

PROSPECTUS

No. 30

**FOR THE ISSUE OF DEBT SECURITIES
AS DEFINED IN THE SECURITIES ACT 1978
UP TO A MAXIMUM OF \$180,000,000**

ISSUE DATE: 31 AUGUST 2005

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

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NAME OF ISSUER

Nelson Building Society (“the Society”)

REGISTERED OFFICE

111 Trafalgar Street, NELSON, 7001

THE ISSUER

Nelson Building Society is a Building Society incorporated under the Building Societies Act 1965 and registered on 22nd April 1862. The Society’s registration number is 1881/1. Copies of the documents forming the Society’s public file may be obtained (on payment of a fee) by telephoning the Companies Office Contact Centre at 0508 266 726. File reference “CHBS 1881/1” should be quoted. 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 these Securities, refuse in whole or part and without assigning reasons any funds offered to it, and or issue a new Prospectus in substitution for or addition to this Prospectus at any time.

REGISTRATION

A copy of this Prospectus duly signed and having attached thereto the documents required by Section 41 of the Securities Act 1978 (being the Auditor’s Report as set out on pages 7 - 9 of this Prospectus, the Auditors consent to their report and the Trustee’s letter as set out on page 10 of this Prospectus) was delivered for registration to the offices of the Companies Office, Level 5, District Court Building, 3 Kingston Street, Auckland on the 31st day of August 2005.

MAIN TERMS OF OFFER

DESCRIPTION OF THE ACTIVITIES OF THE SOCIETY

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

PLANS, PROSPECTS AND FORECASTS

The Society intends to continue to carry on the activities of a Building Society mentioned above, funded by deposits and subscriptions from members.

SECURITIES OFFERED

All securities (Deposits and Redeemable Shares) offered are unsecured Debt Securities under the terms of the Securities Act 1978 and the Securities Act (Building Societies) Exemption Notice 2002 (SR2002/319). This Prospectus is for the issue of Debt Securities up to a maximum of \$180,000,000.

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

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

APPLICATION FORMS

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

PAYMENT OF INTEREST

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

TRANSFER & NEW ZEALAND STOCK EXCHANGE

These securities are not transferable. Listing of these securities on the New Zealand Stock Exchange is not being sought.

PENDING PROCEEDINGS

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

RANKING OF SECURITIES

The Debt Securities being offered are unsecured Deposits which will rank equally with the Society's other unsecured Debt Securities (Deposits) (\$42,043,179 as at 31 March 2005) and ahead of Redeemable Shares. As at the 31st day of March 2005, there were no securities that were secured by a mortgage or charge over any of the Society's assets and accordingly that rank in priority ahead of these securities. There are no charges registered over any of the Society's assets.

MATERIAL CONTRACTS

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

ISSUE EXPENSES

There will be no material issue expenses as this issue is not being made through a promoter or any organising brokers. Brokerage will be paid to agents during the term of this Prospectus for some funds received. Brokerage is paid monthly and is calculated on the investment balance of the agency at the end of each month at the rate of either 0.50% per annum or 0.75% per annum. This Prospectus has been prepared and printed by staff of the Society using equipment owned by the Society. The estimated cost of issuing this Prospectus is \$1,500.00.

REPAYMENT

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

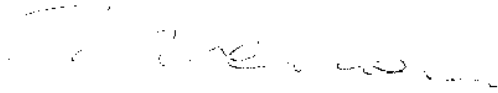
EARLY REPAYMENT

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

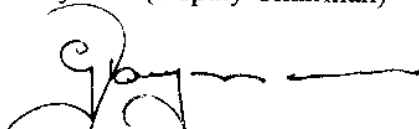
DIRECTORS' STATEMENT

In the opinion of the Directors of the Society after due enquiry by them in relation to the period between 31 March 2005 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 of its ability to pay its liabilities due within the next twelve months.

Trevor Nelson Cameron (Chairman)



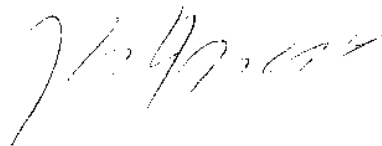
Garry Richard Dayman (Deputy Chairman)



Phillip James Robson



Katherine Alice Carr LLB (Hons)



Jeffrey Craig Taylor



*PROVISIONS APPLICABLE TO DEBT SECURITIES
DIRECTORATE & ADVISORS*

<i>Directors</i>	T N Cameron (Chairman) 10 Di Pierri Way NELSON 7001	Chartered Accountant
	K A Carr LLB (Hons) 30 Cambria Street NELSON 7001	Solicitor
	J C Taylor 466 Main Road, Stoke NELSON 7001	Company Manager
	P J Robson 53 Fifeshire Crescent NELSON 7001	Businessman
	G R Dayman (Deputy Chairman) 2 Whitehead Place NELSON 7001	Dealer Principal
<i>General Manager</i>	K J Beams Neudorf Road Upper Moutere NELSON 7152	
<i>Secretary Securities Registrar</i>	A J Cadigan 27 Lobank Place, Richmond NELSON 7001	
<i>Auditor</i>	Deloitte 32 Oxford Street Christchurch	
<i>Solicitor</i>	Glasgow Harley Halifax Street NELSON 7001	
<i>Trustee</i>	Trustees Executors Limited Level 1 50-64 Customhouse Quay WELLINGTON	
<i>Registered Valuers</i>	Duke & Cooke Limited 42 Halifax Street NELSON 7001	

31 August 2005

The Directors
Nelson Building Society
P O Box 62
NELSON

Dear Directors

AUDITORS' REPORT FOR INCLUSION IN PROSPECTUS

As auditors of Nelson Building Society (the 'Society'), we have prepared this report pursuant to clause 36 of the Second Schedule of the Securities Regulations 1983 for inclusion in a prospectus to be dated 31 August 2005 for the issue of debt securities up to a maximum of \$180,000,000.

We have audited the financial statements of the Society, set out at pages 16 to 30. The financial statements provide information about the past financial performance and cash flows of the Society for the year ended 31 March 2005 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 19 to 20.

We report on the summary of financial statements of the Society set out on page 15. The summary of financial statements has been taken from the audited financial statements for the financial years ended 31 March 2001, 31 March 2002, 31 March 2003, 31 March 2004 and 31 March 2005. The financial statements of the Society for the years ended 31 March 2001, 31 March 2002, 31 March 2003 and 31 March 2004 were audited by West Yates. The financial statements of the Society for the year ended 31 March 2005 were audited by Deloitte.

We report on the information provided in respect of the ranking of securities of the Society as at 31 March 2005.

Board of Directors' Responsibilities

The board of directors (the 'directors') are responsible for the preparation of:

- (a) the financial statements as required by clauses 16 to 32 of the Second Schedule of the Securities Regulations 1983, that comply with the regulations; and subject to the regulations comply with generally accepted accounting practice in New Zealand; and give a true and fair view of the state of affairs of the Society as at 31 March 2005 and its financial performance and cash flows for the financial year ended on that date; and
- (b) the summary of financial statements of the Society for the financial years ended 31 March 2001, 31 March 2002, 31 March 2003, 31 March 2004 and 31 March 2005 as required by clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983.
- (c) the details and amounts in respect of the ranking of securities of the Society as at 31 March 2005 as required by clause 12 of the Second Schedule of the Securities Regulations 1983.

Auditors' Responsibilities

It is our responsibility to:

- (a) express an independent opinion on the financial statements of the Society as at 31 March 2005 and for the year ended on that date, prepared and presented by the directors, and report our opinion in accordance with clause 36(1) of the Second Schedule of the Securities Regulations 1983; and
- (b) report in accordance with clause 36(1)(g) of the Second Schedule of the Securities Regulations 1983 on the amounts included in the summary of financial statements for the financial years ended 31 March 2001, 31 March 2002, 31 March 2003, 31 March 2004 and 31 March 2005 presented by the directors; and
- (c) report in accordance with clause 36(1)(g) of the Second Schedule of the Securities Regulations 1983 on the amounts included in the ranking of securities of the Society as at 31 March 2005 presented by the directors.

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

Basis of Opinion on the Financial Statements

An audit of the financial statements for the year ended 31 March 2005 includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

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

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

Basis of Opinion on the Summary of Financial Statements

We have undertaken procedures to provide reasonable assurance that the amounts set out in the summary of financial statements on page 15 of this prospectus, pursuant to clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Society for the financial years ended 31 March 2001, 31 March 2002, 31 March 2003, 31 March 2004 and 31 March 2005. For a better understanding of the financial position and results of the Society'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 of this prospectus, pursuant to clause 12 of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Society as at 31 March 2005.

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

Unqualified Opinion on the Financial Statements

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

In our opinion :

- proper accounting records have been kept by the Society as far as appears from our examination of those records; and
- the financial statements of the Society on pages 16 to 30 of this prospectus, as required by clauses 16 to 32 of the Second Schedule of the Securities Regulations 1983, and that are required to be audited, have been drawn up to:
 - comply with the Securities Regulations 1983; and
 - subject to these Regulations, comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the financial position of the Society as at 31 March 2005 and the results of its operations and cash flows for the financial year ended on that date.

Our audit for the Society was completed on 27 May 2005 and our unqualified opinion is expressed as at that date.

Unqualified Opinion on the Summary of Financial Statements

In our opinion the amounts set out in the summary of financial statements on page 15 of this prospectus, as required by clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Society for the financial years ended 31 March 2001, 31 March 2002, 31 March 2003, 31 March 2004 and 31 March 2005 from which they were extracted.

Unqualified Opinion on the Ranking of Securities

In our opinion the amounts set out in the ranking of securities on page 3 of this prospectus, as required by clause 12 of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Society for the financial year ended 31 March 2005.

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

Yours faithfully



**Chartered Accountants
Christchurch, New Zealand**



31 August 2005

The Directors
Nelson Building Society
P O Box 62
NELSON

Dear Sirs

Re: PROSPECTUS NO. 30

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

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

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

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

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

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

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

Signed for and on behalf of
Trustees Executors Limited

Richard McLoughlin
Business Manager
Corporate Trust

INVESTOR PROTECTION

THE TRUST DEED

IMPORTANT DEFINITIONS

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

“Principal Moneys” means in relation to deposits or redeemable shares, the amount (other than interest) payable on redemption of the deposits or redeemable shares (as the case may be) inclusive of the premium (if any) of the deposits or redeemable shares (as the case may be) payable in accordance with the conditions of issue thereof.

“Total Liabilities” means the aggregate on a consolidated basis of the amounts of all liabilities of the Guaranteeing Group Subsidiaries as would be disclosed in a Guaranteeing Group statement of financial position if one was prepared as at the reference date adjusted by deducting all Subordinated Debt.

“Total Secured Liabilities” means the total on a consolidated basis of the amounts of all secured liabilities of the Guaranteeing Group as would be disclosed in a Guaranteeing Group statement of financial position if one was prepared as at the reference date.

“Total Liquid Assets” means total on a consolidated basis of the values of all liquid assets of the Guaranteeing Group as would be disclosed in a Guaranteeing Group statement of financial position if one was prepared as at the reference date.

“Guaranteed Investment Principal” means the principal or that portion of the principal outstanding to the Guaranteeing Group under any investment, liability or obligation not included in liquid assets for which a prime debtor is liable whether as principal debtor, guarantor, endorser or otherwise; including without limitation a registered mortgage, to the extent repayment of the principal outstanding is guaranteed by the Housing Corporation of New Zealand or by an insurance company or a wholly owned subsidiary thereof which is certified by a director’s certificate to be, to the best of the director’s knowledge and belief after taking appropriate advice, of a comparable credit-standing to a prime debtor as defined in this deed.

“Extraordinary Resolution” means an extraordinary resolution of the depositors or a class thereof or of the redeemable shareholders or a class thereof, passed in the manner provided in Schedule 1 of the Trust Deed.

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

THE TRUST DEED

1. The Deposits and Redeemable Shares (collectively the “Securities”) offered in this Prospectus are issued under a Trust Deed dated 20th December 1990 as amended by deeds of amendment dated 2nd November 1993, 22nd May 1997 and 21st December 2001 (the “Trust Deed”) made between the Society and Trustees Executors Limited as Trustee for the Securityholders, which came into effect on 1st January 1991. Except to the extent that this Prospectus sets out the terms and conditions relating to the Securities, those contained in the Trust Deed will apply.
2. The Securities constituted under the Trust Deed include all existing Deposits on issue to the public and all Redeemable Shares on issue. The holder of any Deposits or Redeemable Shares issued before 1st January 1991 has the benefit of the Trust Deed unless and until the holder notifies the Trustee or Society that he or she does not wish to be a beneficiary or be bound by the terms of the Trust Deed.
3. All Deposits rank equally on a winding up with all other Deposits and unsecured liabilities and before Redeemable Shares, and Redeemable Shares rank equally with all other Redeemable Shares, notwithstanding that such Securities may have been issued at different times and carry interest at different rates and are repayable at different times. The Rules of the Society applicable to Deposits and Redeemable Shares continue to apply.
4. The Terms referred to in this section and which are defined in the Trust Deed have same meaning specified in the Trust Deed.

THE TRUSTEE

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

LIMITATIONS

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

FINANCIAL RESTRICTIONS

7. The Trust Deed contains continuing covenants from the Guaranteeing Group with the Trustee that it will not:
 - 7.1 Permit Total Liabilities to exceed 95% of Total Tangible Assets
 - 7.2 Permit Total Secured Liabilities to exceed 1% of Total Tangible Assets; (Additional Secured Liabilities owed to Prime Debtors, for example, banks) are permitted for a limited time in certain prescribed circumstances and may increase Total Secured Liabilities up to a maximum of 7% Total Tangible Assets at any particular time.
 - 7.3 (a) Permit Total Liquid Assets to be less than 15% of (Total Tangible Assets less Reserves);
(b) Permit the total amount payable in cash over any half-years as interest and dividends to exceed income actually received in cash over the same period from investments of the Guaranteeing Group;

- (c) Fail to ensure that the assets of the Guaranteeing Group are sufficient or likely to be sufficient to enable its liabilities to be discharged as they become due;
 - (d) “Permit Exposure to a single issuer of Marketable Debt Securities or, in relation to such an issuer that is a member of a group of companies, Exposure to the Single Group of which the issuer is a Member (other than to a Bank) to exceed 15% of Total Liquid Assets”.
- 7.4 (a) Permit the aggregate of Total Secured Indebtedness and Total Unsecured Indebtedness owing to the Guaranteeing Group and the Total Listed Securities and the Total Unlisted Securities of the Guaranteeing Group to exceed 15% of Total Tangible Assets;
- (b) Permit the aggregate of Total Unsecured Indebtedness, Total Listed Securities and Total Unlisted Securities to exceed 5% of Total Tangible Assets.
- 7.5 Secure by way of charge over any assets of the Guaranteeing Group the payment of Principal or interest or other moneys payable under any Debt Securities or issue any Debt Securities to “bearer”.
- 7.6 Sell or transfer the whole or any substantial part of the business, undertaking or assets of the Guaranteeing Group except to any member of the Guaranteeing Group.
- 7.7 Enter into or permit the subsistence of any guarantee, indemnity or security for the obligations of any external person for any unlimited amount of liability.

TRANSACTIONS WITH ASSOCIATED PERSONS

8. An associated person is (broadly) any person (including a body corporate) or a relative of any person who controls or manages the Society, or who is controlled by the Society or whoever controls or manages the Society, and includes any non-guaranteeing body corporate which is related to or associated (in terms of accounting standards) with the Society.
9. Apart from equity investments in existence at the original date of the Trust Deed or which may be approved by the Trustee, the Guaranteeing Group covenants not to lend, invest in or guarantee the obligations of Associated Persons unless security is taken by way of mortgage or as Guaranteed Investment Principal on (except in the case of staff loans) normal commercial interest rates.
10. The Guaranteeing Group also covenants with the Trustee that it will not enter into transactions with Associated Persons other than for full market value, on an arms-length basis and in the ordinary course of business.

REPORTS TO TRUSTEE

11. To enable the Trustee to monitor the financial position of the Guaranteeing Group, the Guaranteeing Group covenants to report regularly to the Trustee on the Guaranteeing Group’s financial affairs.
12. Audited financial statements must be presented yearly and unaudited financial statements half-yearly. The directors of the Society must report to the Trustee every three months on various matters specified in detail in the Trust Deed, and monthly management financial statements are to be supplied to the Trustee.

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

DUTIES OF TRUSTEE

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

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

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

POWER OF MAJORITY

15. The Trust Deed contains provisions for meetings of Depositors, Redeemable Shareholders and/or any class thereof. An Extraordinary Resolution (ie: 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 Securityholders or unless it has been assented to in writing by not less than three-fourths in Principal amounts that Class of Securityholders.

MODIFICATIONS TO TRUST DEED

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

RELEASE OF TRUST DEED

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

SUMMARY OF FINANCIAL STATEMENTS FROM 2001 TO 2005

Statement of Financial Performance

	Year Ended 31 Mar 05	Year Ended 31 Mar 04	Year Ended 31 March 03	Year Ended 31 Mar 02	Year Ended 31 Mar 01
Total Operating Revenue	12,783,459	10,553,406	8,064,550	5,999,452	5,203,830
Less Total Interest Expenses	8,870,864	7,087,590	5,326,506	3,925,424	3,581,549
Administration Expenses	3,541,170	2,997,703	2,343,052	1,853,320	1,475,673
Total Expenses	12,412,034	10,085,293	7,669,558	5,778,744	5,057,222
Net Surplus Before Taxation	371,425	468,113	394,992	220,708	146,608
Less Provision for Taxation	136,917	157,141	132,591	62,402	50,078
Net Surplus After Taxation	234,508	310,972	262,401	158,306	96,530
Transfer to General Reserve Fund	234,508	310,972	262,401	158,306	96,530

Statement of Financial Position as at 31 March

Total Assets	170,189,536	148,184,641	123,985,921	86,857,386	64,054,798
Total Tangible Assets	170,189,536	148,184,641	123,985,921	86,857,386	64,054,798
Total Liabilities	163,471,645	142,282,900	119,153,853	82,762,719	60,348,435
Total Equity	6,717,891	5,901,741	4,832,068	4,094,667	3,706,363

NOTES TO THE SUMMARY OF FINANCIAL STATEMENTS FROM 2001 TO 2005

1. The amounts stated in the above Summary of Financial Statements have been taken from Audited Annual Financial Statements.
2. There are no securities that are secured by a charge over the assets of the Society that rank in point of security ahead of or equal to the securities being offered.
3. For the period reviewed, there were no:
 - abnormal terms
 - extraordinary items
 - minority items
 - amounts derived using equity accounting
4. As it is impossible to estimate the proportion of securities that will be taken up, it is not possible to estimate the net tangible asset backing per unit of securities in accordance with the assumption that all securities had been allotted and subscriptions received before balance date.

The Net Tangible Asset backing per dollar of redeemable shares as at:

- (a) 31 March 2005 was \$1.06
- (b) 31 March 2004 was \$1.06
- (c) 31 March 2003 was \$1.06
- (d) 31 March 2002 was \$1.07
- (e) 31 March 2001 was \$1.08

Statement of Financial Performance for the Year Ended 31 March 2005

	\$	31 March 2005 \$	\$	31 March 2004 \$
INCOME				
Income Received From:				
Mortgages & Personal Loans	10,345,760		8,381,766	
Hire Purchase	880,227		675,125	
Bank Deposits, Investments & Debentures	689,747		700,976	
Other Interest	<u>2,828</u>		<u>-1,342</u>	
		11,918,562		9,756,525
Deduct Direct Costs				
Interest Incurred on:				
- Home Ownership Deposits	0		562	
- Term & Call Deposits & Shares	8,490,704		6,806,099	
- Other Borrowings	149,373		22,824	
Commission on:				
- Hire Purchase	<u>230,787</u>		<u>258,105</u>	
		<u>8,870,864</u>		<u>7,087,590</u>
		3,047,698		2,668,935
GROSS CONTRIBUTION FROM ACTIVITIES				
Add - Other Income				
Other Fees	304,310		243,811	
Property Rents	344,948		350,077	
Commission	26,341		28,776	
Establishment Fees	164,510		193,980	
Bad Debts Recovered	949		64	
Brokerage	-75,338		-112,544	
Profit/(Loss) on Investment Securities	-453		3,366	
Hire Purchase Fees	99,630		86,010	
Profit on Sale of Assets	0		2,184	
Other Income	<u>0</u>		<u>1,157</u>	
		<u>864,897</u>		<u>796,881</u>
		3,912,595		3,465,816
GROSS CONTRIBUTION				
Deduct Overhead expenses				
Directors Fees	66,583		56,373	
Auditor - Audit Fees (Note 20)	58,943		32,332	
- Other Services (Note 20)	31,275		15,190	
Administration Expenses	2,709,770		2,391,722	
Loss on Sale of Asset	2,244		0	
Depreciation (Note 13)	371,648		251,875	
Operating Lease Costs	146,744		91,181	
Write Down On Bonds	49,078		45,493	
Bad Debts	8,885		17,537	
General Prov'n for Doubtful Debts (Note 2)	0		24,000	
Specific Prov'n for Doubtful Debts (Note 2)	<u>96,000</u>		<u>72,000</u>	
		<u>3,541,170</u>		<u>2,997,703</u>
		371,425		468,113
SURPLUS BEFORE TAXATION		371,425		468,113
Taxation (Note 5)		136,917		157,141
		<u>\$234,508</u>		<u>\$310,972</u>
NET SURPLUS FOR THE YEAR		<u>\$234,508</u>		<u>\$310,972</u>

These financial statements must be read in conjunction with the Notes which form part of these financial statements.

Statement of Financial Position as at 31 March 2005

	\$	31 March 2005 \$	\$	31 March 2004 \$
EQUITY				
Reserve Fund (Note 3)	4,405,017		4,170,509	
Revaluation Reserve (Note 4)	<u>2,312,874</u>		<u>1,731,232</u>	
		6,717,891		5,901,741
BORROWINGS AT INTEREST (Notes 7 & 8)				
Term & Call Deposits	42,043,179		42,769,522	
Term & Call Shares	114,024,744		95,211,333	
Mortgage-backed Securities	2,430,021		0	
Home Ownership Deposits	<u>0</u>		<u>45,987</u>	
		158,497,944		138,026,842
OTHER LIABILITIES (Notes 7 & 8)				
Subordinated Debt	2,248,225		2,219,102	
Hire Purchase Dealer Accounts	11,408		76,357	
Interest Accrued	2,092,609		1,556,391	
Withholding Tax	167,164		70,664	
Deferred Taxation (Note 6)	241,787		59,722	
Sundry Creditors	138,076		176,481	
Employee Entitlements	<u>74,432</u>		<u>97,341</u>	
		4,973,701		4,256,058
TOTAL RESERVES & LIABILITIES		<u>\$170,189,536</u>		<u>\$148,184,641</u>
ADVANCES (Notes 9 & 11)				
Mortgages	139,474,370		123,297,463	
Personal Loans	99,856		109,227	
Less Provision for Doubtful Debts (Note 2)	<u>148,000</u>		<u>148,000</u>	
		139,426,226		123,258,690
INVESTMENTS (Notes 10 & 11)				
Deposits, Investments & Debentures	14,865,342		6,753,624	
Plus Accrued Interest	<u>133,622</u>		<u>81,811</u>	
		14,998,964		6,835,435
HIRE PURCHASE (Notes 11 & 16)				
Hire Purchase Contracts	5,723,536		4,453,269	
Less Provision for Doubtful Debts (Note 2)	<u>95,444</u>		<u>72,000</u>	
		5,628,092		4,381,269
PROPERTY, PLANT & EQUIPMENT (Note 13)				
Investment Properties	4,180,000		3,750,000	
Property, Plant & Equipment	<u>2,793,499</u>		<u>2,576,985</u>	
		6,973,499		6,326,985
OTHER ASSETS (Note 11)				
Bank Accounts & Cash on Hand	2,573,007		6,828,146	
Hire Purchase Prepaid Commission	402,988		322,676	
Prepayments	105,376		33,650	
Sundry Debtors	5,653		106,738	
Taxation Refund (Note 5)	<u>75,731</u>		<u>91,052</u>	
		3,162,755		7,382,262
TOTAL ASSETS		<u>\$170,189,536</u>		<u>\$148,184,641</u>

These financial statements must be read in conjunction with the Notes which form part of these financial statements.

Statement of Movements in Equity for the Year Ended 31 March 2005

	31 March 2005	31 March 2004
	\$	\$
Equity - Opening Balance	5,901,741	4,832,068
Net Surplus for the Year (Note 3)	234,508	310,972
Revaluation of Investment Properties (Note 4)	374,137	545,000
Revaluation of Land and Buildings (Note 4)	207,505	213,701
Total Recognised Revenues & Expenses for Year	<u>816,150</u>	<u>1,069,673</u>
Equity - Closing Balance	<u><u>\$6,717,891</u></u>	<u><u>\$5,901,741</u></u>

Authorisation for Issue

The Directors authorised the issue of these financial statements on 27th May 2005.

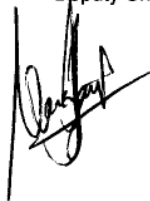
Approval by Directors

The Directors are pleased to present the financial statements of Nelson Building Society for the year ended 31 March 2005.

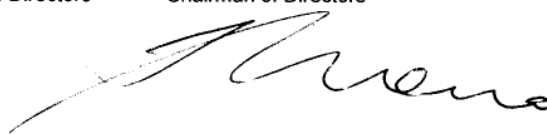
K Beams
General Manager



J C Taylor
Deputy Chairman of Directors



T N Cameron CA
Chairman of Directors



These financial statements must be read in conjunction with the Notes which form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements presented here are for the reporting entity Nelson Building Society, duly incorporated under the Building Societies Act 1965. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993. The Society is an issuer as defined in the Financial Reporting Act 1993.

GENERAL ACCOUNTING POLICIES

The General Accounting Policies appropriate for the measurement and reporting of results and financial position under the historical cost method, as modified by the revaluation of certain assets, have been adopted by the Society.

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in the previous year.

SPECIFIC ACCOUNTING POLICIES

- a) **Recognition of Income and Expenditure:** Income and Expenditure on financial instruments are reported on an accruals basis with all receivables and payables being accrued to balance date. Establishment fees are accounted for when funds are advanced to the client.
- b) **Investments:** Investments comprise short term deposits with financial institutions and investment securities that are managed by Bancorp Treasury Services Limited. These investment securities comprise local authority stock, financial institution subordinated debts and financial institution bonds.

Short term deposits are recorded at cost adjusted by the year end interest accrual.

Investment securities with an original term of maturity greater than one year are recorded at purchase price including any discount or premium paid, apportioned on a daily basis over the period to maturity of the investment. All financial instruments are recorded in the financial statements.

- c) **Taxation:** The charge for income tax is the estimated liability in respect of the profit for the year. A deferred tax account has been established to reflect the timing difference between accounting and taxable income. Deferred tax has been calculated on a comprehensive basis.
- d) **Property, Plant & Equipment:** Land and buildings are usually recorded at cost and are subsequently valued by independent valuers on an annual cycle. Fixed asset revaluations are transferred to a Revaluation Reserve. All other assets are recorded at cost.
- e) **Investment Properties:** are stated at valuation as determined annually by an independent valuer. The revaluation is transferred to a Revaluation Reserve. Where revaluations result in a debit balance in the reserve they are expensed in the Statement of Financial Performance. Investment properties are not depreciated.
- f) **Impaired Assets:** Any loss on an advance or loan is only recognised once all reasonable actions to recover the debt have been exhausted. Until such time, the Society treats all amounts owing as collectable within the terms of the contract with the other party. Debt restructuring will only occur within the normal terms of a facility with comparable risk. If a restructuring would take the facility outside the normal terms then action would be taken to recover the debt security. The Society does not hold assets acquired under enforcement of a debt security. If the security is acquired then it is immediately realised in satisfaction of the advance or loan. Of the advances and loans recorded in the Statement of Financial Position none meet the definition of "Impaired Assets" or "Restructured Assets" as set out in FRS-33 of the Institute of Chartered Accountants' financial reporting standards. "Non Accrual Assets" are a sub category of Impaired Assets relating to loans on which all amounts owing will not be collected in accordance with the terms of the contract.

A specific provision is raised to cover the expected loss where full recovery of principal is doubtful.

- g) **Depreciation:** Depreciation is provided in the financial statements, on all property, plant and equipment other than land and investment properties, on a basis that will write down the value of the property, plant and equipment over their expected useful lives. The following rates have been applied to the major categories:

Buildings & Improvements	SL	10 - 50 years
General Office Equipment	10%	Diminishing value
Computer Hardware	SL	Over 3 - 5 years
Computer Software	SL	Over 3 - 5 years
Other Assets	SL	Over 3 - 5 years

- d) **Income Recognition on Impaired Assets:** When a loan is classified as impaired, income ceases to be recognised in the Statement of Financial Performance on an accrual basis as reasonable doubt exists as to the collectability of interest and principal.

All cash receipts on impaired assets are applied against the carrying value of the loans, and are not recognised in the Statement of Financial Performance as interest income until the principal has been fully repaid, or the loan has been transferred out of the impaired assets category.

- e) **Past Due Assets:** Past due assets are loans that have not been operated by the borrower within the key terms of their contract for at least 90 days. However they are not impaired assets.
- f) **Doubtful Debts Provision:** The balances recorded in the Statement of Financial Position represent the recoverable value of the Society's advances and loans. Any known loss was accounted for prior to balance date. In recognition of the potential for a loss to crystallise at some future time on the current advances and loans, the Society has established a general provision. This provision is maintained at a level consistent with other prudent lending institutions. All loans are subject to regular management review.

Specific provisions are made against advances, investments and other securities where recovery of part, or the whole, of individual assets is considered to be in doubt. Specific provisions are based upon an assessment of each individual circumstance. Advances and loans are disclosed net of any specific provision within the Statement of Financial Position.

- k) **Discontinued Activities:** None of the revenue and expense items disclosed in the Statement of Financial Performance result from discontinued activities.
- l) **Leases:** Payments made under operating leases are recognised in the Statement of Financial Performance as they are incurred.
- m) **Hire Purchase Contracts (Advances):** Interest receivable and dealer commission paid under Hire Purchase Contracts (advances) are accrued using the sum of the digits method.
- n) **Goods and Services Tax:** GST only relates to Investment Property activities and has been recorded on an inclusive basis. All other activities are exempt by virtue of their financial institution status.
- o) **Cash Flows:** For the purpose of the statement of cash flows, cash includes cash on hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts.
The following are the definitions of the terms used in the Statement of Cash Flows;
- Operating activities include all transactions other than events that are investing or financing activities.
 - Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments.
 - Financing activities are those activities that result in changes in the size of and composition of the capital structure. This includes both equity and debt not falling within the definition of cash.

2. PROVISION FOR DOUBTFUL DEBTS

	31 March 2005		31 March 2004	
	Performing Assets	Impaired (Non- Accrual)	Performing Assets	Impaired (Non- Accrual)
Balances at beginning of year				
• General	148,000	-	124,000	-
• Specific	<u>72,000</u>	-	<u>52,000</u>	-
	220,000	-	176,000	-
Less: Bad debts offset against provision				
• General	-	-	-	-
• Specific	72,556	-	52,000	-
Additional provisions				
• General	-	-	24,000	-
• Specific	96,000	-	72,000	-
Balances at end of year				
• General	148,000	-	148,000	-
• Specific	<u>95,444</u>	-	<u>72,000</u>	-
	<u>\$243,444</u>	-	<u>\$220,000</u>	-

3. RESERVE FUND

	31 March 2005	31 March 2004
Opening Balance	4,170,509	3,859,537
Net Surplus for the Year	234,508	310,972
Closing Balance	<u>\$4,405,017</u>	<u>\$4,170,509</u>

4. REVALUATION RESERVE

	31 March 2005	31 March 2004
(a) Investment Properties		
Opening Balance	1,196,845	651,845
Revaluation in the Year	430,000	545,000
Deferred Taxation on Revaluation	<u>(55,863)</u>	-
Closing Balance	<u>1,570,982</u>	<u>1,196,845</u>
(b) Land & Buildings		
Opening Balance	534,387	320,686
Revaluation in the Year	277,386	213,701
Deferred Taxation on Revaluation	<u>(69,881)</u>	-
Closing Balance	<u>741,892</u>	<u>534,387</u>
Total Revaluation Reserve	<u>\$2,312,874</u>	<u>\$1,731,232</u>

5. TAXATION

	<u>31 March 2005</u>	<u>31 March 2004</u>
Surplus before Taxation	<u>\$371,425</u>	<u>\$468,113</u>
Provision for Taxation at 33%	122,570	154,477
Permanent Differences	2,417	2,664
Adjustment to Prior Year Estimate	<u>11,930</u>	<u>-</u>
Taxation Expense	136,917	157,141
Movement in Deferred Taxation for the Year	<u>(56,321)</u>	<u>(53,292)</u>
Taxation Payable for Year	80,596	103,849
Provisional Taxation Paid	<u>156,327</u>	<u>194,901</u>
Taxation Refund	<u>\$75,731</u>	<u>\$91,052</u>

6. DEFERRED TAXATION

	<u>31 March 2005</u>	<u>31 March 2004</u>
Opening Balance	(59,722)	(6,430)
Movement in the Year	(56,321)	(53,292)
Arising on Revaluations	<u>(125,744)</u>	<u>-</u>
Closing Balance	<u>\$(241,787)</u>	<u>\$(59,722)</u>

7. NON CURRENT LIABILITIES

- (a) Aggregate amount of non current liabilities \$4,261,438
 (b) Non Current Liability Maturity Analysis

	<u>31 March 2005</u>		<u>31 March 2004</u>	
	<u>Amount</u>	<u>Weighted %pa</u>	<u>Amount</u>	<u>Weighted %pa</u>
One to two years	3,827,462	6.54	3,974,973	6.24
Two to five years	<u>433,976</u>	<u>6.81</u>	<u>1,873,538</u>	<u>6.04</u>
Total	<u>\$4,261,438</u>	<u>6.56</u>	<u>\$5,848,511</u>	<u>6.18</u>

- (c) Term Liabilities attributable to
 (i) Associated Bodies Corporate not applicable
 (ii) Related Bodies Corporate not applicable
 (iii) Directors \$0
 (d) All term liabilities are unsecured

8. CURRENT LIABILITIES

- (a) Aggregate amount of current liabilities \$159,210,207
 (b) Current liabilities are made up as follows:

	<u>31 March 2005</u>	<u>31 March 2004</u>
Shares maturing within 12 months	114,024,744	95,211,333
Deposits maturing within 12 months	38,031,741	36,966,998
Mortgage-backed Securities	2,430,021	-
Hire Purchase	11,408	76,357
Subordinated Debt maturing within 12 Months	1,998,225	2,219,102
Other Liabilities	<u>2,714,068</u>	<u>1,960,599</u>
	<u>\$159,210,207</u>	<u>\$136,434,389</u>

- (c) Current liabilities owing to:
 (i) Associated Bodies Corporate not applicable
 (ii) Related Bodies Corporate not applicable
 (iii) Directors \$5,895

The current liabilities owing to Directors are in respect of normal deposits made by them as if they were members of the public.

- (d) All current liabilities are unsecured.

9. ADVANCES

	<u>31 March 2005</u>	<u>31 March 2004</u>
(a) Aggregate amount of secured loans	<u>\$139,474,370</u>	<u>\$123,297,463</u>
(b) Aggregate amount of unsecured loans	<u>\$99,856</u>	<u>\$109,227</u>
(c) Loans attributable to		
(i) Associated Bodies Corporate	not applicable	
(ii) Related Bodies Corporate	not applicable	
(iii) Directors and related entities	\$920,392	

The loans to Directors are under normal criteria and rates as if they were members of the public.

10. INVESTMENTS

(a) Aggregate amount of investments	<u>\$14,865,342</u>	
(b) Investments are made up as follows:		
	<u>31 March 2005</u>	<u>31 March 2004</u>
Bank Deposits	10,300,889	2,171,000
Investment Securities	4,564,453	4,582,624
	<u>\$14,865,342</u>	<u>\$6,753,624</u>
Investment Securities		
Market Value	\$4,593,498	
Nominal Value	\$4,500,000	

11. CURRENT ASSETS

(a) Aggregate amount of current assets	<u>\$156,783,807</u>	
(b) Current assets are made up as follows:		
	<u>31 March 2005</u>	<u>31 March 2004</u>
Mortgages & Loans	139,426,226	123,258,690
Bank Deposits, Investment Securities & Debentures	11,938,643	3,263,129
Other Assets	3,162,755	7,382,262
Hire Purchase Contracts	2,256,183	1,851,298
	<u>\$156,783,807</u>	<u>\$135,755,379</u>
(c) Current assets owing to:		
(i) Associated Bodies Corporate	not applicable	
(ii) Related Bodies Corporate	not applicable	
(iii) Directors	\$0	

12. FINANCIAL INSTRUMENTS

Credit Risk

Financial instruments which potentially subject the Society to credit risk are mortgages, personal loans, hire purchase advances, investments, bank accounts and sundry debtors. The Society's advances are secured by 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, subordinated debts and bonds within New Zealand registered banks and debentures with New Zealand listed companies. The Society has appointed Bancorp Treasury Services Ltd to manage its investment securities. Personal advances are generally secured by way of guarantee. Hire Purchase advances are all secured directly against the property to which the contract relates. 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. As detailed in note 15 (Capital Adequacy) the majority of the Society's funds are invested in residential mortgages. Over 90% of all advances are in the Nelson region. This concentration does not significantly increase the Society's credit exposure.

The table below shows the number of parties, or closely related parties, where the Society has large credit exposures. These have been disclosed in bands of 10% of the Society's equity at balance date.

Percentages of Equity	<u>Bank</u>		<u>Other</u>	
	<u>31/3/05</u>	<u>31/3/04</u>	<u>31/3/05</u>	<u>31/3/04</u>
10% to 19%	-	-	16	13
20% to 29%	-	-	2	-
30% to 39%	-	-	1	-
40% to 49%	-	-	-	1
50% to 59%	-	-	-	1
60% to 69%	-	1	-	-
70% to 79%	-	-	1	1
80% to 89%	1	-	-	-
100% to 109%	-	1	-	-
110% to 119%	1	-	-	-

Fair Values

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties, in an arms length transaction. The book value of all financial instruments is the fair value for each of these items. The fair values of the Fixed Term Investments as set out in Note 10 are their market values as at 31 March 2005. The Society currently has no Government Stock.

Interest Rate Risk

The Society's normal lending terms allow it to reset interest rates at thirty days notice. Interest rates on "at call" depositors' funds can be reset immediately. Interest rates on term shares, subordinated debt and deposits are all fixed until their respective maturity dates. Over 99% of the term shares and deposits can be repriced within twelve months. Changes in interest rates can impact on the Society's financial result by impacting on the market value of investment securities.

At 31 March 2005 there were 350 fixed rate loans totaling \$39,299,199 not reviewable within one year. (2004: 378 fixed rate loans totaling \$42,032,720).

Currency Risk

The Society is not involved in activities that give rise to currency risk.

13. PROPERTY, PLANT & EQUIPMENT & INVESTMENT PROPERTIES

	<u>31 March 2005</u>	<u>31 March 2004</u>
(a) Investment Properties		
231 Trafalgar Street		
• Land at Valuation	898,000	828,000
• Buildings at Valuation	<u>752,000</u>	<u>682,000</u>
	<u>1,650,000</u>	<u>1,510,000</u>
Corner Trafalgar & Bridge Streets		
• Land at Valuation	1,781,000	1,460,900
• Buildings at Valuation	<u>749,000</u>	<u>779,100</u>
	<u>2,530,000</u>	<u>2,240,000</u>
	<u>\$4,180,000</u>	<u>\$3,750,000</u>

Our properties on the corner of Trafalgar and Bridge Streets and at 231 Trafalgar Street are treated as investment properties. These properties are shown at Duke & Cooke Ltd, Registered Valuers, valuations both dated 31 March 2005. These are valued on the basis of market value for existing use.

(b) Property, Plant & Equipment		
Land & Buildings		
111 Trafalgar Street		
• Land at Valuation	470,000	340,000
• Buildings at Valuation	<u>980,000</u>	<u>850,000</u>
	<u>1,450,000</u>	<u>1,190,000</u>
Other Assets - Cost	2,139,555	2,964,376
Less: Accumulated Depreciation	<u>796,056</u>	<u>1,577,391</u>
	<u>1,343,499</u>	<u>1,386,985</u>
	<u>\$2,793,499</u>	<u>\$2,576,985</u>

Our property at 111 Trafalgar Street is the head office of the Society and is treated as a fixed asset. It is shown at Duke & Cooke Ltd, Registered Valuers, valuation dated 31 March 2005.

(c) The aggregate of the latest Government Valuations of land and buildings is \$4,250,000. The valuations of land and buildings at 111 Trafalgar Street, 231 Trafalgar Street and on the corner of Trafalgar and Bridge Streets are \$880,000, \$1,550,000 and \$1,820,000 respectively, all dated 1 September 2003.

(d) The depreciation charge for the year comprises:		
	<u>31 March 2005</u>	<u>31 March 2004</u>
Buildings	17,386	17,386
Other Assets	<u>354,262</u>	<u>234,489</u>
	<u>\$371,648</u>	<u>\$251,875</u>

14. LIQUIDITY PROFILE

The Society monitors its liquidity (cash) position on a continuous basis. Cashflow forecasts for operating activities are prepared taking into account the cashflow characteristics of, and expected volatility in, the balances of the various classes of assets and liabilities that have or can have, a significant cashflow effect.

The liquidity profile of assets and liabilities presented below is not considered by the Society to be in any way indicative of future cashflows. This is primarily because a significant proportion of the Society's Redeemable Shares, Subordinated Debt and Deposits are renewed at maturity and therefore do not have a cashflow effect. In addition all advances are repayable on demand, or repayable upon three months notice of demand, at the Society's discretion. While the Society is not likely to call advances on demand the contractual maturity date is not indicative of future cashflows due to early repayments, further drawdowns and principal reductions.

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

The Society's Trust Deed prescribes that liquid assets (as defined in the Trust Deed as including cash, bank deposits, undrawn funding lines and securities) are to be maintained at a minimum of 15% of Total Tangible Assets less Reserves.

The Society's monetary assets and liabilities in order of liquidity are as follows:

	<u>Effective</u> <u>Interest Rate %</u>	<u>Total</u>	<u>Within 6</u> <u>Months</u>	<u>6 Months to</u> <u>1 Year</u>	<u>1 to 2 Years</u>	<u>2 to 5 Years</u>	<u>5 Years</u> <u>& Over</u>
MONETARY ASSETS							
Cash on Hand or Bank		2,573,007	2,573,007	-	-	-	-
Bank Deposits	6.89%	10,300,889	10,300,889	-	-	-	-
Investments	7.51%	4,564,453	1,504,132	-	-	3,060,321	-
Sundry Debtors		5,653	5,653	-	-	-	-
Prepayments		105,376	105,376	-	-	-	-
Interest Accrued		133,622	133,622	-	-	-	-
Hire Purchase Pre-paid Commission		402,988	402,988	-	-	-	-
Taxation Refund		75,731	75,731	-	-	-	-
Personal Loans	10.84%	99,856	99,856	-	-	-	-
Hire Purchase Contracts (less unearned interest)	12.80%	5,723,536	1,129,056	1,222,571	1,996,228	1,375,681	-
Mortgage Advances	8.06%	139,474,370	139,474,370	-	-	-	-
Provision for Doubtful Debts		(243,444)	(243,444)	-	-	-	-
Total Monetary Assets		163,216,037	155,561,236	1,222,571	1,996,228	4,436,002	-
LIABILITIES							
Term & Call Deposits	6.87%	42,043,179	-	38,031,741	3,577,462	433,976	-
Term & Call Shares	6.03%	114,024,744	114,024,744	-	-	-	-
Deposit Interest Accrued		2,092,609	2,092,609	-	-	-	-
Sundry Creditors/ATM/Pos/Employee Entitlements		212,508	212,508	-	-	-	-
HP Dealer Accounts		11,408	11,408	-	-	-	-
Withholding Tax		167,164	167,164	-	-	-	-
Mortgaged-backed Securities	8.06%	2,430,021	2,430,021	-	-	-	-
Deferred Taxation		241,787	241,787	-	-	-	-
Subordinated Debt	8.27%	2,248,225	600,000	1,398,225	250,000	-	-
Total		163,471,645	119,780,241	39,429,966	3,827,462	433,976	-

Debtors

Amounts owing by the six largest borrowers (ie, mortgage advances) at 31 March 2005 totalled \$8,338,287 or 6.08% of the total advances. (2004: \$8,025,060 being 6.5%)

Mortgage Advances

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

Credit Facility

Line of Credit facilities up to \$8,000,000 (2004: \$4,000,000) with the ASB Bank and \$6,000,000 (2004: \$6,000,000) with Westpac.

Security

The debt securities are unsecured and deposits will rank equally with the Society's other unsecured obligations and ahead of redeemable shares. As at balance date there were no secured liabilities by way of mortgage or charge over any of the Society's assets and accordingly nothing that ranks in priority to the Society's unsecured obligations.

15. CAPITAL ADEQUACY

The Nelson Building Society is subject to a minimum capital requirement of 5% as specified in our Trust Deed dated 20 December 1990. As at 31 March 2005 our capital ratio was 5.27% (2004: 5.48%).

	<u>31 March 2005</u>	<u>31 March 2004</u>
Measurement of Equity		
Reserve Fund	4,405,017	4,170,509
Revaluation Reserve	<u>2,312,874</u>	<u>1,731,232</u>
Total Equity	<u>\$6,717,891</u>	<u>\$5,901,741</u>

Risk Weighted Balance Sheet Exposures

	<u>Principal</u>	<u>% Risk</u> <u>Weight</u>	<u>Adjusted Risk</u> <u>Value</u>
Cash	2,573,007	0	0
NZ Registered Bank Deposits & Investments	14,998,964	20	2,999,793
Fully Secured Residential	110,013,198	50	55,006,599
Fully Secured Commercial	29,313,172	100	29,313,172
Personal Loans	99,856	100	99,856
Hire Purchase Contracts	5,628,092	100	5,628,092
All Property & Equipment	6,973,499	100	6,973,499
Other Assets	<u>589,748</u>	100	<u>589,748</u>
Total Risk Weighted Exposure	<u>\$170,189,536</u>		<u>\$100,610,759</u>

16. ASSET QUALITY

Movements in pre-provision balances of Impaired and Past Due Assets

	31 March 2005		31 March 2004	
	<u>Past Due</u> <u>Assets</u>	<u>Impaired</u> <u>(Non-</u> <u>Accrual)</u>	<u>Past Due</u> <u>Assets</u>	<u>Impaired</u> <u>(Non-</u> <u>Accrual)</u>
Pre-provision Opening Balance	129,054	NIL	128,851	NIL
Assets now Recognised as Impaired	213,229	-	103,482	-
Charges	58,808	-	4,173	-
Customer Repayments	(51,551)	-	(34,252)	-
Loan Balance Written Off	(61,551)	-	(36,489)	-
Assets now Recognised as not Impaired	<u>(110,824)</u>	<u>-</u>	<u>(36,711)</u>	<u>-</u>
Pre-provision Closing Balance	177,165	NIL	129,054	NIL
Less: Specific Provisions	-	-	-	-
Closing Balance (Net of Provisions)	<u>\$177,165</u>	<u>NIL</u>	<u>\$129,054</u>	<u>NIL</u>

17. FUNDING

Concentrations of Funding

As detailed in the Statement of Financial Position the majority of the Society's funding comes from redeemable shares and to a lesser extent deposits and subordinated debt. Over 90% of these funds come from individuals residing in the Nelson region.

18. COMMITMENTS AND CONTINGENT LIABILITIES

- (a) The Society has a capital commitment for loans approved but not yet paid at 31 March 2005 for a total of \$5,196,613 (2004: \$2,123,000).
- (b) The Society has entered into leases in Richmond, Motueka, Murchison and Westport for 3 years commencing 1 November 2003, 1 August 2002, 1 January 2004 and 15 November 2004 respectively, with right of renewal.

Lease commitments under non-cancellable operating leases:

	<u>31 March 2005</u>	<u>31 March 2004</u>
Less than 1 year	162,257	59,538
Between 1 and 2 years	107,148	50,538
Between 2 and 5 years	31,328	25,064
Greater than 5 years	-	-
	<u>\$300,733</u>	<u>\$135,140</u>

- (c) Sponsorship commitments beyond 31 March 2005 total \$153,600 (2004: \$228,600).
- (d) The Society has no contingent liabilities (2004: nil).

19. BUSINESS SEGMENT

The Society operated in one industry and one geographical location - a building society within the South Island of New Zealand.

20. AUDITOR SERVICES

	<u>31 March 2005</u>	<u>31 March 2004</u>
Audit:		
• Deloitte	36,306	-
• West Yates	<u>22,637</u>	<u>32,332</u>
	<u>\$58,943</u>	<u>\$32,332</u>
Other professional services:		
Deloitte		
• Consultancy	31,275	-
West Yates		
• System Review & Development		
Expensed	-	15,190
Capitalised	-	<u>26,550</u>
	<u>\$31,275</u>	<u>\$41,740</u>

Statement of Cash Flows for the Year Ended 31 March 2005

	31 March 2005	31 March 2004
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Interest Received	11,866,751	9,788,380
Fees, Rents & Commission	<u>965,982</u>	<u>698,053</u>
	12,832,733	10,486,433
Cash was disbursed to:		
Interest Paid	(8,383,407)	(6,760,928)
Operating Expenses	(3,276,874)	(2,678,564)
Taxation Paid	<u>(65,275)</u>	<u>(156,879)</u>
	(11,725,556)	(9,596,371)
Net Cash Flows from Operating Activities	<u>1,107,177</u>	<u>890,062</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Net Decrease in Investments	<u>0</u>	<u>1,928,343</u>
	0	1,928,343
Cash was disbursed to:		
Net Increase in Advances	(13,737,515)	(24,308,530)
Net Increase in Investments	(9,381,985)	0
Purchase of Property, Plant & Equipment	<u>(313,020)</u>	<u>(999,023)</u>
	(23,432,520)	(25,307,553)
Net Cash Flows from Investing Activities	<u>(23,432,520)</u>	<u>(23,379,210)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Net Increase in Shares & Borrowings	<u>18,070,204</u>	<u>22,708,961</u>
Net Cash Flows from Financing Activities	<u>18,070,204</u>	<u>22,708,961</u>
Net Increase (Decrease) in Cash	(4,255,139)	219,813
OPENING CASH BALANCE	<u>6,828,146</u>	<u>6,608,333</u>
CLOSING CASH BALANCE	<u>\$2,573,007</u>	<u>\$6,828,146</u>

Reconciliation of Net Surplus to Cash Flows from Operating Activities

	31 March 2005	31 March 2004
	\$	\$
Net Surplus	234,508	310,972
Depreciation	371,648	251,875
Increase in Provision for Doubtful Debts	23,444	44,000
Increase in Deferred Tax Liability	56,321	53,292
Increase in Withholding Tax Accrual	96,500	70,664
Net (Profit)/Loss on Sale of Assets	2,244	(2,184)
Decrease/(Increase) in Accrued Interest Received	(51,811)	31,855
Increase in Accrued Interest Expense	536,218	288,297
Decrease/(Increase) in Accrued Charges	(61,314)	28,400
(Increase)/Decrease in Taxation Provision/Refund	15,321	(53,030)
(Increase)/Decrease in Accrued Other Income	101,085	(98,828)
(Increase) in Prepayments	(71,726)	(2,952)
(Increase) in Hire Purchase Accruals	<u>(145,261)</u>	<u>(32,299)</u>
	872,669	579,090
	<u>\$1,107,177</u>	<u>\$890,062</u>

These financial statements must be read in conjunction with the Notes which form part of these financial statements.

Ministry of Economic
Development



Manatū Ōhanga



CERTIFICATE OF REGISTRATION OF PROSPECTUS

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

NELSON BUILDING SOCIETY

BS808

This is to certify that a Prospectus for NELSON BUILDING SOCIETY dated the 31st day of August 2005 was registered on the 31st day of August 2005.

A handwritten signature in black ink that reads "Neville Harris".

Neville Harris
Registrar of Companies
Dated this 9th day of September 2005

