224,876,341	217,904,906

Note 8

5. Investments

	31/03/2011	31/03/2010
Investments	6,108,837	6,137,505
	6,108,837	6,137,505

Investment Securities have a nominal value of \$6m (31st March 2010:\$6m).
Investment Securities include subordinated investments with a nominal value of \$3m (2010:\$3m).

6. Asset Categorisation

Financial Assets:

	31/03/2011	31/03/2010
Loans and Receivables (including Cash and Cash Equivalents)	284,331,432	261,276,039
Assets Held to Maturity	6,108,837	6,137,505
	290,440,269	267,413,544

Financial Liabilities:

	31/03/2011	31/03/2010
Financial Liabilities Held at Amortised Cost	277,535,896	255,624,524
	277,535,896	255,642,524

7. Provision For Credit Impairment

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

	31/03/2011 Provisions	31/03/2010 Provisions
Collective	185,000	266,396
Specific	75,000	450,000
	260,000	716,396

New Provisions during the Period

	31/03/2011 Provisions	31/03/2010 Provisions
Collective	(42,491)	46,129
Specific	79,181	257,344

Balances Written Off during the Period

	31/03/2011 Provisions	31/03/2010 Provisions
Collective	(12,509)	(127,525)
Specific	(54,181)	(632,344)

Balance at End of the Period

	31/03/2011 Provisions	31/03/2010 Provisions
Collective	130,000	185,000
Specific	100,000	75,000
	230,000	260,000

Notes to the Financial Statements

For The Year Ended 31 March 2011

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

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

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

	31/03/2011	31/03/2010
Bad Debts Written Off for the Period	(66,690)	(759,869)
Add New Provisions Made	36,690	303,473
Movement in Provision for Credit Impairment	(30,000)	(456,396)

8. Asset Quality

	31/03/2011	31/03/2010
(a) Asset Quality Advances to Customers		
Past Due But Not Impaired	1,919,720	1,301,135
Impaired	161,168	411,223
Neither Past Due or Impaired	222,795,453	216,192,548
Total Carrying Amount	224,876,341	217,904,906

	31/03/2011		31/03/2010	
	Past Due Assets	Impaired	Past Due Assets	Impaired
b) Movements in Balances of Impaired and Past Due Assets				
Opening Balance	1,301,135	411,223	612,674	1,435,000
Assets Classified as Past Due/Impaired	2,074,536	161,168	1,601,394	411,223
Charges	25,789	-	7,161	-
Customer Repayments	(916,869)	(369,394)	(112,827)	(962,433)
Loan Balance Written Off	(24,861)	(41,829)	(759,869)	(472,567)
Assets no Longer Meeting Definition	(540,010)	-	(47,398)	-
Closing Balance	1,919,720	161,168	1,301,135	411,223

(c) Ageing of Past Due Assets	31/03/2011	31/03/2010
Past due 0-29 days	1,795,578	485,717
Past due 30-59 days	106,688	398,565
Past due 60-89 days	9,848	12,011
Past due 90 days+	7,606	404,842
Carrying Amount	1,919,720	1,301,135

The balance of Past Due Assets is in respect of Residential Housing and Consumer Lending. The Society holds security of \$2,308,750 over outstanding residential housing balances of \$1,374,860. In respect of the Impaired Assets, the Society holds a rateable land valuation of \$76,000 and has provided an additional \$100,000 for the expected shortfall. In respect of Consumer Lending, in most cases the Society has recourse for the debt against the car dealers and as such it is not considered necessary to determine the fair value of the collateral (which is the right and responsibility of the third party car dealer). The balance is reviewed regularly and the Society is satisfied that there are no additional issues other than those disclosed above.

Notes to the Financial Statements

For The Year Ended 31 March 2011

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

	Restructured Advances	Real Estate Assets Acquired Through the Enforcement of Security	Other Assets Acquired Through the Enforcement Security
Year Ended 31 March 2010			
Opening Balance	-	-	-
Additions	-	-	-
Deletions	-	-	-
Closing Balance	-	-	-
Year Ended 31 March 2011			
Opening Balance	-	-	-
Additions	-	-	-
Deletions	-	-	-
Closing Balance	-	-	-

There are no Restructured Advances included in these Financial Statements.

9. Trade Receivables

	31/03/2011	31/03/2010
Other Receivables	26,995	77,504
	26,995	77,504

10. Investment Property

	31/03/2011	31/03/2010
Freehold Land (at valuation)		
Balance at Beginning of the Period	985,000	1,090,000
Net Revaluation Increments/decrease	-	(105,000)
Balance at End of the Period	985,000	985,000
Buildings (at valuation)		
Balance at Beginning of the Period	915,000	1,000,000
Additions	-	-
Net Revaluation Increments/decrease	-	(85,000)
	915,000	915,000
Balance at End of the Period	1,900,000	1,900,000
Total Carrying Amount		

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 2011 by Murray Lauchlan of Duke & Cooke Ltd, Registered Valuers. The valuation was based on market value for existing use. Such valuations are performed on an active market basis, being the amounts for which the assets could be exchanged between a knowledgeable, willing seller in an arm's length transaction at the valuation date. The rental capitalisation rate adopted for the valuation of the properties as at 31 March 2011 was 7.00% (2010: 7.00%).

Notes to the Financial Statements

For The Year Ended 31 March 2011

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

	31/03/2011	31/03/2010
Freehold Land	633,000	633,000
Buildings	698,875	698,875
	1,331,875	1,331,875

11. Property, Plant & Equipment

	31/03/2011	31/03/2010
Freehold Land and Buildings		
Fair Value		
Balance at Beginning of the Period	2,036,914	1,878,809
Additions	-	158,105
Net Revaluation Increments/(Decrement)	(49,070)	-
Balance at End of the Period	1,987,844	2,036,914
Depreciation and Impairment		
Balance at Beginning of the Period	32,246	16,824
Depreciation for the Period ¹	16,824	15,422
Net Revaluation	(49,070)	-
Balance at End of the Period	-	32,246
Total Freehold Land and Buildings	1,987,844	2,004,668

	31/03/2011	31/03/2010
Computer Equipment		
Cost		
Balance at Beginning of the Period	458,084	455,488
Additions	470,131	2,596
Balance at End of the Period	928,215	458,084
Depreciation and Impairment		
Balance at Beginning of the Period	387,104	313,907
Depreciation for the Period ¹	135,835	73,197
Balance at End of the Period	522,939	387,104
Total Computer Equipment	405,276	70,980
Other Assets		
Cost		
Balance at Beginning of the Period	1,464,106	1,341,083
Additions	269,657	123,023
Balance at End of the Period	1,733,763	1,464,106

Notes to the Financial Statements

For The Year Ended 31 March 2011

	31/03/2011	31/03/2010
Depreciation and Impairment		
Balance at Beginning of the Period	819,196	704,080
Depreciation for the Period ¹	140,371	115,116
Balance at End of the Period	959,567	819,196
Total Other Assets	774,196	644,910
Total Property, Plant and Equipment	3,167,316	2,720,558

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

No impairment losses have been recognised against the gross carrying amount of property, plant and equipment for the year ended 31 March 2011 (March 2010 \$Nil).

The land and buildings of NBS were valued by Murray Lauchlan of Duke & Cook, independent registered valuers, as at 31 March 2011. These are valued on the basis of market value for existing use. A rental capitalisation valuation methodology has been used in determining this value. The rental capitalisation rate adopted for the valuation of the properties as at 31 March 2011 was 6.75% (31 March 2008: 7.25%).

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

	31/03/2011	31/03/2010
Freehold Land	16,550	16,550
Buildings	1,114,724	1,120,349
	1,131,274	1,136,899

12. Intangible Assets

	31/03/2011	31/03/2010
Software		
Cost		
Balance at Beginning of the Period	1,470,751	1,323,341
Additions	33,452	147,410
Balance at End of the Period	1,504,203	1,470,751
Amortisation and Impairment		
Balance at Beginning of the Period	1,314,327	1,247,155
Amortisation for the Period ²	88,845	67,172
Impairment Losses	-	-
Balance at End of the Period	1,403,172	1,314,327
Total Software	101,031	156,424

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

No impairment losses have been recognised against the gross carrying amount of software for the year ended 31 March 2011 (March 2010: \$Nil)

Notes to the Financial Statements

For The Year Ended 31 March 2011

13. Deferred Taxation	Opening Balance	Charged to Income	Charged to Equity	Closing Balance
31/03/2011				
Establishment Fees in Advance	-	-	-	-
Provision for Credit Impairment	78,000	(13,600)	-	64,400
Investment Property	(125,220)	64,591	-	(60,629)
Property, Plant and Equipment	(188,145)	(155,555)	-	(343,700)
Intangible Assets - Software	(2,138)	(7,317)	-	(9,455)
Employee Entitlements	43,924	(17,600)	-	26,324
Change in Tax Rate	-	-	-	-
Other	-	-	-	-
	(193,579)	(129,481)	-	(323,060)
31/03/2010				
Establishment Fees in Advance	24,630	(24,630)	-	-
Provision for Credit Impairment	214,919	(136,919)	-	78,000
Investment Property	(142,182)	16,962	-	(125,220)
Property, Plant and Equipment	(208,767)	20,622	-	(188,145)
Intangible Assets - Software	9,235	(11,373)	-	(2,138)
Employee Entitlements	42,907	1,017	-	43,924
Other	-	-	-	-
	(59,258)	(134,321)	-	(193,579)

14. Imputation Credit Account

	31/03/2011	31/03/2010
Opening Balance	1,656,656	1,818,120
Tax Paid at 33 cents	-	-
Dividends Paid at 33 cents	-	(161,464)
Transferred to Imputation Earned at 30 cents	(1,656,656)	-
Closing Balance at 33 cents	-	1,656,656
Opening Balance	866,451	363,470
Transferred from Imputation Earned at 33 cents	1,656,656	-
Tax Paid at 30 cents	600,607	502,981
Dividends Paid at 30 cents	(351,596)	-
Closing Balance at 30 cents	2,772,118	866,451
Opening Balance	2,523,107	2,181,590
Tax Paid	600,607	502,981
Dividends Paid	(351,596)	(161,464)
Total Closing Balance	2,772,118	2,523,107

Notes to the Financial Statements

For The Year Ended 31 March 2011

15. Share Capital

During the year ending 31 March 2011 750,000 (net) preference shares were issued for \$1 each, fully paid (31st March 2010: 1,719,500 (net) redeemed for \$1 each). Each share attracts a fully imputed dividend. Dividends, paid quarterly, may only be paid from the surplus profits of the Society. The dividend shall be paid at a percentage set at the beginning of each quarter (31 March 2011: 6.50%). The Society can cancel the payment of a dividend by giving the holder a Dividend Cancellation Notice. The holder of shares has no right to attend, vote or speak at general meetings nor do the shares carry any right to participate in any cash, bonus or other issues of shares declared or made by the Society. The shares may only be redeemed by the Society giving a Redemption Notice to the holders.

	31/03/2011		31/03/2010	
	Number of Shares	\$	Number of Shares	\$
Opening Balance	7,502,500	7,502,500	9,222,000	9,222,000
Shares Issued	900,000	900,000	2,720,000	2,720,000
Shares Redeemed	(150,000)	(150,000)	(4,439,500)	(4,439,500)
	750,000	750,000	(1,719,500)	(1,719,500)
Closing Balance	8,252,500	8,252,500	7,502,500	7,502,500

16. Retained Earnings

	31/03/2011	31/03/2010
Opening Balance	8,183,720	7,041,681
Net Surplus for the Period	1,327,516	1,469,860
Dividends	(351,596)	(327,821)
Closing Balance	9,159,640	8,183,720
Dividends Paid per Share	4.3 cents per Share	4.4 cents per Share

17. Revaluation Reserve - Property, Plant & Equipment

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

18. Borrowings

	31/03/2011	31/03/2010
Borrowings		
Call Borrowings - Depositors	40,993,889	38,616,005
Term Borrowings - Depositors	235,365,100	216,160,090
Total Borrowings	276,358,989	254,776,095

All borrowings are unsecured.

Notes to the Financial Statements

For The Year Ended 31 March 2011

	31/03/2011	Weighted Average Interest Rate %	31/03/2010	Weighted Average Interest Rate %
Maturity Analysis Of Term And Current Borrowings				
Borrowings at Call	40,993,889	1.59	38,616,005	2.94
Between 0 and 1 year	222,467,757	5.33	187,885,541	4.97
Between 1 and 2 years	12,000,047	5.83	27,890,661	5.42
Between 2 and 5 years	897,296	5.97	383,888	6.46
Total Borrowings	276,358,989	4.75	254,776,095	4.89

All Borrowings are unsecured.

19. Commitments And Contingent Liabilities

The Society has a commitment for loans approved but not yet paid at 31 March 2011 of \$5,969,841 (31 March 2010 for a total of \$3,398,197).

The Society has entered into property leases in Richmond, Motueka, Murchison, Westport and Greymouth for 3 years commencing 1 November 2009, 1 August 2008, 1 January 2010, 15 November 2010 and 1 May 2009 respectively, with right of renewal for a further 3 years at the conclusion of the current lease periods.

Lease commitments under non-cancellable operating leases:

	31/03/2011	31/03/2010
Less than 1 year	164,056	186,600
Between 1 and 2 years	80,454	123,967
Between 2 and 5 years	13,054	46,351
	257,564	356,918

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

Lease commitments under non-cancellable operating lease:

	31/03/2011	31/03/2010
Less than 1 year	157,500	157,500
Between 1 and 2 years	157,500	157,500
Between 2 and 5 years	118,125	275,625
	433,125	590,625

Sponsorship commitments beyond 31 March 2011 total \$Nil (March 2010: \$Nil).

The Society had no contingent liabilities as at 31 March 2011. (March 2010: \$Nil).

Notes to the Financial Statements

For The Year Ended 31 March 2011

20. Segmental Analysis

Products and services from which reportable segments derive their revenues

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

Segment revenues and results

No operations were discontinued during the year.

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

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

Information about major customers

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

31 March 2011: There was no one customer that individually comprised 10 per cent or more of the total revenue.

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

21. Fair Value

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

Methodologies

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

The following methods have been used:

Cash and Cash Equivalents

Carrying amount is equivalent to fair value.

Investments

Fair value is determined based on current quoted prices.

Loans and Receivables

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

Notes to the Financial Statements

For The Year Ended 31 March 2011

Trade Debtors

Carrying amount is equivalent to fair value.

Borrowings

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

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

Trade and Other Payables

Carrying amount is equivalent to fair value.

Financial Assets	31/03/2011		31/03/2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Cash Equivalents and Term Deposits	59,428,096	59,428,096	43,293,629	43,293,629
Investments	6,108,837	6,142,946	6,137,505	6,182,388
Loans and Receivables	224,876,341	225,117,172	217,904,906	216,776,835
Trade Receivables	26,995	26,995	77,504	77,504
Total Financial Assets	290,440,269	290,715,209	267,413,544	266,330,356
Financial Liabilities				
Borrowings	276,358,989	276,938,851	254,776,095	254,784,550
Trade and Other Payables	1,003,893	1,003,893	720,019	720,019
Employee Entitlements	173,014	173,014	146,410	146,410
Total Financial Liabilities	277,535,896	278,115,758	255,642,524	255,650,979

22. Liquidity Risk

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

The Society monitors its liquidity position on a regular basis, looking one to four weeks out to assess potential funding requirements. This is managed in light of historical reinvestment rates in excess of 80% and through significant cash and term deposit reserves.

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

Cash demands are usually met by realising liquid investments on maturity, 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. These have been met during the year.

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

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

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

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

Notes to the Financial Statements

For The Year Ended 31 March 2011

Monetary Assets Receivable Matched Against Liabilities Payable as at 31 March 2011

	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	2 to 5 Years	Greater than 5 Years	Total Carrying Amount
Monetary Assets							
Cash & Cash Equivalents	4,908,905	37,597,173	-	-	-	-	42,506,078
Term Deposits	-	-	18,110,576	-	-	-	18,110,576
Investments	-	1,109,955	2,151,783	2,124,711	1,030,000	-	6,416,449
Trade Receivables	26,995	-	-	-	-	-	26,995
Personal Loans	-	8,414	60,644	125,625	231,890	-	426,573
Consumer Lending	156,288	2,097,142	1,995,226	2,662,916	2,179,279	-	9,090,851
Mortgages	17,011,708	9,261,526	6,438,516	14,631,044	60,300,847	312,866,938	420,510,579
Provision for Credit Impairment	(230,000)	-	-	-	-	-	(230,000)
Total Monetary Assets	21,873,896	50,074,210	28,756,745	19,544,296	63,742,016	312,866,938	496,858,101
Liabilities							
Borrowings	40,993,889	155,025,405	72,856,471	12,557,184	937,010	-	282,369,959
Trade and Other Payables	1,003,893	-	-	-	-	-	1,003,893
Employee Entitlements	173,014	-	-	-	-	-	173,014
Current Tax Liabilities	-	150,374	-	-	-	-	150,374
Total Monetary Liabilities	42,170,796	155,175,779	72,856,471	12,557,184	937,010	-	283,697,240
Net Monetary Assets/ (Liabilities)	(20,296,900)	(105,101,569)	(44,099,726)	6,987,112	62,805,006	312,866,938	213,160,861
Unrecognised Loan Commitments	5,969,841	-	-	-	-	-	5,969,841
Net Liquidity Gap	(26,266,741)	(105,101,569)	(44,099,726)	6,987,112	62,805,006	312,866,938	207,191,020

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

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

Notes to the Financial Statements

For The Year Ended 31 March 2011

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

Loans and Receivables

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

Credit Facility

Included in the definition of liquid assets is a committed but undrawn funding line. As at 31 March 2011, the Society had total committed funding lines with Registered Banks of \$6,000,000 (March 2010: \$6,000,000). None of this facility \$Nil (March 2010: \$Nil) was drawn down at 31 March 2011.

23. Credit Risk Exposure

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

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

In the normal course of business, the Society incurs credit risk from debtors. The Society has a credit policy, which is used to manage its exposure to unsecured advances. There are no significant concentrations of credit risk in any of the above areas. The majority of the Society's loans and receivables are invested in residential mortgages. Over 80% of all Loans and Receivables are in the Nelson Region.

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	31/03/2011		31/03/2010	
	Bank	Other	Bank	Other
10-19	2	4	3	8
20-29	-	1	-	2
30-39	1	-	-	-
40-49	-	-	1	-
50-59	-	-	-	-
60-69	2	-	1	-
70-79	-	-	1	-
80-89	-	-	-	-
90+	1	-	-	-

Notes to the Financial Statements

For The Year Ended 31 March 2011

Credit Risk Profile by Category

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

	31/03/2011	31/03/2010
Residential	184,544,465	159,028,751
Commercial	32,366,201	51,241,639
Personal Lending	403,628	391,499
Consumer Finance	7,562,047	7,243,017
	224,876,341	217,904,906

The table below shows the level of lending by region.

	Year to 31/03/2011	Year to 31/03/2010
Nelson	192,030,561	183,605,638
West Coast	32,845,780	34,299,268
	224,876,341	217,904,906

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 95% of the borrowings can be repriced or mature within twelve months (March 2010: 89%).

At 31 March 2011 there were 227 fixed rate borrowings totalling \$12,897,343 not reviewable within one year. (31 March 2010: 618 fixed rate borrowings totalling \$28,274,549). The table below shows the next interest maturity date for financial assets and liabilities.

Interest Rate Repricing Schedule as at 31 March 2011

	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	5.20%	4,908,905	36,999,672	-	-	-	41,908,577
Term Deposits	5.39%	-	-	17,519,519	-	-	17,519,519
Investments	6.94%	-	1,086,443	1,999,983	2,022,411	1,000,000	6,108,837
Trade Receivables		26,995	-	-	-	-	26,995
Personal Loans	12.95%	346,680	7,822	15,168	9,840	24,118	403,628
Consumer Lending	14.18%	156,288	1,607,866	1,627,281	2,218,992	1,951,620	7,562,047
Mortgage Advances	7.09%	66,444,819	81,912,040	44,343,750	24,440,057	-	217,140,666
Provision for Credit Impairment		(230,000)	-	-	-	-	(230,000)
Total Monetary Assets		71,653,687	121,613,843	65,505,701	28,691,300	2,975,738	290,440,269
Liabilities							
Borrowings	4.75%	40,993,889	150,971,723	71,496,034	12,000,047	897,296	276,358,989
Trade and Other Payables		1,003,893	-	-	-	-	1,003,893
Employee Entitlements		173,014	-	-	-	-	173,014
Current Tax Liabilities		-	150,374	-	-	-	150,374
Total Monetary Liabilities		42,170,796	151,122,097	71,496,034	12,000,047	897,296	277,686,2702
Net Monetary Assets/ (Liabilities)		29,482,891	(29,508,254)	(5,990,333)	16,691,253	2,078,442	12,753,999
Unrecognised Loan Commitments	6.92%	5,969,841	-	-	-	-	5,969,841
Net Liquidity Gap		23,513,050	(29,508,254)	(5,990,333)	16,691,253	2,078,442	6,784,158

Notes to the Financial Statements

For The Year Ended 31 March 2011

Interest Rate Repricing Schedule as at 31 March 2010

	Effective Interest Rate%	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	Greater than 2 Years	Total Carrying Amount
Monetary Assets							
Cash & Cash Equivalents	4.89%	6,180,337	36,670,726	442,566	-	-	43,293,629
Investments	6.94%	-	1,084,039	-	3,013,870	2,039,596	6,137,505
Trade Receivables		77,504	-	-	-	-	77,504
Personal Loans	12.33%	181,860	6,590	17,714	88,163	97,172	391,499
Consumer Lending	14.30%	101,750	1,425,315	1,358,710	2,296,994	2,060,248	7,243,017
Mortgage Advances	6.98%	49,486,755	38,529,788	42,785,908	79,323,655	404,264	210,530,390
Provision for Credit Impairment		(260,000)	-	-	-	-	(260,000)
Total Monetary Assets		55,768,226	77,716,458	44,604,898	84,722,682	4,601,280	267,413,544
Liabilities							
Borrowings	4.89%	38,616,005	138,186,860	49,698,681	27,890,661	383,888	254,776,095
Trade and Other Payables		720,019	-	-	-	-	720,019
Employee Entitlements		146,410	-	-	-	-	146,410
Current Tax Liabilities		-	200,941	-	-	-	200,941
Total Monetary Liabilities		39,482,434	138,387,801	49,698,681	27,890,661	383,888	255,843,465
Net Monetary Assets/ (Liabilities)		16,285,792	(60,671,343)	(5,093,783)	56,832,021	4,217,392	11,570,079
Unrecognised Loan Commitments		3,398,197	-	-	-	-	3,398,197
Net Liquidity Gap		12,887,595	(60,671,343)	(5,093,783)	56,832,021	4,217,392	8,171,882

25. Currency Risk

The Society is not exposed to currency risk.

26. Capital Adequacy

During the current year the Society's Trust Deed was amended to align the minimum risk weighted capital ratio with that specified in the Deposit Takers Regulations. Under the deed of amendment (dated 30 November 2010) the minimum risk weighted capital ratio is 8%.

The Reserve Bank of New Zealand has stated the policy intent was to extend the definition of "Qualifying Mutuals" to Building Societies and that this exemption would be formalised via a class exemption.

An application has been made and the Reserve Bank of New Zealand has indicated an exemption will be given granting the Society Qualifying Mutual status. On this basis the Risk Weighted Capital ratio on the 31st March 2011 is 10.03%.

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

Notes to the Financial Statements

For The Year Ended 31 March 2011

27. Related Parties

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

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

(a) Loans and Advances to Related Parties

Directors and Other Key Management Personnel

	31/03/2011	31/03/2010
Loans and advances outstanding at beginning of period	2,275,980	1,342,840
Net loans issued/(repaid) during the period	(186,670)	933,140
Loans and advances outstanding at end of period	2,089,310	2,275,980

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 2011 (March 2010: \$Nil). The above Loans and Receivables are charged interest at current market rates.

(b) Deposits from Related Parties

Directors and Other Key Management Personnel

	31/03/2011	31/03/2010
Deposits at beginning of period	1,612,737	920,494
Net deposits received/(repaid) during the period	(215,491)	692,243
Deposits at end of period	1,397,246	1,612,737

The above deposits are unsecured and are repayable on demand. Interest rates are based on current market rates.

(c) Key Management Compensation

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

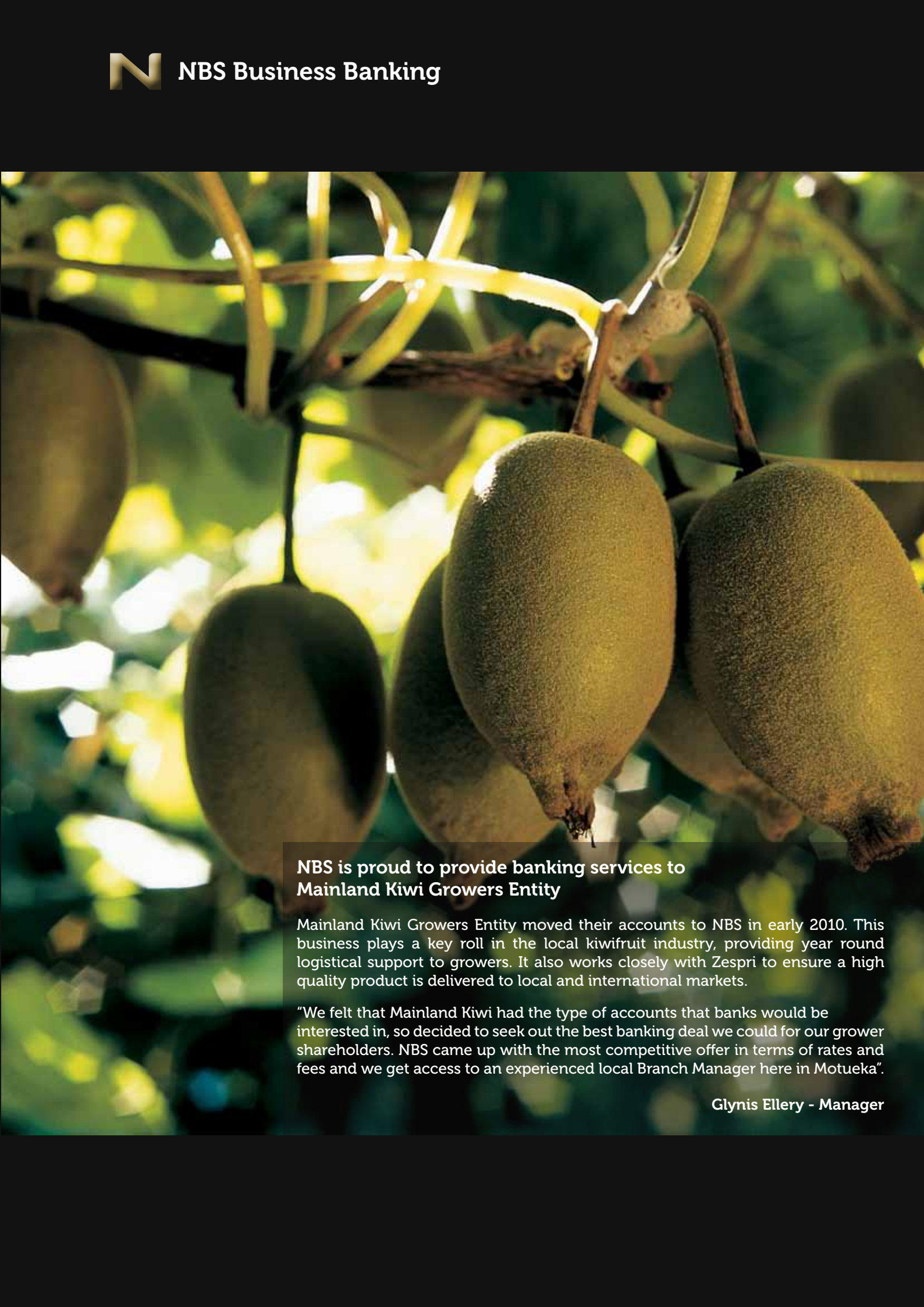
28. Sensitivity Analysis

In managing interest rate risk the Society aims to reduce the impact of short term fluctuations. Over the long term, however, permanent changes in interest rates will have an impact on profit. At 31 March 2011 it is estimated that a general increase of one percentage point in interest rates would increase the Society's profit before income tax and equity by \$203,724 (March 2010:\$323,749). This analysis has been applied against all call and term deposits and interest received on mortgage advances, personal loans, investments, bank deposits and consumer lending and borrowings.

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

29. Subsequent Events

There have been no events subsequent to balance date that would materially impact the financial statements.



NBS is proud to provide banking services to Mainland Kiwi Growers Entity

Mainland Kiwi Growers Entity moved their accounts to NBS in early 2010. This business plays a key roll in the local kiwifruit industry, providing year round logistical support to growers. It also works closely with Zespri to ensure a high quality product is delivered to local and international markets.

"We felt that Mainland Kiwi had the type of accounts that banks would be interested in, so decided to seek out the best banking deal we could for our grower shareholders. NBS came up with the most competitive offer in terms of rates and fees and we get access to an experienced local Branch Manager here in Motueka".

Glynis Ellery - Manager



Nelson Building Society
PO Box 62, Nelson
Freephone 0800 101 700
www.nbs.co.nz

Nelson

111 Trafalgar St
Tel: 03 548 2164
Fax: 03 548 8900
Email: nelson@nbs.co.nz

Richmond

207 Queen St
Tel: 03 543 9391
Fax: 03 543 9390
Email: richmond@nbs.co.nz

Motueka

185 High St
Tel: 03 528 1111
Fax: 03 528 0092
Email: motueka@nbs.co.nz

Murchison

32 Waller St
Tel: 03 523 1000
Fax: 03 523 9565
Email: murchison@nbs.co.nz

Westport

192 Palmerston St
Tel: 03 788 8177
Fax: 03 789 7180
Email: westport@nbs.co.nz

Greymouth

74 Mackay St
Tel: 03 768 9016
Fax: 03 768 7084
Email: greymouth@nbs.co.nz