

**NEW ZEALAND'S
OLDEST
BUILDING SOCIETY**

NBS

NELSON BUILDING SOCIETY

PROSPECTUS No. 36

FOR THE ISSUE OF DEBT SECURITIES UP TO A MAXIMUM OF \$400,000,000

ISSUE DATE: 31 AUGUST 2011



INDEX OF REQUIRED MATTERS

Schedule 2 Requirements		Page
1	Main Terms of Offer	2 - 3
2	Name and Address of Offeror	2
3	Details of Incorporation of Issuer	2
4	Guarantors	3
5	Names, Addresses and Other Information	5
6	Restrictions on Director's Powers	Not Applicable
7	Description of the Activities of the Society	2
8	Summary of Financial Statements	12-16
9	Acquisition of Business or Subsidiary	Not Applicable
10	Material Contracts	3
11	Pending Proceedings	3
12	Issue Expenses	3
13	Ranking of Securities	3
14	Provisions of Trust Deed and Other Restrictions on the Society	9 - 11
15	Other Terms of Offer and Securities	Not Applicable
16	Financial Statement Requirements Apply Only if a Member of Group has Commenced Business	Not Applicable
17	Financial Statements	3
18	Additional Interim Financial Statements	Not Applicable
19	Places of Inspection Documents	2
20	Other Material Matters	Not Applicable
21	Directors' Statement	4
22	Audit Report	6 - 7
	Trustee Report	8

NAME OF ISSUER
(Clause 2 and 5, Schedule 2)

Nelson Building Society ("the Society")

REGISTERED OFFICE

111 Trafalgar Street, NELSON, 7001

THE ISSUER

(Clause 1, 3 and 19, 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 are 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.

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 and receivables 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 first 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 regular 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 or commercial 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

(Clause 1, (2) - (4))

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 \$400,000,000. 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 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 \$500 or more, is entitled to one vote. In the case of joint shareholding, providing the share holding is \$1000 or more both shareholders are entitled to vote.

APPLICATION FORMS

Once an account has been opened, no application forms are required in respect of any transaction on a Deposit or 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.

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. Redeemable Shares are Debt Securities that mature within 6 months. Deposit are all other Debt Securities other than Redeemable Shares. The unsecured Deposits rank equally with the Society's other unsecured Deposits (\$84,907,896 as at 31 March 2011) and ahead of Redeemable Shares (\$191,451,092 as at 31 March 2011). As at 31 March 2011, 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)

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:

- (a) the type of credit rating that must be held in order to meet the definition of a NBDT;
- (b) an approved risk management programme;
- (c) maintain a minimum percentage of capital;
- (d) meet related party restrictions;
- (e) meet liquidity requirements; and
- (f) meet prescribed governance requirements and board composition.

The Reserve Bank of New Zealand has stated the policy intent was to extend the definition of "Qualifying Mutual" to Building Societies. This exemption was formalised on the 18th July 2011, pursuant to Section 157G of the Reserve Bank of New Zealand Act 1989 and the Deposit Takers (Nelson Building Society) Exemption Notice 2011/259. This exemption allows NBS to calculate its capital adequacy on the basis that it is a Qualifying Mutual. The exemption expires on 30 November 2016. The Society complies with all other requirements.

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 was in force for a period of 2 years from the announcement of the scheme on 12 October 2008. Accordingly NBS had 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 was \$1,000,000. For this purpose, amounts owed to creditors by NBS under any Debt Security were aggregated with other amounts owed to the same creditor by NBS that were 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 was voluntary for any institution eligible to participate. The Society elected not to apply for the extended Scheme. Accordingly, from 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;

were not covered by the Crown Guarantee.

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 2011 comply with and have been registered under the Financial Reporting Act 1993. They were registered with the Companies Office on 10 June 2011. 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".

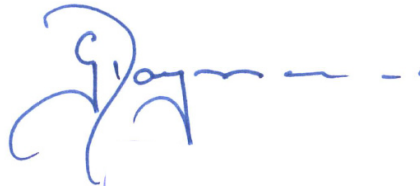
Directors' Statement

In the opinion of the Directors of the Society after due enquiry by them in relation to the period between 31 March 2011 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) Chartered Accountant
4 Whitehead Place
NELSON 7001

G R Dayman (Deputy Chairman) Company Director
2 Whitehead Place
NELSON 7001

J C Taylor Company Manager
466 Main Road, Stoke
NELSON 7001

P A Bell LLB Company Director
18 The Cliffs
NELSON 7001

P J Robson Businessman
53 Fifeshire Crescent
NELSON 7001

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
60 Grove Road
CHRISTCHURCH

SOLICITOR

Glasgow Harley
Halifax Street
NELSON 7001

TRUSTEE

Trustees Executors Limited
Level 5
10 Customhouse Quay
WELLINGTON

The Directors
Nelson Building Society
P O Box 62
NELSON

Dear Directors

INDEPENDENT AUDITORS' REPORT FOR INCLUSION IN PROSPECTUS

As auditors of Nelson Building Society (the 'Society' and 'Borrowing Entity' and 'issuer') 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 as amended by the Securities Act (Building Societies) Exemption Amendment Notice 2007, for inclusion in a prospectus to be dated 31 August 2011 for the issue of debt securities up to a maximum of \$400,000,000.

This report is made in accordance with clause 22 of Schedule 2. Our audit has been undertaken so that we might state those matters we are required to state 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 and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of the Borrowing Entity, referred to on page 3, which comprise the statement of financial position as at 31 March 2011 and the 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.

Report on the Summary of Financial Statements

The accompanying summary of financial statements of the Borrowing Entity on pages 12 to 16, which comprise the summary statements of financial position as at 31 March 2011, 2010, 2009, 2008 and 2007 and the summary statements of comprehensive income, summary statements of changes in equity and summary statements of cash flows for the years then ended, and related notes, are derived from the audited financial statements of the Borrowing Entity for the years ended 31 March 2011, 2010, 2009, 2008 and 2007. We expressed unmodified audit opinions on those financial statements in our reports dated 31 May 2011, 31 May 2010, 31 May 2009, 30 May 2008 and 31 May 2007 respectively.

The summary of financial statements does not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary(s), therefore, is not a substitute for reading the audited financial statements of the Borrowing Entity.

Board of Directors' Responsibilities

The Board of Directors (the 'Directors') are responsible for the preparation and presentation of:

- (a) the financial statements referred to in accordance with clause 17 of Schedule 2, that comply with and have been registered under the Financial Reporting Act 1993 and which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the Borrowing Entity as at 31 March 2011 and its financial performance and cash flows for the financial year ended on that date, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- (b) the summary of financial statements of the Borrowing Entity for the financial years ended 31 March 2011, 2010, 2009, 2008 and 2007, as required by clause 8 of Schedule 2; and
- (c) the details and amounts in respect of the ranking of securities of the Borrowing Entity as at 31 March 2011 as required by clause 13 of Schedule 2.

Auditors' Responsibilities

It is our responsibility to:

- (a) report in accordance with clauses 22(3) and 22(4) of Schedule 2, on the auditors' report on the financial statements of the Borrowing Entity as at 31 March 2011 and for the year ended on that date; and
- (b) report in accordance with clause 22(1)(h) of Schedule 2

- i) on the amounts included in the summary of financial statements for the financial years ended 31 March 2011, 2010, 2009, 2008 and 2007 presented by the Directors; and
- ii) on the amounts included in the ranking of securities of the Borrowing Entity as at 31 March 2011 presented by the Directors. 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, have been correctly taken from the audited financial statements of the Borrowing Entity as at 31 March 2011.

This report has been prepared for inclusion in the prospectus for the purpose of meeting the requirements of clause 22 of Schedule 2. We disclaim any assumptions of responsibility for reliance on this report or the amounts included in the financial statements, the summary of financial statements, or the amounts included in the ranking of securities for any other purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the prospectus not specifically mentioned in this report.

Independence

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.

Unmodified Opinion on the Financial Statements

We report in accordance with clause 22(4) of Schedule 2, that in relation to the financial statements of the Borrowing Entity as at 31 March 2011 and for the year ended on that date referred to on page 3, our audit report (dated 31 May 2011) was unmodified and did not refer to a fundamental uncertainty in any respect.

Our audit of the Borrowing Entity was completed on 31 May 2011 and our unmodified opinion was expressed as at that date. We have not performed any procedures in relation to the 31 March 2011 annual financial statements subsequent to 31 May 2011.

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, have been correctly taken from the audited financial statements of the Borrowing Entity for the financial years ended 31 March 2011, 2010, 2009, 2008 and 2007 from which they were extracted.

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, have been correctly taken from the audited financial statements of the Borrowing Entity for the year ended 31 March 2011.

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
31 August 2011
Chartered Accountants
Christchurch, New Zealand

This audit report relates to the prospectus of Nelson Building Society dated 31 August 2011 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 2011 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 2011

The Directors
Nelson Building Society
PO Box 62
NELSON

Dear Sirs

Re: Prospectus No. 36

Clause 14(3) of the Second Schedule to the Securities Regulations 2009 requires us to confirm that the offer of securities ("the Deposits") 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 Deposits;

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 Deposits 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 Deposits 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)

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.

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.

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

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

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

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

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.

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 to, 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.

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

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.

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.

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

DUTIES OF TRUSTEE

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

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-quarters in Principal amount of that Class of Security holders.

MODIFICATIONS TO TRUST DEED

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

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 2007 to 2011

Summary Statement of Comprehensive Income

	Year Ended 31 March 2011 \$ (NZ IFRS)	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)
Total Revenue	20,656,694	20,128,416	22,997,616	21,903,570	18,296,728	18,676,701
Revaluation of Investment Property	-	(190,000)	90,000	60,000	238,995	-
Total Income	20,656,694	19,938,416	23,087,616	21,963,570	18,535,723	18,676,701
Less Total Interest Expense (1)	13,289,131	12,524,816	16,592,840	15,716,577	13,520,472	13,520,472
Other Expense	5,360,526	5,293,589	5,347,914	4,810,004	4,206,740	4,320,626
Less Total Expense	18,649,657	17,818,405	21,940,754	20,526,581	17,727,212	17,841,098
Net Surplus Before Taxation	2,007,037	2,120,011	1,146,862	1,436,989	808,511	835,603
Less Taxation Expense	679,521	650,151	392,412	630,085	223,359	232,299
Net Surplus After Taxation	1,327,516	1,469,860	754,450	806,904	585,152	603,304
Revaluation of Land & Buildings	-	-	-	49,722	251,258	251,258
Total Comprehensive Income	1,327,516	1,469,860	754,450	856,626	836,410	854,562

(1) Interest expense includes commission fees.

Summary Statement of Changes in Equity

	\$ (NZ IFRS)	\$ (NZ IFRS)	\$ (NZ IFRS)	\$ (NZ IFRS)	\$ (NZ IFRS)	\$ (NZ IFRS)
Opening Equity	16,686,830	17,264,291	18,587,090	16,267,992	7,054,237	7,114,617
Net Surplus After Taxation	1,327,516	1,469,860	754,450	806,904	585,152	603,304
Revaluation of Land & Buildings	-	-	-	49,722	251,258	251,258
Total Comprehensive Income	1,327,516	1,469,860	754,450	856,626	836,410	854,562
Shares Issued	900,000	2,720,000	300,000	5,892,000	8,430,000	8,430,000
Shares Redeemed	150,000	(4,439,500)	(1,750,000)	(3,650,000)	-	-
Dividends Paid	(351,596)	(327,821)	(627,249)	(779,528)	(52,655)	(52,655)
Balance 31 March	18,412,750	16,686,830	17,264,291	18,587,090	16,267,992	16,346,524
Equity Consists of						
Share Capital	8,252,500	7,502,500	9,222,000	10,672,000	8,430,000	8,430,000
Retained Earnings	9,159,640	8,183,720	7,041,681	6,914,480	6,887,104	6,862,102
Revaluation Reserve	1,000,610	1,000,610	1,000,610	1,000,610	950,888	1,054,422
Attributed to Members of the Society	18,412,750	16,686,830	17,264,291	18,587,090	16,267,992	16,346,524

Summary Statement of Financial Position

As at 31 March

	2011 \$ (NZ IFRS)	2010 \$ (NZ IFRS)	2009 \$ (NZ IFRS)	2008 \$ (NZ IFRS)	2007 \$ (NZ IFRS)	2007 \$ (NZ IFRS)
Assets						
Cash and Cash Equivalents	41,908,577	43,293,629	42,693,245	21,255,017	17,312,101	2,225,493
Term Deposits	17,519,519	-	-	-	-	-
Trade Receivables	26,995	77,504	17,894	10,095	4,775	4,775
Prepayments	813,464	533,348	512,101	303,455	306,605	306,605
Investments	6,108,837	6,137,505	7,701,979	3,535,522	4,580,592	19,667,200
Loans and Receivables	224,876,341	217,904,906	192,751,782	194,288,649	180,342,378	180,417,525
Property						
Investment Property	1,900,000	1,900,000	2,090,000	2,000,000	1,940,000	1,940,000
Property, Plant & Equipment	3,167,316	2,720,558	2,640,569	2,501,410	2,467,328	2,829,078
Property Intended for Sale	-	-	-	-	-	-
Intangible Assets	101,031	156,424	76,186	160,180	361,750	-
	296,422,080	272,723,874	248,483,756	224,054,328	207,315,529	207,390,676
Liabilities						
Employee Entitlements	173,014	146,410	143,025	125,371	116,065	74,000
Trade and Other Payables	1,003,893	720,019	882,261	810,600	578,160	2,860,023
Current Tax Liabilities	150,374	200,941	188,093	192,553	53,870	53,870
Borrowings	276,358,989	254,776,095	229,946,828	204,115,998	190,161,718	187,879,856
Deferred Taxation	323,060	193,579	59,258	222,716	137,724	176,403
	278,009,330	256,037,044	231,219,465	205,467,238	191,047,537	191,044,152
Net Assets	18,412,750	16,686,830	17,264,291	18,587,090	16,267,992	16,346,524
Equity						
Share Capital	8,252,500	7,502,500	9,222,000	10,672,000	8,430,000	8,430,000
Retained Earnings	9,159,640	8,183,720	7,041,681	6,914,480	6,887,104	6,862,102
Revaluation Reserve	1,000,610	1,000,610	1,000,610	1,000,610	950,888	1,054,422
Attributed to Members of the Society	18,412,750	16,686,830	17,264,291	18,587,090	16,267,992	16,346,524

Summary Statement of Cash Flows

	Year Ended 31 March 2011 \$ (NZ IFRS)	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)
Cash Flows From Operating Activities						
Cash was provided from:						
Interest Received	19,823,096	19,231,597	22,150,954	21,138,357	17,069,233	17,036,851
Fees, Rents & Commissions	833,598	896,819	846,662	763,595	1,100,960	1,100,960
	<u>20,656,694</u>	<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>
Cash was disbursed to:						
Interest Paid	(13,289,131)	(12,524,816)	(16,592,840)	(15,688,405)	(13,202,383)	(13,202,383)
Operating Expenses	(4,927,781)	(5,718,793)	(4,586,391)	(4,141,344)	(3,668,569)	(3,668,569)
Income Taxes Paid	(600,607)	(502,981)	(560,330)	(380,617)	(324,032)	(324,032)
	<u>(18,817,519)</u>	<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>
Net Cash Flows From Operating Activities Before Changes in Operating Assets	1,839,175	1,381,826	1,258,055	1,691,586	975,209	942,827
Redemption of Loans and Receivables	54,802,303	67,251,075	61,699,195	70,099,705	74,582,625	-
Issuance of Loans and Receivables	(61,743,738)	(91,947,803)	(60,730,724)	(84,045,974)	(93,263,279)	(18,680,654)
Increase in Borrowings	21,582,894	24,829,267	25,830,830	13,954,279	6,390,181	6,390,181
Net Cash Flows From Operating Activities	16,480,634	1,514,365	28,057,356	1,699,596	(11,315,264)	(11,347,646)
Cash Flows From Investing Activities						
Cash was provided from:						
Redemption of Investments	28,668	1,564,474	1,003,551	1,045,071	297,329	297,329
	<u>28,668</u>	<u>1,564,474</u>	<u>1,003,551</u>	<u>1,045,071</u>	<u>297,329</u>	<u>297,329</u>
Cash was disbursed to:						
Purchase of Investments	-	-	(5,170,009)	-	2,434,608	(8,048,428)
Property, Plant & Equipment	(739,787)	(283,724)	(323,025)	(216,763)	(271,109)	(271,109)
Intangible Assets	(33,452)	(147,410)	(52,396)	(47,461)	(16,650)	(16,650)
Term Deposits	(17,519,519)	-	-	-	-	-
	<u>(18,292,758)</u>	<u>(431,134)</u>	<u>(5,545,430)</u>	<u>(264,224)</u>	<u>2,146,849</u>	<u>(8,336,187)</u>
Net Cash Flows from (used in) Investing Activities	(18,264,090)	1,133,340	(4,541,879)	780,847	2,444,178	(8,038,858)
Cash Flows From Financing Activities						
Cash was provided from:						
Issue of Shares	900,000	2,720,000	300,000	5,892,000	8,430,000	8,430,000
	<u>900,000</u>	<u>2,720,000</u>	<u>300,000</u>	<u>5,892,000</u>	<u>8,430,000</u>	<u>8,430,000</u>

Summary Statement of Cash Flows continued

	Year Ended 31 March 2011 \$ (NZ IFRS)	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)
Cash was disbursed to:						
Dividends Paid	(351,596)	(327,821)	(627,249)	(779,527)	(4,472)	(4,472)
Redemption of Shares	(150,000)	(4,439,500)	(1,750,000)	(3,650,000)	-	-
Net Cash Flows (used in) Financing Activities	398,404	(2,047,321)	(2,077,249)	1,462,473	8,425,528	8,425,528
Increase in Cash Held	(1,385,052)	600,384	21,438,228	3,942,916	(445,558)	(10,960,976)
Add Opening Cash and Cash Equivalents	43,293,629	42,693,245	21,255,017	17,312,101	17,757,659	13,186,469
Closing Cash and Cash Equivalents	41,908,577	43,293,629	42,693,245	21,255,017	17,312,101	2,225,493

Date of Authorisation of Financial Statements

Year Ended 31 March 2011	Year Ended 31 March 2010	Year Ended 31 March 2009	Year Ended 31 March 2008	Year Ended 31 March 2007	Year Ended 31 March 2007
31 May 2011	31 May 2010	3 June 2009	30 May 2008	30 May 2008	31 May 2007

Notes to the Summary Financial Statements

From 2007 to 2011

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 2011, 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 and with International Financial Reporting Standards ('IFRS').
- The financial statements for the year ended 31 March 2007 have also 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 2011.

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 Audited full Financial Statements on which unmodified audit reports were issued. 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 2011 are consistent with the policies applied in the previous financial year.

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



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 of August 2011 was registered on the 31st of August 2011.

Neville Harris
Registrar of Financial Service Providers
Dated this 31st day of August 2011

Prospectus registration number: 10060561774

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