

**NEW ZEALAND'S
OLDEST
BUILDING SOCIETY**

NBS

NELSON BUILDING SOCIETY

PROSPECTUS No. 35

FOR THE ISSUE OF DEBT SECURITIES UP TO A MAXIMUM OF \$350,000,000

ISSUE DATE: 31 AUGUST 2010



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NAME OF ISSUER

(Clause 2 and 5, Schedule 2)

Nelson Building Society ("the Society")

REGISTERED OFFICE

111 Trafalgar Street, NELSON, 7001

THE ISSUER

(Clause 3, Schedule 2)

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 (including any material contracts and financial statements) 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 Ministry of Economic Development Business Service 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 giving 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

(Clause 1, Schedule 2)

DESCRIPTION OF THE ACTIVITIES OF THE SOCIETY

(Clause 7, Schedule 2)

The purpose of the Society, since 1862, has been borrowing money from the public and other sources, and providing finance to the public and the business community. NBS provides finance for housing, commerce, consumer products and agriculture. The predominant lending activity is the provision of owner-occupier residential loans. The activities of the Society being conducted primarily within the Nelson, Tasman and West Coast regions. The Society has during the five years prior to the date of this Prospectus been engaged in providing and developing these activities.

Amounts owing to the Society by the six largest borrowers as at 31 March 2010 totalled \$16,670,060 or 6.54% of the total advances (March 2009: \$16,620,968 being 8.59%).

YOUR RISKS

Like any financial institution, NBS is exposed to a range of risks that arise from operating in the financial markets. These risks include:

Credit Risk: Credit risk is the risk that NBS is not able to recover loans in full from its borrowers. NBS manages this risk by adhering to strict credit approval policies. All loans are made within established and proven loan-to-value and repayment-to-income ratios, and where necessary, the risk of loan losses is insured against with a third party mortgage insurer. NBS restricts its exposure to any one borrower or group of closely related borrowers and maintains capital reserves as required by its Trust Deed.

NBS requires security for the majority of its advances by way of registered mortgage over real property. In addition, where the borrower is a company or a trust, NBS generally requires personal guarantees. Further detailed information relating to NBS's credit risk can be found in NBS's latest Annual Report available at www.nbs.co.nz.

Liquidity Risk: Liquidity risk is the risk that the Society will encounter difficulty in meeting commitments associated with its financial liabilities, and future commitments. 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 monitors its liquidity risk on a daily basis.

Interest Margin Risk: Interest margin risk is the risk that interest rates will change, thereby increasing or decreasing the cost of borrowing or lending. NBS is exposed to this risk, as its profitability depends on maintaining an appropriate margin between the cost of funds it raises from the public and the interest and fees it receives from borrowers. To mitigate interest margin risk, NBS limits its fixed rate term for lending to two years, and interest margins are constantly managed to ensure lending and funding profiles are matched.

Exposure to Property Market: Almost all of NBS's lending is secured against residential, commercial or rural property. As such, NBS is heavily exposed to the New Zealand property market. However, over 80% of NBS lending portfolio is secured by registered first mortgage over residential property with relatively low loan value ratios. NBS manages its exposure to the property market through ongoing management of loans and ensuring that adequate loan-to-value ratios are maintained and appropriate exit strategies are identified.

SECURITIES OFFERED

All Securities (being Deposits and Redeemable Shares) offered are treated as unsecured debt securities for the purposes 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 \$350,000,000. There is no minimum deposit required to open or maintain an account.

Deposits: Deposits rank ahead of Redeemable Shares in the event of the Society's dissolution or winding up. A Depositor's liability is limited to the amount invested.

Redeemable Shares: The Society's Rules provide that the Board may issue shares at any time to any person and at any number and upon such terms as it thinks fit. The Board may also from time to time (without limit) issue redeemable or preference shares.

Shareholders are entitled to attend any Special or Annual General Meeting of the Society. Each shareholder aged 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. A Redeemable Shareholder's liability is limited to the amount invested.

APPLICATION FORMS

Once an account has been opened, no application forms are required in respect of any transaction on a Deposit or Redeemable Share account. Applications for Deposits and Redeemable Shares are accepted by the Society subject to the terms agreed by negotiation, or contained in this Prospectus or the Rules and applicable law. There is no minimum subscription for Deposits or Redeemable 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 Redeemable 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 Redeemable 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

(Clause 11, Schedule 2)

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

(Clause 13, Schedule 2)

The Securities being offered are unsecured Deposits and Redeemable Shares. The unsecured Deposits rank equally with the Society's other unsecured Deposits (\$80,183,068 as at 31 March 2010) and ahead of Redeemable Shares (\$174,593,027 as at 31 March 2010). As at 31 March 2010, there were no securities that were secured by a mortgage or charge over any of the Society's assets. Accordingly, no securities rank in priority to the Securities. There are no charges registered over any of the Society's assets.

MATERIAL CONTRACTS

(Clause 10, Schedule 2)

With the exception of the Crown Guarantee, detailed below, there were 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.

NON BANK DEPOSIT TAKER (NBDT) REGULATIONS

Part 5D of the Reserve Bank of New Zealand Act 1989 (the "Reserve Bank Act") regulates NBDTs such as the Society. The Reserve Bank has regulation making powers under the Reserve Bank Act to specify and require the following:

- (1) the type of credit rating that must be held in order to meet the definition of a NBDT;
- (2) an approved risk management programme;
- (3) maintain a minimum percentage of capital;
- (4) meet related party restrictions;
- (5) meet liquidity requirements; and
- (6) meet prescribed governance requirements and board composition.

Both (1) and (2) above are currently in force and have been met by the Society, (3), (4) and (5) will come into force on 1 December 2010 pursuant to the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010. The Society confidently expects to comply with these Regulations, in accordance with the terms of any applicable exemptions granted thereto, as and when they become effective.

ISSUE EXPENSES

(Clause 12, Schedule 2)

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. The estimated cost of issuing this Prospectus is \$5,000.

REPAYMENT

The Society reserves the right to repay any call Deposits or Redeemable Shares at any time. Deposits and Redeemable 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. Neither the repayment of any Securities nor the payment of interest thereon is guaranteed by the Society or any of its directors, employees, agents or advisers.

GOVERNMENT DEPOSIT GUARANTEE SCHEME

On 12 November 2008, NBS entered into a contract with New Zealand Treasury and became an Approved Institute under the New Zealand Deposit Guarantee scheme. The guarantee shall be in force for a period of 2 years from the announcement of the scheme on 12 October 2008. Accordingly NBS has a guarantee under the New Zealand Deposit Guarantee scheme until 12 October 2010. The maximum liability of the Crown to each creditor (not being a Nominated Beneficiary) under the Crown Guarantee is \$1,000,000. For this purpose, amounts owed to creditors by NBS under any Debt Security will be aggregated with other amounts owed to the same creditor by NBS that are supported by the Crown Guarantee.

The Government announced on 25 August 2009 that the New Zealand Deposit Guarantee Scheme would be extended to 31 December 2011. Entry into the extended Scheme is voluntary for any institution eligible to participate. The Society has elected not to apply for the extended Scheme. Accordingly, as at 12 October 2010:

- (a) any existing deposits held by, and redeemable shares issued by the Society; and
- (b) all new retail debt securities offered by the Society, will not be covered by the Crown Guarantee.

Further information about the Deposit Guarantee Scheme, a copy of the Crown Deed of Guarantee between the Society and the Crown, and the most recent audited statement of financial position of the Crown, are available free of charge and at all reasonable times, on the internet site maintained by, or on behalf of The Treasury, at www.treasury.govt.nz.

EARLY REPAYMENT

Deposits and Redeemable 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 Redeemable Shares.

FINANCIAL STATEMENTS

(Clause 17, Schedule 2)

The full Financial Statements for the year ending 31 March 2010 comply with and have been registered under the Financial Reporting Act 1993. They were registered with the Companies Office on 12 July 2010. Copies of this document may be obtained free of charge from any NBS Branch or viewed on www.nbs.co.nz "Financial Information & Downloads", or on the Companies Office website www.companies.govt.nz under "Search Other Registers". The file reference number is "1781002".

Directors' Statement

In the opinion of the Directors of the Society after due enquiry by them in relation to the period between 31 March 2010 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)



Garry Richard Dayman (Deputy Chairman)



Paul Anthony Bell



Jeffrey Craig Taylor



Phillip James Robson



Directorate & Advisors

DIRECTORS	T N Cameron CAPP (Chairman) 4 Whitehead Place NELSON 7001	Chartered Accountant
	G R Dayman (Deputy Chairman) 2 Whitehead Place NELSON 7001	Dealer Principal
	J C Taylor 466 Main Road, Stoke NELSON 7001	Company Manager
	P A Bell LLB 18 The Cliffs NELSON 7001	Company Director
	P J Robson 53 Fifeshire Crescent NELSON 7001	Businessman
CHIEF EXECUTIVE OFFICER	K J Beams 600 Neudorf Road Upper Moutere NELSON 7152	
SECRETARY	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	

31 August 2010

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 'Borrowing Entity') we have prepared this report pursuant to clause 22 of Schedule 2 of the Securities Regulations 2009, in accordance with the Securities Act (Building Societies) Exemption Notice 2002 (SR 2002/319) as amended by the Securities Act (Building Societies) Exemption Amendment Notice 2007, for inclusion in a prospectus to be dated 31 August 2010 for the issue of debt securities up to a maximum of \$350,000,000.

This report is made solely to the directors, in accordance with clause 22 of Schedule 2 to the Securities Regulations 2009 ("Schedule 2"). 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 clause 17 of Schedule 2 of the Securities Regulations 2009, 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 2010 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 2010, 2009, 2008, 2007 and 2006, as required by clause 8 of Schedule 2 of the Securities Regulations 2009; and
- (c) the details and amounts in respect of the ranking of securities of the Borrowing Entity as at 31 March 2010 as required by clause 13 of Schedule 2 of the Securities Regulations 2009.

Auditors' Responsibilities

It is our responsibility to report in accordance with clause 22(1)(h) of Schedule 2 of the Securities Regulations 2009

- (i) on the amounts included in the summary of financial statements for the financial years ended 31 March 2010, 2009, 2008, 2007 and 2006 presented by the directors; and
- (ii) on the amounts included in the ranking of securities of the Borrowing Entity as at 31 March 2010 presented by the directors.

This report has been prepared for inclusion in the prospectus for the purpose of meeting the requirements of clause 22 of Schedule 2 of the Securities Regulations 2009. We disclaim any assumptions of responsibility for reliance on this report or the amounts included in the financial statements, the summary financial statements, the amounts included in the ranking of securities, or 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 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 12 to 16 of this prospectus, pursuant to clause 8 of Schedule 2 of the Securities Regulations 2009, have been correctly taken from the audited financial statements of the Borrowing Entity for the financial years ended 31 March 2010, 2009, 2008, 2007 and 2006. 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 13 of Schedule 2 of the Securities Regulations 2009, have been correctly taken from the audited financial statements of the Borrowing Entity as at 31 March 2010.

In addition to the audit, we have carried out other assignments in the area of taxation advice. In addition to these assignments, principals and employees of our firm may deal with Nelson Building Society on arm's length terms within the ordinary course of trading activities. Other than the audit and these assignments and arm's length transactions, we have no relationship with or interests in the Nelson Building Society.

Unqualified Opinion on the Financial Statements

We report in accordance with clause 22(4) of Schedule 2 of the Securities Regulation 2009, that in relation to the financial statements of the Borrowing Entity for the year ended 31 March 2010 referred to on page 3, our audit report was dated 31 May 2010 and was unqualified and did not refer to a fundamental uncertainty in any respect.

Our audit of Nelson Building Society was completed on 31 May 2010 and our unqualified opinion is expressed as at that date. We have not performed any procedures subsequent to this date.

Unqualified Opinion on the Summary of Financial Statements

In our opinion the amounts set out in the summary of financial statements, on pages 12 to 16 of this prospectus, as required by clause 8 of Schedule 2 of the Securities Regulations 2009, have been correctly taken from the audited financial statements of the Borrowing Entity for the financial years ended 31 March 2010, 2009, 2008, 2007 and 2006 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 13 of Schedule 2 of the Securities Regulations 2009, have been correctly taken from the audited financial statements of the Borrowing Entity for the year ended 31 March 2010.

In terms of Regulation 18(1)(c)(ii) of the Securities Regulations 2009 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
Chartered Accountants
Christchurch, New Zealand

This audit report relates to the prospectus of Nelson Building Society dated 31 August 2010 included on Nelson Building Society's website. Nelson Building Society's Board of Directors is responsible for the maintenance and integrity of Nelson Building Society's website. We have not been engaged to report on the integrity of Nelson Building Society's website. We accept no responsibility for any changes that may have occurred to the 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 2010 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.

31 August 2010

The Directors
Nelson Building Society
P O Box 62
NELSON

Dear Sirs

Re: PROSPECTUS NO. 35

Clause 14(3) of the Second Schedule to the Securities Regulations 2009 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 (including amendments thereto). 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 Schedule 15 of the Securities Regulations 2009, 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 thereon.

Signed for and on behalf of
Trustees Executors Limited



Richard McLoughlin
Business Manager
Corporate Trust

THE TRUST DEED
(Clause 14, Schedule 2)

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 1 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. All Deposits rank equally on a liquidation 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.
3. Capitalised expressions used in this section, which are defined in the Trust Deed and not otherwise defined in this Prospectus, have the same meaning assigned to them in the Trust Deed

THE TRUSTEE

4. 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

5. 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 amount that may be so secured (the "Total Secured Liabilities") over the assets of the Society (see 7.2).

FINANCIAL RESTRICTIONS

6. Under the Trust Deed, the Guaranteeing Group covenants with the Trustee that it will not:
 - (a) Permit Total Liabilities to exceed 95% of Total Tangible Assets;
 - (b) 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;
 - (c) Permit Total Liquid Assets to be less than 15% of Total Tangible Assets less Reserves;
 - (d) Permit the total amount payable in cash over any half-year as interest and dividends to exceed income actually received in cash over the same period from investments of the Guaranteeing Group;
 - (e) 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;
 - (f) 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;
 - (g) 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;
 - (h) Permit the aggregate of Total Unsecured Indebtedness, Total Listed Securities and Total Unlisted Securities to exceed 5% of Total Tangible Assets;
 - (i) 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";
 - (j) 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;
 - (k) 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

7. 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.
8. 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.
9. 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

10. 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.
11. Audited financial statements must be presented by the Society to the Trustee 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.
12. The Trustee may also request (in special circumstances) that the Society provide further accounts and relevant information.

DUTIES OF TRUSTEE

13. 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;
 - (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;
 - (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 2009 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 Securities 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.

EXTRAORDINARY RESOLUTIONS

14. 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

15. 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

16. 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.

IMPORTANT DEFINITIONS

"Board" means the board of directors of the Society, from time to time.

"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.

"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.

"Redeemable Shares" means shares in the Society issued pursuant to the Rules and the Building Societies Act 1965.

"Rules" means the rules of the Society (as amended from time to time).

"Securities" means the Deposits and the Redeemable Shares offered under this Prospectus.

"Special Resolution" has the meaning given to that term in the Rules.

"Trust Deed" means the Trust Deed dated 20 December 1990 as amended by subsequent deeds of amendment.

"Trustee" means Trustees Executors Limited.

Summary of Financial Statements from 2006 to 2010

Statement of Comprehensive Income

	Year Ended 31 March 2010 \$ (NZ IFRS)	Year Ended 31 March 2009 \$ (NZ IFRS)	Year Ended 31 March 2008 \$ (NZ IFRS)	Year Ended 31 March 2007 \$ (NZ IFRS)	Year Ended 31 March 2007 \$ (NZ IFRS)	Year Ended 31 March 2006 \$ (NZ IFRS)
Total Revenue	20,128,416	22,997,616	21,903,570	18,296,728	18,676,701	15,487,783
Revaluation of Investment Property	(190,000)	90,000	60,000	238,995	-	-
Total Income	19,938,416	23,087,616	21,963,570	18,535,723	18,676,701	15,487,783
Less Total Interest Expense (1)	12,524,816	16,592,840	15,716,577	13,520,472	13,520,472	11,103,768
Other Expense	5,293,589	5,347,914	4,810,004	4,206,740	4,320,626	3,909,727
Less Total Expense	17,818,405	21,940,754	20,526,581	17,727,212	17,841,098	15,007,495
Net Surplus Before Taxation	2,120,011	1,146,862	1,436,989	808,511	835,603	480,288
Less Taxation Expense	650,151	392,412	630,085	223,359	232,299	144,834
Net Surplus After Taxation	1,469,860	754,450	806,904	585,152	603,304	335,454
Revaluation of Land & Buildings	-	-	49,722	251,258	251,258	61,272
Total Comprehensive Income	1,469,860	754,450	856,626	836,410	854,562	396,726

(1) Interest expense includes commission fees.

Statement of Changes in Equity

	\$ (NZ IFRS)	\$ (NZ IFRS)	\$ (NZ IFRS)	\$ (NZ IFRS)	\$ (NZ IFRS)	\$ (NZ IFRS)
Opening Equity	17,264,291	18,587,090	16,267,992	7,054,237	7,114,617	6,717,891
Net Surplus After Taxation	1,469,860	754,450	806,904	585,152	603,304	335,454
Revaluation of Land & Buildings	-	-	49,722	251,258	251,258	61,272
Total Comprehensive Income	1,469,860	754,450	856,626	836,410	854,562	396,726
Shares Issued	2,720,000	300,000	5,892,000	8,430,000	8,430,000	-
Shares Redeemed	(4,439,500)	(1,750,000)	(3,650,000)	-	-	-
Dividends Paid	(327,821)	(627,249)	(779,528)	(52,655)	(52,655)	-
Balance 31 March	16,686,830	17,264,291	18,587,090	16,267,992	16,346,524	7,114,617
Equity Consists of						
Share Capital	7,502,500	9,222,000	10,672,000	8,430,000	8,430,000	-
Retained Earnings	8,183,720	7,041,681	6,914,480	6,887,104	6,862,102	6,311,453
Revaluation Reserve	1,000,610	1,000,610	1,000,610	950,888	1,054,422	803,164
Attributed to Members of the Society	16,686,830	17,264,291	18,587,090	16,267,992	16,346,524	7,114,617

Statement of Financial Position

As at 31 March

	2010 \$ (NZ IFRS)	2009 \$ (NZ IFRS)	2008 \$ (NZ IFRS)	2007 \$ (NZ IFRS)	2007 \$ (NZ FRS)	2006 \$ (NZ FRS)
Assets						
Cash and Cash Equivalents	43,293,629	42,693,245	21,255,017	17,312,101	2,225,493	13,186,469
Trade Receivables	77,504	17,894	10,095	4,775	4,775	4,360
Prepayments	533,348	512,101	303,455	306,605	306,605	389,659
Investments	6,137,505	7,701,979	3,535,522	4,580,592	19,667,200	9,182,882
Loans and Receivables	217,904,906	192,751,782	194,288,649	180,342,378	180,417,525	161,617,781
Property						
Investment Property	1,900,000	2,090,000	2,000,000	1,940,000	1,940,000	1,700,000
Property, Plant & Equipment	2,720,558	2,640,569	2,501,410	2,467,328	2,829,078	2,687,756
Property Intended for Sale	-	-	-	-	-	2,530,000
Intangible Assets	156,424	76,186	160,180	361,750	-	-
	272,723,874	248,483,756	224,054,328	207,315,529	207,390,676	191,298,907
Liabilities						
Borrowings	254,776,095	229,946,828	204,115,998	190,161,718	187,879,856	183,504,024
Employee Entitlements	146,410	143,025	125,371	116,065	74,000	46,043
Trade and Other Payables	720,019	882,261	810,600	578,160	2,860,023	317,781
Current Tax Liabilities	200,941	188,093	192,553	53,870	53,870	70,829
Deferred Taxation	193,579	59,258	222,716	137,724	176,403	245,613
	256,037,044	231,219,465	205,467,238	191,047,537	191,044,152	184,184,290
Net Assets	16,686,830	17,264,291	18,587,090	16,267,992	16,346,524	7,114,617
Equity						
Share Capital	7,502,500	9,222,000	10,672,000	8,430,000	8,430,000	-
Retained Earnings	8,183,720	7,041,681	6,914,480	6,887,104	6,862,102	6,311,453
Revaluation Reserve	1,000,610	1,000,610	1,000,610	950,888	1,054,422	803,164
Attributed to Members of the Society	16,686,830	17,264,291	18,587,090	16,267,992	16,346,524	7,114,617

Statement of Cash Flows

	Year Ended 31 March 2010 \$ (NZ IFRS)	Year Ended 31 March 2009 \$ (NZ IFRS)	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)
Cash Flows From Operating Activities						
Cash was provided from:						
Interest Received	19,231,597	22,150,954	21,138,357	17,069,233	17,036,851	14,303,636
Fees, Rents & Commissions	896,819	846,662	763,595	1,100,960	1,100,960	1,137,707
	<u>20,128,416</u>	<u>22,997,616</u>	<u>21,901,952</u>	<u>18,170,193</u>	<u>18,137,811</u>	<u>15,441,343</u>
Cash was disbursed to:						
Interest Paid	(12,524,816)	(16,592,840)	(15,688,405)	(13,202,383)	(13,202,383)	(11,187,893)
Operating Expenses	(5,718,793)	(4,586,391)	(4,141,344)	(3,668,569)	(3,668,569)	(3,380,442)
Income Taxes Paid	(502,981)	(560,330)	(380,617)	(324,032)	(324,032)	(2,413)
	<u>(18,746,590)</u>	<u>(21,739,561)</u>	<u>(20,210,366)</u>	<u>(17,194,984)</u>	<u>(17,194,984)</u>	<u>(14,570,748)</u>
Net Cash Flows From Operating Activities Before Changes in Operating Assets	<u>1,381,826</u>	<u>1,258,055</u>	<u>1,691,586</u>	<u>975,209</u>	<u>942,827</u>	<u>870,595</u>
Redemption of Loans and Receivables	67,251,075	61,699,195	70,099,705	74,582,625	-	-
Issuance of Loans and Receivables	(91,947,803)	(60,730,724)	(84,045,974)	(93,263,279)	(18,680,654)	(16,587,109)
Increase in Borrowings	24,829,267	25,830,830	13,954,279	6,390,181	6,390,181	20,749,371
Net Cash Flows From Operating Activities	<u>1,514,365</u>	<u>28,057,356</u>	<u>1,699,596</u>	<u>(11,315,264)</u>	<u>(11,347,646)</u>	<u>5,032,857</u>
Cash Flows From Investing Activities						
Cash was provided from:						
Redemption of Investments	1,564,474	1,003,551	1,045,071	297,329	297,329	5,784,888
	<u>1,564,474</u>	<u>1,003,551</u>	<u>1,045,071</u>	<u>297,329</u>	<u>297,329</u>	<u>5,784,888</u>
Cash was disbursed to:						
Purchase of Investments	-	(5,170,009)	-	2,434,608	(8,048,428)	-
Property, Plant & Equipment	(283,724)	(323,025)	(216,763)	(271,109)	(271,109)	(204,283)
Intangible Assets	(147,410)	(52,396)	(47,461)	(16,650)	(16,650)	-
	<u>(431,134)</u>	<u>(5,545,430)</u>	<u>(264,224)</u>	<u>2,146,849</u>	<u>(8,336,187)</u>	<u>(204,283)</u>
Net Cash Flows from (used in) Investing Activities	<u>1,133,340</u>	<u>(4,541,879)</u>	<u>780,847</u>	<u>2,444,178</u>	<u>(8,038,858)</u>	<u>5,580,605</u>
Cash Flows From Financing Activities						
Cash was provided from:						
Issue of Shares	2,720,000	300,000	5,892,000	8,430,000	8,430,000	-
	<u>2,720,000</u>	<u>300,000</u>	<u>5,892,000</u>	<u>8,430,000</u>	<u>8,430,000</u>	<u>-</u>

Statement of Cash Flows

	Year Ended 31 March 2010 \$ (NZ IFRS)	Year Ended 31 March 2009 \$ (NZ IFRS)	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)
Cash was disbursed to:						
Dividends Paid	(327,821)	(627,249)	(779,527)	(4,472)	(4,472)	-
Redemption of Shares	(4,439,500)	(1,750,000)	(3,650,000)	-	-	-
Net Cash Flows (used in) Financing Activities	(2,047,321)	(2,077,249)	1,462,473	8,425,528	8,425,528	-
Increase in Cash Held	600,384	21,438,228	3,942,916	(445,558)	(10,960,976)	10,613,462
Add Opening Cash and Cash Equivalents	42,693,245	21,255,017	17,312,101	17,757,659	13,186,469	2,573,007
Closing Cash and Cash Equivalents	43,293,629	42,693,245	21,255,017	17,312,101	2,225,493	13,186,469

Dividends Paid in Respect of Equity Securities

	Year Ended 31 March 2010 \$ (NZ IFRS)	Year Ended 31 March 2009 \$ (NZ IFRS)	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)
Preference Shares	327,821	627,249	779,528	52,655	52,655	-
\$0.04	\$0.04	\$0.07	\$0.07	\$0.06	\$0.06	-
cents per share	cents per share	cents per share	cents per share	cents per share	cents per share	

Date of Authorisation of Financial Statements

Year Ended 31 March 2010 (NZ IFRS)	Year Ended 31 March 2009 (NZ IFRS)	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)
31 May 2010	3 June 2009	30 May 2008	30 May 2008	31 May 2007	1 June 2006

Notes to the Summary Financial Statements

From 2006 to 2010

1. The summary of the financial statements are those of the Nelson Building Society

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 for the years ended 31 March 2010, 2009, 2008 and 2007 have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP") and the Financial Reporting Act 1993. The full financial statements for each of these years 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 financial statements for the years ended 31 March 2006 and 2007 have been prepared in accordance with New Zealand Financial Reporting Standards (NZ FRS) applicable prior to the implementation of NZ IFRS.

The Summary Financial Statements were authorised for issue by the Directors on 31 August 2010.

Subject to the Securities Regulations 2009 ("Regulations") the Summary Financial Statements for the Society have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP") as it relates to summary financial statements. Subject to the Regulations they comply with the Financial reporting Standard 43 Summary Financial Statements.

The Summary of Financial Statements cannot be expected to provide a complete understanding as provided by the full Financial Statements from which they are extracted.

The amounts stated in the above Summary of Financial Statements have been taken from unqualified Audited Annual Financial Statements. These Financial Statements are available for inspection on the Society's website www.nbs.co.nz or at the Ministry of Economic Development via the Companies Office website www.companies.govt.nz

The accounting policies have been applied in preparing the Financial Statements for the year ending 31 March 2010 are consistent with the policies applied in the previous financial year.

The presentation currency is New Zealand dollars (\$).

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
 - minority interests
 - amounts derived using equity accounting
 - change in accounting policies other than transition to NZ IFRS
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.

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 2010 was registered on the 1st day of September 2010.

Neville Harris

Neville Harris
Registrar of Building Societies
Dated this 13th day of September 2010



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