

A commemorative graphic for the Nelson Building Society's 150th anniversary. The number '150' is rendered in a large, gold, 3D-style serif font. Below it, the word 'YEARS' is written in a white, classic serif font. At the bottom, the years '1862 - 2012' are also in white serif font. The entire text is enclosed in a gold-colored rectangular frame with decorative, rounded corners. The background of the frame is black, and the overall background of the page is a light gray with a repeating pattern of stylized, swirling floral or scrollwork motifs.

150
YEARS
1862 - 2012

NBS
NELSON BUILDING SOCIETY

Annual Report 2012

Moving forward while celebrating the past is the vision for NBS.

We have a modern look that shows our contemporary side while also acknowledging our respect for good, old-fashioned values. We believe in continuing those principles that helped NBS to become a success way back in those gold-rush days of the 1860's. Not that it's anything new. We've been doing it for one hundred and fifty years now and it seems to be something that our customers can relate to – because the things that really matter to people, like trust, friendliness, performance and dependability, never go out of fashion.

The 150th Annual Report of the Nelson Building Society

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

General Manager K. J. Beams

Secretary A. J. Cadigan

Solicitor Glasgow Harley

Banker Westpac

Auditor Deloitte

Head Office 111 Trafalgar Street
PO Box 62
Nelson 7040

Notice Of Annual General Meeting

Notice is hereby given that the One Hundred and Fiftieth Annual General Meeting of Shareholders of the Nelson Building Society will be held at The Rutherford Hotel, Trafalgar Square, Nelson on Wednesday 27th June 2012 at 5.30pm.

Business

1. To receive the Director's Report and Statement of Accounts.
2. To appoint the Auditors for the ensuing year and fix their remuneration.
3. General Business.

Proxies

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

A. J. Cadigan
Secretary

Chairman of Directors' & General Manager's Report 2012

In our 150th year of trading NBS is pleased to announce a record profit, on top of continued growth in assets and loan advances, for the year ended 31 March 2012. This has been achieved in a tough trading environment, with a soft housing market and an increasingly competitive banking sector.

The key results for the year:

Borrowings	\$ 318M	2011	\$276M
Advances (Loans and Receivables)	\$254M	2011	\$225M
Total Assets	\$340M	2011	\$296M
Profit (Surplus Before Tax)	\$2.25M	2011	\$2.00M

We have experienced a trading year marked by the highest levels of liquid cash we have ever experienced and this has been a common theme throughout the banking sector. The challenge is always one of balancing our cash resources to meet market mortgage demands. This has come about due to both a soft housing market for lending and the growth of new customers to NBS from other financial institutions.

The 2011/2012 trading year has seen the addition to our network of a new branch in Takaka, made possible through the recruitment of some very experienced personnel who are passionate about local ownership and commitment to the community. This new branch has been an outstanding success in the short time since opening in November 2011 due to the support from the Golden Bay community.

During the year we sold off one of our two buildings, responding to the changing capital regulations of the Reserve Bank. In the future, we may consider selling our Head Office building as the new regulations penalise us for holding assets other than cash or mortgages. You may recall in recent years banks selling off their branch real estate network, which was a response to capital regulations.

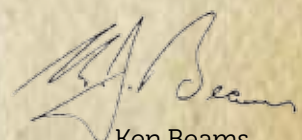
We extend once again a big thank you to our staff and management personnel for their commitment and achievements in delivering our mutual banking model to you our loyal customers.

Looking ahead we are keen to continue to pursue new branch opportunities in smaller communities in the South Island when we locate the right people, as we are finding that our mutual banking model is well received.

The Directors who retire by rotation are Mr Phil Robson and Mr Garry Dayman. Both Directors are eligible for re-election without nomination and accordingly we declare them duly re-elected.

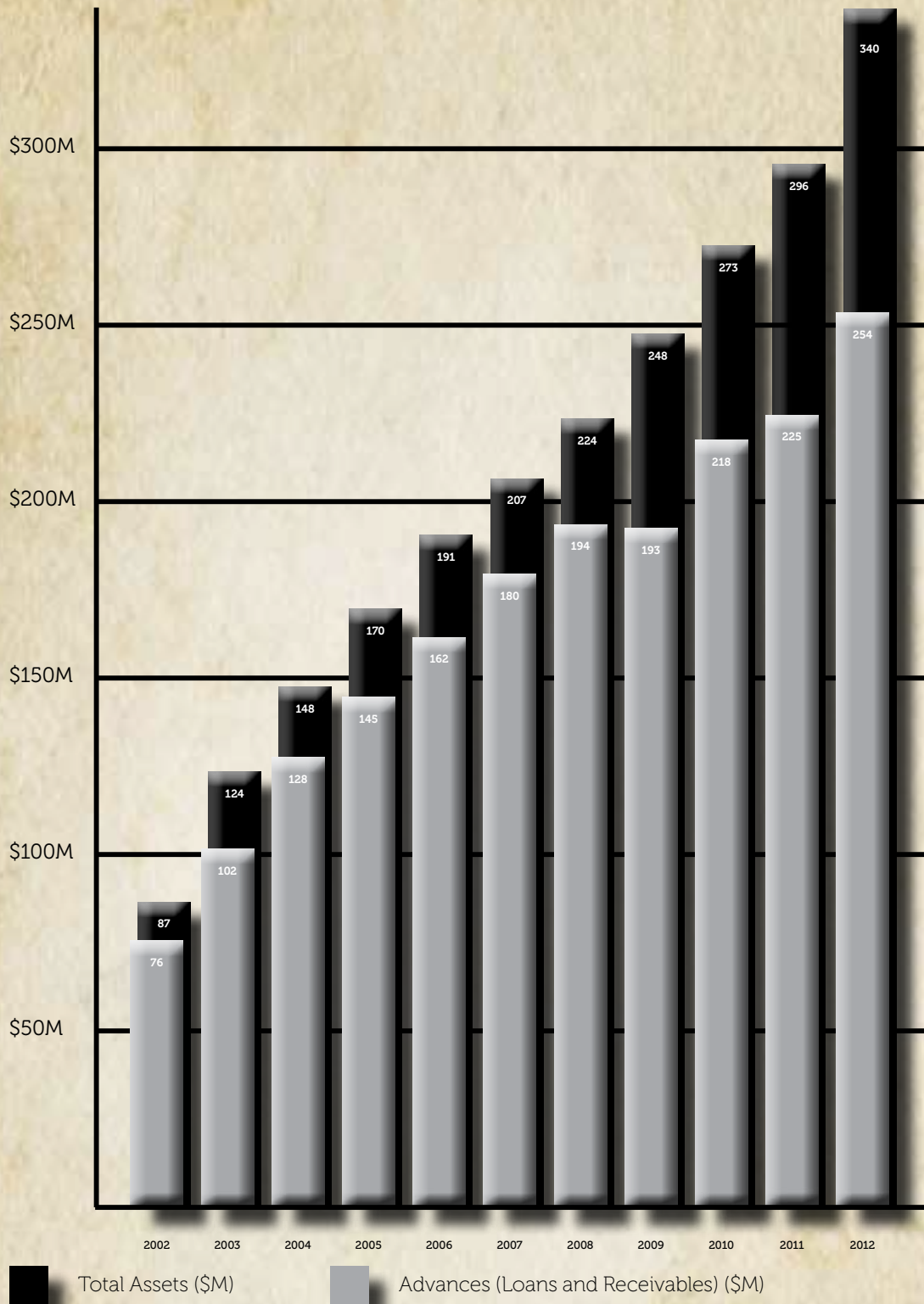


Trevor Cameron
Chairman



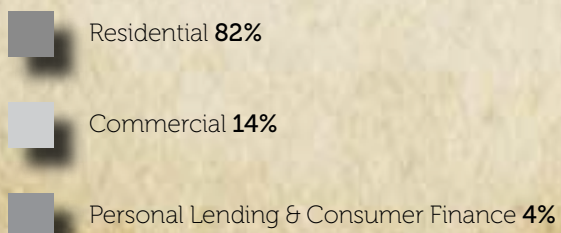
Ken Beams
General Manager

NBS Total Assets/Advances (Loans and Receivables)



Advances (Loans and Receivables) by Category

For the Year Ended 31 March 2012



Local Intelligence.

PERMANENT BUILDING SOCIETY, NELSON

The first annual meeting of the members of this society was held at the Temperance Hall, on Wednesday evening last; J. Sharp, Esq., presided.

The SECRETARY read the following report, which was subsequently unanimously adopted :-

"Your directors, in laying before you this, their first Annual Report, have great pleasure in congratulating you on the very decided and progressive success, which they feel assured is altogether unequalled in any other sister colonies.

"During the past twelve months, the number of shares taken has been 3,620, representing a nominal capital of £72400; while the profits on the paid-up subscriptions of the original shares amount to sixty-five per cent. per annum.

"The number of shares realized has been 416, amounting in the aggregate to £8,320, and yielding a total bonus of £1,185, or an average of 57s. per share.

"Your directors have secured the efficient services of Mr. W. Rout, as Secretary, at a salary of 6d. per share per annum, although they cannot but feel this remuneration to be inadequate to the very onerous duties of the office, as the whole of the Secretary's time is now fully occupied.

"As a further safeguard to the correctness of the accounts of the society, your directors have deemed it advisable to appoint an Inspector, Mr. J. B. Sadd, at a salary of 1d. per share per annum, whose duty it is to go over every payment made to or from the society, and thoroughly to investigate every detail of its book-keeping.

"Your directors feel it almost impossible to carry on the enlarged operations of the society, under its present regulations, as, in consequence of its wondrous growth and rapid increase, they find the time allotted for receiving the monthly payments far too short; whilst they find it very difficult to suggest a remedy, chiefly because the rules of the society forbid the employment of any assistance in receiving payments, save that of the directors, whose time is already greatly taxed to further your interests.

"Your directors feel some delicacy in calling your attention to the minutes of their meetings, which show that they have been punctual and consistent in their attendance, and earnest in their efforts to advance the cause they have espoused; they rejoice to know that they have been rewarded by prosperity beyond their most sanguine expectations.

"JOHN SHARP, Chairman.

"May 6, 1863"

ABSTRACT OF ACCOUNTS, for Twelve Months ending March 31, 1863.

Dr.
£ s. d

Examined and found correct.

H. H. KNOWLES,

JOHN PERCY,

ANDREW M^cARTNEY,

} Auditors

WILLIAM ROUT, Secretary.

The election of four directors was then proceeded with, to supply vacancies caused by the term of office of Messrs. Bailey, Stringer, Barton and Cook, having expired. Mr. Cook declined being a candidate for re-election. The result of the ballot was that Messrs. Bailey, Barton, Scaife and A M^cArtney, were elected.

Mr. BURN then proposed and Mr. DREW seconded the following resolution which was unanimously adopted :

"That a sub-committee be appointed to report upon and suggest any mode of relieving the directors of their duties as stewards on the monthly pay nights of this society; such committee to consist of the directors for the time being and Messrs. G Buckeridge, A. Hibble, J. L. Newman, E. Tucker and T. H. Stringer."



JOHN SHARP, Chairman & WILLIAM ROUT, Secretary

TYREE, PHOTO. - MR JOHN SHARP | NZETC & MR. W. ROUT | NZETC

To Subscriptions on 3,017 Shares, at			
36s.	5484	12	0
.. Subscriptions on 573 Shares, at 18s .	515	14	0
.. Interest on Loans	437	16	8
.. Bonus on Loans.	1,185	0	0
.. Premiums on New Shares	86	7	0
.. Subscriptions in advance	475	17	0
.. Management Account :-			

	£	s.	d.	
Entrance Fees	216	8	6	
Fines	39	10	3	
Transfers	38	16	6	
1 per cent. on Loans	83	4	0	
				377 19 3
.. Loans not complete	672	0	0	
.. Interest on Bank Account, &c.	1	7	0	
				<u>£9,236 12 11</u>

Cr.

By 416 Shares advanced	8,320	0	0
.. Discounts and Interest	79	19	2
.. Arrears of Subscriptions due	96	18	0
.. Management Account :-			

	£	s.	d.	
Preliminary Expenses	11	0	0	
Printing & Stationery	73	1	8	
Iron Safe	30	5	0	
Office Furniture	12	18	0	
Rent of Office, &c.	15	0	0	
Fee to Mr. Travers	5	5	0	
Postage and various	2	3	9	
Inspector's Salary	14	6	10	
Secretary's Salary	83	6	1	
				247 6 4
.. Balance in Bank of New Zealand	467	9	5	
				<u>£9,236 12 11</u>

NBS Directors

William Rout	1862
Robert Burn	1862
Henery Drew	1862
R. Shallcrass	1862
David Burns	1862
J. Watkins	1862
J. Thornton	1862
I. Hill	1862
James Barton	1862
Peter Cooke	1862
T. Stringer	1862
James L. Bailey	1862
Thomas Hill	1863
Arthur Wm. Scarfe	1863
Andrew McArtney	1864
J. Bentley	1864
J. Atkins	1864
N. Edwards	1865
W. H. Barlow	1865
Jackson	1865
D. N. Luckie	1865
John Graham	1866
J. R. Hooper	1867
A. Adams	1867
Joseph	1868
T. Younger	1868
J. Sharp	1869
A. Hibble	1869
Catley	1869
William Fletcher	1871
W. Tucker	1872
T. W. Wigzell	1872
W. Evans	1873
Edward Moose	1873
C. Brighten	1874
C. Y. Fell	1875
R. N. Sunley	1875
Robert S. Lucas	1876
William James Hird	1876
Henry Hounsell	1877
Jessie Hounsell	1877
Philip Topliss	1877
G. Hodgson	1879
Wm. Brown	1879
Wm. Clarkson	1879
Harry V. Gully	1880
James Moorehouse	1880
Edward Finney	1880
Edward Everett	1882
Israel Johns	1882
W. Young	1883
A. R. Smart	1883
S. Bolton	1884
A. N. Batchelor	1885
B. S. Chisholm	1886
R. Wainhouse	1886
John Glenn	1887
T. W. Askew	1887
W. Bethwaite	1888
Francis Trask	1890
W. Bethany, Jnr.	1896
R. Snodgrass	1896
Henry Baigent	1897
Thomas Usher Jnr.	1899
W. H. Haddow	1902



DIRECTORS 2012

T. N. Cameron , G. R. Dayman



P. A. Bell, P. J. Robson, J. C. Taylor

S. H. Boulton	1902
E. T. Savage	1903
W. L. Kerr	1904
Percy Bond	1906
J. C. Mercer	1906
W. W. Snodgrass	1910
E. E. Trask	1910
G. N. Simpson	1910
C. Leaper	1911
Wm. Thompson	1911
Stringer	1918
N. L. Kerr	1920
Wm. Lock	1924
C. Milner	1929
H. H. Johnston	1934
E. H. Thomson	1936
H. J. Savage	1937
S. Cannington	1939
R. A. Leaper	1939
L. N. Montgomery	1940
P. C. Hurst	1940
B. Holbrook	1941
W. A. Robertson	1959
H. B. Savage	1959
D. Kerr	1960
H. G. West	1963
N. Rout	1964
H. E. Houston	1965
G. J. G. Smith	1966
B. L. R. Isherwood	1967
J. Wesney	1970
G. Butler	1971
J. J. McCrenor	1981
W. J. Field	1981
G. D. Myles	1985
J. C. Taylor	1987
M. J. Gilbert	1988
R. M. R. Lawrie	1989
R. E. Loach	1990
T. N. Cameron	1994
G. N. Savidan	1998
P. J. Robson	1999
K. A. Carr	1999
R. G. Butler	2004
G. R. Dayman	2004
P. A. Bell	2007

Secretaries

William Rout	1862
George M. Rout	1888
Norman Rout	1928
I. O'H. Pownall	1965
J. S. C. Hanson	1983
Michael Paynter	1985
W. Glencross	1990
B. J. Gabities	2000
A. J. Cadigan	2002

General Managers

J. S. C. Hanson	1978
W. Glencross	1994
K. J. Beams	2000

{community}

We **believe** in it.

We're **part** of it.

We **invest** in it.



In addition to the grants and sponsorships for 2012, the Directors of NBS purchased an additional community vehicle to celebrate 150 years of service to our region.

P. J. Robson, J. C. Taylor, G. R. Dayman, P. A. Bell, T. N. Cameron.



NBS and OUR Community

As a Building Society our heritage is immersed in community. For 150 years we have strengthened our ties and pride ourselves on our active community involvement.

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

NELSON BRANCH

National Youth Choir. Relay for Life. Fifeshire Foundation. Nelson Performing Arts. Street Ambassadors Service. Nelson Golf. FC Nelson. Nelson Symphony Orchestra. Nelson Bays Squash. Neville Fyfe Squash. Nelson Suburbs AFC. Heart of Biking Nelson/Tasman. Nelson Motorcycle Club. Celtic Squash. Tasman Wheelers. Nelson Veterans Golf. Tasman Bay Cruising Club. Bride of the Year. Annesbrook Church. Uniquely Nelson. Stoke Sports Club. Nelson College First XV. Tahunanui Bowling Club. Nelson North Lions Club. MarchFest. Ngawhatu Bowling Club. Nelson Rowing. Stoke Rugby. Dancesport. Nelson Bowling Club. Nelson Events. Nelson Enterprise Loan Trust. Nelson Croquet. KP Racing. Soccer Nelson. Nelson RSA. Stoke Hockey. Stoke Netball. Nelson Indoor Bowling Club. Nelson Squash. Stoke Bowling Club. Nelson Hospice. Nelsun Underwater Hockey. Nelson Bays Rugby U52's. Nelson Police Golf. Nelson Judo Club. The Rotary Club of Nelson. Marist Rugby. Stoke Toy Library. Tea Pot Valley Christian Camp. Unite Church. Nelson College for Girls. Festival of Opportunities. Nelson Basketball. Nelson Badminton Assn. Nelson Bays Volleyball. Nelson Softball. Whakatu Group RDA. South Island Masters Games. Nelson Girl Guides. Enner Glynn School. Tahunanui School. Haven Sports Trust. NCC. Nelson Giants.

RICHMOND BRANCH

Greenacres Golf Club. Henley School. Waahi Taakaro Golf Club. Hope School. Richmond Contract Bridge Club. Waimea Old Boys Rugby Club. Totaradale Golf Club. Waimea College First XV. Nelson Harness Racing. Richmond Bowling Club. Tasman Tennis Centre. Hope Indoor Bowling Club. Nelson A&P Show. Brightwater School. Life Education Trust. Waimea College. Richmond Rodeo. Totaradale Golf Club. Waimea Indoor Bowling Club. Richmond Primary. Golden Downs Golf Club. Appleby School. Wakefield Volunteer Fire Brigade. Richmond Play Centre. Garin College. TDC.

MOTUEKA BRANCH

Mapua Community Library. Motueka Memorial RSA. Senionet Motueka. Abel Tasman Education Trust. Motueka Bowling Club. Mapua Business Assn. Mapua Bowling Club. Tasman Golf Club. Motueka Recreation Centre. Lions International. Motueka Amateur Athletic Club. Motueka High School. Riwaka Bowling Club. Motueka Online. Motueka Golf Club. Mapua Easter Fair. Huia RFC. K-Bar. Dovedale Country Affair. Ngatimoti School. Ngatimoti Bowling Club. Sarau Festival. Riwaka Rugby Club. Coppermine Epic. Top Team. Motueka RDA.

MURCHISON BRANCH

Murchison Area School. Murchison A&P Show. Murchison Pony Club. Murchison Golf Club. Murchison Bowling Club. Murchison Swimming Club. Top Team. Murchison Garden Club.

WESTPORT BRANCH

NBS Theatre. Westport Fire Brigade. Buller Womens Triathlon. Westport Trotting Club. Buller Westland Playcentre Assn. Sunset Speedway. Beryl Collins School of Dance. Laura Keogh Dance Studio. Rangimarie Croquet Club. Westport Contract Bridge Club. Buller A&P Show. Buller Boardriders. White Star RFC. Buller Netball. Buller District Council. Westport Tennis & Squash Club. Buller Rugby. Buller Axeman. Westport Rugby Club JAB.

GREYMOUTH BRANCH

Westland Mountain Bike Club. West Coast Tennis Assn. West Coast Sports Awards Trust. West Coast Netball Assn. Angels for Children. Karoro Hockey Club. West Coast Cricket. Greymouth Squash Rackets Club. Karoro School PTA. Fostering Kids Family Fun Day.

TAKAKA BRANCH

Takaka Volunteer Fire Brigade. Takaka Dog Trials. Golden Bay Contract Bridge Club. Wrinkles Express. Golden Bay Tennis. Wainui Farm Clean Up. Project Jonah. Golden Bay Arts. Golden Bay Fashion Show. Takaka Squash Club. Takaka Golf Club. Golden Bay A&P Show. Golden Bay Athletics. Collingwood Area School. Collingwood Rugby Club - Wildfoods Festival.

Independent Auditor's Report

To The Members of Nelson Building Society

Deloitte.

Report on the Financial Statements

We have audited the financial statements of Nelson Building Society on pages 11 to 36, which comprise the statement of financial position as at 31 March 2012, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Board of Directors' Responsibility for the Financial Statements

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

Auditor's Responsibilities

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

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

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

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

Opinion

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

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Nelson Building Society as at 31 March 2012, and its financial performance and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2012:

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



Chartered Accountants

25 May 2012

CHRISTCHURCH, NEW ZEALAND

This audit report relates to the financial statements of Nelson Building Society for the year ended 31 March 2012 included on Nelson Building Society's website. The Directors are responsible for the maintenance and integrity of Nelson Building Society's website. We have not been engaged to report on the integrity of Nelson Building Society's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 25 May 2012 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Comprehensive Income

For The Year Ended 31 March 2012

	Year to 31/03/2012	Year to 31/03/2011
	\$	\$
Income		
Income Received From:		
Income from Mortgages & Personal Loans	16,724,822	15,641,033
Income from Consumer Lending	1,235,353	1,196,511
Income from Bank Deposits, Investments & Debentures	3,462,505	2,985,552
Interest Income	21,422,680	19,823,096
Deduct Finance Costs		
Interest Incurred on:		
Interest on Term & Call Deposits	(13,509,238)	(12,868,403)
Interest on Other Borrowings	-	(15,743)
Interest on Consumer Lending	(357,922)	(307,102)
Crown Guarantee	-	(97,883)
	(13,867,160)	(13,289,131)
Net Interest Income	7,555,520	6,533,965
Add - Other Income		
Bad Debts Recovered	16,395	7,976
Commission - Other	63,008	68,065
Other Income	649,372	598,307
Profit on Sale of Investment Property	221,654	-
Rental Income on Investment Property	100,046	159,250
	1,050,475	833,598
Gross Contribution From Activities	8,605,995	7,367,563
Deduct Overhead Expenses		
PIE Management Fee	(2,858)	(8,225)
Auditors Audit Fees	(55,775)	(53,475)
Prospectus, Trust Deed and Annual Return	(10,713)	(10,372)
Taxation	(14,421)	(20,351)
Administration Expenses	(2,615,635)	(2,150,947)
Amortisation & Depreciation	(513,719)	(381,875)
Directors Fees	(115,000)	(110,000)
Operating Lease Costs	(193,717)	(248,430)
Personnel Costs	(2,316,370)	(2,127,161)
Provision for Credit Impairment	(268,462)	(36,690)
Sponsorship	(248,955)	(213,000)
Total Expenses	(6,355,625)	(5,360,526)
Surplus Before Taxation	2,250,370	2,007,037
Income Tax Expense	(578,124)	(679,521)
Net Surplus For The Year	1,672,246	1,327,516
Total Comprehensive Income For The Year	1,672,246	1,327,516

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

Statement of Changes in Equity

For The Year Ended 31 March 2012

	Share Capital	Reserves	Retained Earnings	Total
Balance at 1 April 2010	7,502,500	1,000,610	8,183,720	16,686,830
Net Profit and Total Comprehensive Income	-	-	1,327,516	1,327,516
Shares Issued	900,000	-	-	900,000
Shares Redeemed	(150,000)	-	-	(150,000)
Dividends Paid	-	-	(351,596)	(351,596)
Balance at 31 March 2011	8,252,500	1,000,610	9,159,640	18,412,750
Net Profit and Total Comprehensive Income	-	-	1,672,246	1,672,246
Shares Issued	1,654,000	-	-	1,654,000
Shares Redeemed	(1,300,000)	-	-	(1,300,000)
Dividends Paid	-	-	(404,038)	(404,038)
Balance at 31 March 2012	8,606,500	1,000,610	10,427,848	20,034,958

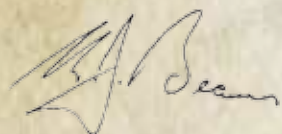
Approval of Financial Statements for the Year Ended 31 March 2012

Authorised for Issue

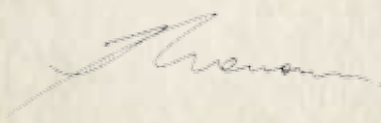
The Directors authorised the issue of these financial statements on 25 May 2012.

Approval by Directors

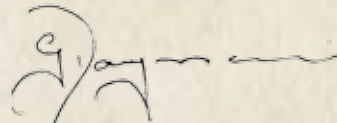
The Directors are pleased to present the financial statements of Nelson Building Society for the year ended 31 March 2012.



K J Beams
General Manager



T N Cameron CA
Chairman of Directors



G R Dayman
Deputy Chairman of Directors

Statement of Financial Position

As at 31 March 2012

		As at 31/03/2012	As at 31/03/2011
		\$	\$
Assets			
Cash and Cash Equivalents	Note 3	28,362,493	41,908,577
Term Deposits		45,886,456	17,519,519
Trade Receivables	Note 9	26,086	26,995
Prepayments		628,655	813,464
Investments	Note 5	7,264,947	6,108,837
Loans and Receivables			
	Note 4		
Mortgages		245,708,683	217,140,666
Personal Loans		487,852	403,628
Consumer Lending		8,518,445	7,562,047
Less Provision for Credit Impairment	Note 7	(330,000)	(230,000)
Property			
Investment Property	Note 10	-	1,900,000
Property, Plant & Equipment	Note 11	3,302,110	3,167,316
Intangible Assets			
Software	Note 12	59,340	101,031
		339,915,067	296,422,080
Liabilities			
Employee Entitlements		182,711	173,014
Trade and Other Payables		999,845	1,003,893
Current Tax Liabilities	Note 2	274,998	150,374
Borrowings	Note 18	318,192,048	276,358,989
Deferred Taxation	Note 13	230,507	323,060
		319,880,109	278,009,330
Net Assets			
		20,034,958	18,412,750
Equity			
Share Capital	Note 15	8,606,500	8,252,500
Retained Earnings	Note 16	10,427,848	9,159,640
Revaluation Reserve	Note 17	1,000,610	1,000,610
Attributable to Members of the Society			
		20,034,958	18,412,750

Statement of Cash Flows

For The Year Ended 31 March 2012

		Year to 31/03/2012	Year to 31/03/2011
		\$	\$
Cash Flows From Operating Activities			
Cash was provided from:			
Interest Received		21,422,680	19,823,096
Fees, Rents and Commissions		828,821	833,598
		22,251,501	20,656,694
Cash was disbursed to:			
Interest Paid		(13,867,160)	(13,289,131)
Operating Expenses		(5,536,495)	(4,927,781)
Income Taxes Paid	Note 2	(552,147)	(600,607)
		(19,955,802)	(18,817,519)
Net Cash Flows From Operating Activities before changes in Operating Assets		2,295,699	1,839,175
Redemption of Loans and Receivables		66,223,356	54,802,303
Issuance of Loans and Receivables		(95,831,995)	(61,743,738)
Net Increase in Borrowings		41,833,059	21,582,894
Net Cash Flows From Operating Activities		14,520,119	16,480,634
Cash Flows From Investing Activities			
Cash was provided from:			
Sale Proceeds from Investment Property		2,121,654	-
Redemption of Investments		-	28,668
		2,121,654	28,668
Cash was disbursed to:			
Property, Plant & Equipment	Note 11	(576,349)	(739,787)
Intangible Assets	Note 12	(38,423)	(33,452)
Purchase of Investments		(1,156,110)	-
Term Deposits		(28,366,937)	(17,519,519)
		(30,137,819)	(18,292,758)
Net Cash Flows from (used in) Investing Activities		(28,016,165)	(18,264,090)
Cash Flows From Financing Activities			
Cash was provided from:			
Issue of Shares	Note 15	1,654,000	900,000
		1,654,000	900,000
Cash was disbursed to:			
Dividends Paid	Note 16	(404,038)	(351,596)
Redemption of Shares	Note 15	(1,300,000)	(150,000)
Net Cash Flows from (used in) Financing Activities		(50,038)	398,404
Decrease in Cash Held		(13,546,084)	(1,385,052)
Add Opening Cash and Cash Equivalents		41,908,577	43,293,629
Closing Cash and Cash Equivalents		28,362,493	41,908,577

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

Statement of Cash Flows

For The Year Ended 31 March 2012

	Year to 31/03/2012 \$	Year to 31/03/2011 \$
Reconciliation Of Net Surplus To Cash Flows From Operating Activities		
Net Surplus	1,672,246	1,327,516
Non Cash Items		
Deferred Taxation	(92,553)	129,481
Depreciation and Amortisation	513,719	381,875
Loss on Disposal of Assets	7,950	-
Net Gain on Sale of Investment Property	(221,654)	-
Increase/(Decrease) in Provision for Credit Impairment	100,000	(30,000)
	<u>307,462</u>	<u>481,356</u>
Movement in Working Capital		
(Decrease)/Increase in Trade and Other Payables	(4,048)	283,874
Increase/(Decrease) in Taxation Payable	124,624	(50,567)
(Increase)/Decrease in Trade Receivables	909	50,509
Decrease/(Increase) in Prepayments	184,809	(280,117)
(Decrease)/Increase in Employee Entitlements	9,697	26,604
Issuance in Loans and Receivables	(95,831,995)	(61,743,738)
Redemption in Loans and Receivables	66,223,356	54,802,303
Increase in Borrowings	41,833,059	21,582,894
	<u>12,540,411</u>	<u>14,671,762</u>
Net Cash Flows from Operating Activities	14,520,119	16,480,634

Notes to the Financial Statements

For The Year Ended 31 March 2012

Summary of Significant Accounting Policies

Statement Of Compliance

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

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

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

The financial statements were authorised by the directors on 25 May 2012.

Basis Of Preparation

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

Presentation Currency

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

Principal Activities

The Society's principal activities during the year were:

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

Particular Accounting Policies

i. Revenue Recognition

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

• Interest Income

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

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

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

• Leases as Lessor

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

• Fee and Commission Income

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

• Gain or Loss on Sale of Property, Plant and Equipment and Investment Property

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised as other income.

ii. Expense Recognition

• Interest Expense

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

• Losses on Loans and Receivables Carried at Amortised Cost

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

Notes to the Financial Statements

For The Year Ended 31 March 2012

• Leasing

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

• Commissions and Other Fees

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

iii. Taxation

Income Tax

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

Deferred tax is provided using the comprehensive balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding amounts used for taxation purposes. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted as at balance date that are expected to apply when the liability is settled or the asset is realised.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current and deferred tax is recognised as an expense or income in the Profit or Loss, except when it relates to items recognised directly in other comprehensive income or directly in equity, in which case the deferred tax or current tax is also recognised directly in other comprehensive income or directly in equity.

iv. Goods And Services Tax

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

v. Assets

• Financial Assets

The Society classifies its financial assets in the following categories:

Loans and Receivables

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

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

• Recognition and Derecognition of Financial Assets and Financial Liabilities

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

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

• Loans and Receivables

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

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

Notes to the Financial Statements

For The Year Ended 31 March 2012

• Investments

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

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

• Trade Receivables

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

• Cash and Cash Equivalents

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

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

• Property, Plant and Equipment Asset Recognition

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

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

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

• Revaluation

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

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

• Depreciation

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

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

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

• Investment Property

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

• Intangible Assets

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

Notes to the Financial Statements

For The Year Ended 31 March 2012

vi. Impairment

Loans and Receivables are reviewed at each Statement of Financial Position date to determine whether there is any objective evidence of impairment. If any indication of impairment exists, the asset's recoverable amount is estimated and provision is made for any shortfall between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Losses for impaired loans are recognised immediately when there is objective evidence that the impairment of a loan has occurred. When a loan is recognised as being impaired action is taken to recover the debt security. The Society does not hold assets acquired under enforcement of a debt security. The security is immediately realised in satisfaction of the loan. Loans are written off when the proceeds from realising the security have been received or when expect no further recovery.

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

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

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

vii. Liabilities

• Borrowings

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

• Trade and Other Payables

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

• Employee Entitlements

Wages and Salaries, Annual Leave and Sick Leave

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

viii. Equity

• Debt and Equity Instruments

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

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

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

• Revaluation Reserve

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

Notes to the Financial Statements

For The Year Ended 31 March 2012

ix. Cash Flow Statement

• Basis of Presentation

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

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

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

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

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

• Netting of Cash Flows

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

• Cash and Cash Equivalents

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

x. Significant Judgements, Accounting Estimates And Assumptions

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements, estimates and assumptions made by management in the application of NZ IFRS and in the preparation of these financial statements are outlined as follows:

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

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

xi. Changes In Accounting Policies

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

xii. Standards And Interpretations In Issue But Not Yet Effective

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

xiii Adoption of New and Revised Standards and Interpretation

In the current year, the Society adopted all mandatory new and amended Standards and Interpretations. None of the new standards and Interpretations had an impact on these financial statements.

Notes to the Financial Statements

For The Year Ended 31 March 2012

1. Key Management Compensation

	31/03/2012	31/03/2011
Amounts received, or due and receivable by Directors:	115,000	110,000

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

Key Management Compensation (Excluding Directors) comprised:

	31/03/2012	31/03/2011
Salaries & Short-Term Employee Benefits	424,228	413,403
Post-employment benefits	24,038	33,881
Total Compensation of Key Management Personnel (Excluding Directors)	448,266	447,284

2. Taxation

(a) Income Tax Recognised in Profit

Income Tax Expense Comprises:

	31/03/2012	31/03/2011
Current Tax Expense	672,916	573,531
Adjustments Recognised in Relation to the Current Tax of Prior Years	3,855	(23,491)
Deferred Tax Expense Relating to the Origination and Reversal of Temporary Differences	(92,553)	129,481
Adjustments Recognised in Relation to Deferred Tax of Prior Years	(6,094)	-
Total Income Tax Expense Recognised in Profit	578,124	679,521

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

Surplus before tax	2,250,370	2,007,037
Taxation thereon at 28% (2011: 30%)	630,104	602,111
Non Assessable Income	(62,063)	-
Non Deductable Expenses	6,478	6,530
Removal of Tax Depreciation on Long Life Buildings	-	157,193
Effect of Change to Investment Property Through Adoption of Revised NZ IAS 12	-	(64,523)
Changes in Taxation Rate to Deferred Tax Due to Change in Legislation	(250)	(23,077)
Under/(Over) Provision of Income Tax in Previous Year	3,855	1,287
Income Tax Expense Recognised in Profit and Loss	578,124	679,521

The tax rate used on the above reconciliation is the corporate tax rate of 28% (31 March 2011: 30%) payable by New Zealand companies under New Zealand tax law.

(b) Current Tax Liability

Balance at the Beginning of the Year	150,374	200,941
Taxation Expense	672,916	573,531
Adjustments Recognised in Relation to the Current Tax of Prior Year	3,855	(23,491)
Taxation Paid	(552,147)	(600,607)
Balance at End of Period	274,998	150,374

(c) Deferred Tax Balances

Deferred Tax Liabilities Comprise:

Temporary Differences (Note 13)	230,507	323,060
	230,507	323,060

Notes to the Financial Statements

For The Year Ended 31 March 2012

3. Cash And Cash Equivalents		31/03/2012	31/03/2011
Bank Deposits		27,281,369	41,351,576
Cash on Hand		1,081,124	557,001
		28,362,493	41,908,577
4. Loans And Receivables		31/03/2012	31/03/2011
Secured		254,227,128	224,702,713
Unsecured		487,852	403,628
Gross Advances		254,714,980	225,106,341
Less Provisions for Credit Impairment	Note 7	(330,000)	(230,000)
Total Net Advances		254,384,980	224,876,341
5. Investments		31/03/2012	31/03/2011
Investments		7,264,947	6,108,837
		7,264,947	6,108,837
<p>Investment Securities have a nominal value of \$7m (31 March 2011: \$6m). Investment Securities include subordinated investments with a nominal value of \$5m (31 March 2011: \$3m).</p>			
6. Asset Categorisation		31/03/2012	31/03/2011
Financial Assets:			
Loans and Receivables (including Cash and Cash Equivalents)		328,660,015	284,331,432
Assets Held to Maturity		7,264,947	6,108,837
		335,924,962	290,440,269
Financial Liabilities:			
Financial Liabilities Held at Amortised Cost		319,374,604	277,535,896
		319,374,604	277,535,896
7. Provision For Credit Impairment		31/03/2012	31/03/2011
		Provisions	Provisions
Specific and Collective Provisions Against Loans and Receivables			
Balance at Beginning of the Period			
Collective		130,000	185,000
Specific		100,000	75,000
		230,000	260,000
New Provisions during the Period			
Collective		260,690	(42,491)
Specific		7,772	79,181
Balances Written Off during the Period			
Collective		(160,690)	(12,509)
Specific		(7,772)	(54,181)
Balance at End of the Period			
Collective		230,000	130,000
Specific		100,000	100,000
		330,000	230,000

Notes to the Financial Statements

For The Year Ended 31 March 2012

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

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

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

	31/03/2012	31/03/2011
Bad Debts Written Off for the Period	(168,462)	(66,690)
Add New Provisions Made	268,462	36,690
Movement in Provision for Credit Impairment	100,000	(30,000)

8. Asset Quality

	31/03/2012	31/03/2011
(a) Asset Quality Advances to Customers		
Past Due But Not Impaired	1,393,829	1,919,720
Impaired	-	161,168
Neither Past Due or Impaired	252,991,151	222,795,453
Total Carrying Amount	254,384,980	224,876,341

	31/03/2012		31/03/2011	
	Past Due Assets	Impaired	Past Due Assets	Impaired
(b) Movements in Balances of Impaired and Past Due Assets				
Opening Balance	1,919,720	161,168	1,301,135	411,223
Assets Classified as Past Due/Impaired	262,401	-	2,074,536	161,168
Charges	12,107	-	25,789	-
Customer Repayments	(646,347)	(66,268)	(916,869)	(369,394)
Loan Balance Written Off	(73,562)	(94,900)	(24,861)	(41,829)
Assets no Longer Meeting Definition	(80,490)	-	(540,010)	-
Closing Balance	1,393,829	-	1,919,720	161,168

	31/03/2012	31/03/2011
(c) Ageing of Past Due Assets		
Past due 0-29 days	696,450	1,795,578
Past due 30-59 days	650,858	106,688
Past due 60-89 days	46,521	9,848
Past due 90 days+	-	7,606
Carrying Amount	1,393,829	1,919,720

The balance of Past Due Assets is in respect of Residential Housing and Consumer Lending. The Society holds security of \$1,944,000 over outstanding residential housing balances of \$1,238,591. (31 March 2011: Security of \$2,308,750 was held over outstanding residential housing assets of \$1,374,860). The Society has provided an additional \$100,000 for the potential shortfall. In respect of Consumer Lending, in most cases the Society has recourse for the debt against the car dealers and as such it is not considered necessary to determine the fair value of the collateral (which is the right and responsibility of the third party car dealer). The balance is reviewed regularly and the Society is satisfied that there are no additional issues other than those disclosed above.

Notes to the Financial Statements

For The Year Ended 31 March 2012

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

There are no Restructured Advances, real estate assets acquired through enforcement of security or other assets acquired through the enforcement securities included in these Financial Statements (31 March 2011: Nil).

9. Trade Receivables

	31/03/2012	31/03/2011
Other Receivables	26,086	26,995
	26,086	26,995

10. Investment Property

	31/03/2012	31/03/2011
Freehold Land (at valuation)		
Balance at Beginning of the Period	985,000	985,000
Disposals	(985,000)	-
Balance at End of the Period	-	985,000
Buildings (at valuation)		
Balance at Beginning of the Period	915,000	915,000
Disposals	(915,000)	-
	-	915,000
Balance at End of the Period	-	1,900,000
Total Carrying Amount		

Investment Property

The property at 231 Trafalgar Street, Nelson was sold on the 1st November 2011 with a gain on sale of \$221,654 recorded in profit.

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

	31/03/2012	31/03/2011
Freehold Land	-	633,000
Buildings	-	698,875
	-	1,331,875

Notes to the Financial Statements

For The Year Ended 31 March 2012

11. Property, Plant & Equipment

	31/03/2012	31/03/2011
Freehold Land and Buildings		
Fair Value		
Balance at Beginning of the Period	1,987,844	2,036,914
Net Revaluation Increments/(Decrement)	(51,118)	(49,070)
Balance at End of the Period	1,936,726	1,987,844
Depreciation and Impairment		
Balance at Beginning of the Period	-	32,246
Depreciation for the Period ¹	51,118	16,824
Net Revaluation	(51,118)	(49,070)
Balance at End of the Period	-	-
Total Freehold Land and Buildings	1,936,726	1,987,844
	31/03/2012	31/03/2011
Computer Equipment		
Cost		
Balance at Beginning of the Period	928,215	458,084
Additions	267,832	470,131
Disposals	(388,354)	-
Balance at End of the Period	807,693	928,215
Depreciation and Impairment		
Balance at Beginning of the Period	522,939	387,104
Depreciation for the Period ¹	209,453	135,835
Accumulated Depreciation on Disposed Assets	(390,822)	-
Balance at End of the Period	341,570	522,939
Total Computer Equipment	466,123	405,276
Other Assets		
Cost		
Balance at Beginning of the Period	1,733,763	1,464,106
Additions	308,517	269,657
Disposals	(293,305)	-
Balance at End of the Period	1,748,975	1,733,763

Notes to the Financial Statements

For The Year Ended 31 March 2012

	31/03/2012	31/03/2011
Depreciation and Impairment		
Balance at Beginning of the Period	959,567	819,196
Depreciation for the Period ¹	173,033	140,371
Accumulated Depreciation on Disposed Assets	(282,886)	-
Balance at End of the Period	849,714	959,567
Total Other Assets	899,261	774,196
Total Property, Plant and Equipment	3,302,110	3,167,316

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

No impairment losses have been recognised against the gross carrying amount of property, plant and equipment for the year ended 31 March 2012 (31 March 2011: \$Nil).

The land and buildings of NBS were valued by Murray Lauchlan of Duke & Cook, independent registered valuers, as at 31 March 2012. These are valued on the basis of market value for existing use. A rental capitalisation valuation methodology has been used in determining this value. The rental capitalisation rate adopted for the valuation of the properties as at 31 March 2012 was 6.50% (31 March 2011: 6.75%).

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

	31/03/2012	31/03/2011
Freehold Land	16,550	16,550
Buildings	1,111,310	1,114,724
	1,127,860	1,131,274

12. Intangible Assets

	31/03/2012	31/03/2011
Software		
Cost		
Balance at Beginning of the Period	1,504,203	1,470,751
Additions	38,424	33,452
Disposals	(1,316,782)	-
Balance at End of the Period	225,845	1,504,203
	31/03/2012	31/03/2011
Amortisation and Impairment		
Balance at Beginning of the Period	1,403,172	1,314,327
Amortisation for the Period ²	80,115	88,845
Accumulated Depreciation on Disposed Assets	(1,316,782)	-
Balance at End of the Period	166,505	1,403,172
Total Software	59,340	101,031

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

No impairment losses have been recognised against the carrying amount of software for the year ended 31 March 2012 (31 March 2011: \$Nil)

Notes to the Financial Statements

For The Year Ended 31 March 2012

13. Deferred Taxation	Opening Balance	Charged to Income	Charged to Equity	Closing Balance
31/03/2012				
Establishment Fees in Advance	-	-	-	-
Provision for Credit Impairment	64,400	28,000	-	92,400
Investment Property	(60,629)	60,629	-	-
Property, Plant and Equipment	(343,700)	(8,605)	-	(352,305)
Intangible Assets - Software	(9,455)	7,853	-	(1,602)
Employee Entitlements	26,324	4,676	-	31,000
Change in Tax Rate	-	-	-	-
Other	-	-	-	-
	(323,060)	92,553	-	(230,507)
31/03/2011				
Establishment Fees in Advance	-	-	-	-
Provision for Credit Impairment	78,000	(13,600)	-	64,400
Investment Property	(125,220)	64,591	-	(60,629)
Property, Plant and Equipment	(188,145)	(155,555)	-	(343,700)
Intangible Assets - Software	(2,138)	(7,317)	-	(9,455)
Employee Entitlements	43,924	(17,600)	-	26,324
Change in Tax Rate	-	-	-	-
Other	-	-	-	-
	(193,579)	(129,481)	-	(323,060)
14. Imputation Credit Account				
	31/03/2012	31/03/2011		
Opening Balance	-	1,656,656		
Tax Paid at 33 cents	-	-		
Dividends Paid at 33 cents	-	-		
Transferred to Imputation Earned at 30 cents	-	(1,656,656)		
Closing Balance at 33 cents	-	-		
Opening Balance	2,973,030	866,451		
Transferred from Imputation Earned at 33 cents	-	1,656,656		
Tax Paid at 30 cents	-	600,607		
Dividends Paid at 30 cents	(173,159)	(150,684)		
Closing Balance at 30 cents	2,799,871	2,973,030		
Opening Balance	-	-		
Tax Paid at 28 cents	565,507	-		
Dividends Paid at 28 cents	-	-		
Closing Balance at 28 cents	565,507	-		
Opening Balance	2,973,030	2,523,107		
Tax Paid	565,507	600,607		
Dividends Paid	(173,159)	(150,684)		
Total Closing Balance	3,365,378	2,973,030		

Notes to the Financial Statements

For The Year Ended 31 March 2012

15. Share Capital

During the year ending 31 March 2012 354,000 (net) preference shares were issued for \$1 each, fully paid (31 March 2011 750,000 net issued for \$1 each). Each share attracts a fully imputed dividend. Dividends, paid quarterly, may only be paid from the surplus profits of the Society. The dividend shall be paid at a percentage set at the beginning of each quarter (31 March 2012: 6.50%). The Society can cancel the payment of a dividend by giving the holder a Dividend Cancellation Notice. The holder of shares has no right to attend, vote or speak at general meetings nor do the shares carry any right to participate in any cash, bonus or other issues of shares declared or made by the Society. The shares may only be redeemed by the Society giving a Redemption Notice to the holders.

	31/03/2012		31/03/2011	
	Number of Shares	\$	Number of Shares	\$
Opening Balance	8,252,500	8,252,500	7,502,500	7,502,500
Shares Issued	1,654,000	1,654,000	900,000	900,000
Shares Redeemed	(1,300,000)	(1,300,000)	(150,000)	(150,000)
	354,000	354,000	750,000	750,000
Closing Balance	8,606,500	8,606,500	8,252,500	8,252,500

16. Retained Earnings

	31/03/2012	31/03/2011
Opening Balance	9,159,640	8,183,720
Net Surplus for the Period	1,672,246	1,327,516
Dividends	(404,038)	(351,596)
Closing Balance	10,427,848	9,159,640
Dividends Paid per Share	4.7 cents per Share	4.3 cents per Share

17. Revaluation Reserve - Property, Plant & Equipment

Balance at Beginning of the Period	1,000,610	1,000,610
Balance at End of the Period	1,000,610	1,000,610

18. Borrowings

	31/03/2012	31/03/2011
Borrowings		
Call Borrowings - Depositors	50,361,472	40,993,889
Term Borrowings - Depositors	267,830,576	235,365,100
Total Borrowings	318,192,048	276,358,989

All borrowings are unsecured.

Notes to the Financial Statements

For The Year Ended 31 March 2012

	Weighted Average Interest Rate		Weighted Average Interest Rate	
	31/03/2012	%	31/03/2011	%
Maturity Analysis Of Term And Current Borrowings				
Borrowings at Call	50,361,472	1.28	40,993,889	1.59
Between 0 and 1 year	229,985,429	4.61	222,467,757	5.33
Between 1 and 2 years	28,294,042	4.93	12,000,047	5.83
Between 2 and 5 years	9,551,105	5.34	897,296	5.97
Total Borrowings	318,192,048	4.13	276,358,989	4.75

All Borrowings are unsecured.

19. Commitments And Contingent Liabilities

The Society has a commitment for loans approved but not yet paid at 31 March 2012 of \$8,118,646 (31 March 2011 for a total of \$5,969,841).

The Society has entered into property leases in Richmond, Motueka, Murchison, Westport, Greymouth and Takaka for 3 years commencing 1 November 2009, 1 December 2011, 1 January 2010, 15 November 2010, 1 May 2009 and 1 October 2011 respectively, with right of renewal for a further 3 years at the conclusion of the current lease periods.

Lease commitments under non-cancellable operating leases:

	31/03/2012	31/03/2011
Less than 1 year	134,096	164,056
Between 1 and 2 years	67,127	80,454
Between 2 and 5 years	31,449	13,054
	232,672	257,564

The Society has entered into a property lease, as a lessor, in Nelson for 6 years beginning 31/12/2009, however this property was sold on the 1st November 2011.

Lease commitments under non-cancellable operating lease:

	31/03/2012	31/03/2011
Less than 1 year	-	157,500
Between 1 and 2 years	-	157,500
Between 2 and 5 years	-	118,125
	-	433,125

Sponsorship commitments beyond 31 March 2012 total \$Nil (31 March 2011: \$Nil).

The Society had no contingent liabilities as at 31 March 2012. (31 March 2011: \$Nil).

Notes to the Financial Statements

For The Year Ended 31 March 2012

20. Segmental Analysis

Products and services from which reportable segments derive their revenues

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

Segment revenues and results

No operations were discontinued during the year.

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

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

Information about major customers

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

31 March 2012: There was no one customer that individually comprised 10 per cent or more of the total revenue.

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

21. Fair Value

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

Methodologies

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

The following methods have been used:

Cash and Cash Equivalents

Carrying amount is equivalent to fair value.

Investments

Fair value is determined based on current quoted prices.

Loans and Receivables

For Floating Rate Advances the carrying amount in the Statement of Financial Position is considered a reasonable estimate of fair value, after making allowances for impaired loans as there has been no significant shift in credit profile.

For Fixed Rate Advances, fair value is estimated using discounted cash flow models based on the interest rate repricing of the Advances. Interest rates applied in this calculation are based on current market rates for Advances with similar credit and maturity profiles.

Notes to the Financial Statements

For The Year Ended 31 March 2012

Trade Debtors

Carrying amount is equivalent to fair value.

Borrowings

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

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

Trade and Other Payables

Carrying amount is equivalent to fair value.

Financial Assets	31/03/2012		31/03/2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Cash Equivalents and Term Deposits	74,248,949	74,248,949	59,428,096	59,428,096
Investments	7,264,947	7,286,635	6,108,837	6,142,946
Loans and Receivables	254,384,980	254,797,265	224,876,341	225,117,172
Trade Receivables	26,086	26,086	26,995	26,995
Total Financial Assets	335,924,962	336,358,935	290,440,269	290,715,209
Financial Liabilities				
Borrowings	318,192,048	321,634,805	276,358,989	276,938,851
Trade and Other Payables	999,845	999,845	1,003,893	1,003,893
Employee Entitlements	182,711	182,711	173,014	173,014
Total Financial Liabilities	319,374,604	322,817,361	277,535,896	278,115,758

22. Liquidity Risk

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

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

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

Cash demands are usually met by realising liquid investments on maturity, drawing uncommitted lines and raising new deposits.

The Society's Trust Deed prescribes that liquid assets are to be maintained at a minimum of 15% of Total Tangible Assets less Reserves. These have been met during the year.

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

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

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

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

Notes to the Financial Statements

For The Year Ended 31 March 2012

Monetary Assets Receivable Matched Against Liabilities Payable as at 31 March 2012

	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	2 to 5 Years	Greater than 5 Years	Total Carrying Amount
Monetary Assets							
Cash & Cash Equivalents	21,435,596	7,033,767	-	-	-	-	28,469,363
Term Deposits	-	-	40,133,553	7,606,969	-	-	47,740,522
Investments	-	2,130,914	4,404,224	20,000	1,031,528	-	7,586,666
Trade Receivables	26,086	-	-	-	-	-	26,086
Personal Loans	-	3,613	19,935	170,450	297,555	-	491,553
Consumer Lending	534,756	2,133,601	2,030,063	2,942,327	2,529,073	-	10,169,820
Mortgages	16,925,263	8,964,647	6,593,148	15,258,741	43,876,706	329,538,880	421,157,385
Provision for Credit Impairment	(330,000)	-	-	-	-	-	(330,000)
Total Monetary Assets	38,591,701	20,266,542	53,180,923	25,998,487	47,734,862	329,538,880	515,311,395
Liabilities							
Borrowings	50,360,829	148,587,060	87,711,911	29,534,851	9,886,173	-	326,080,824
Trade and Other Payables	999,845	-	-	-	-	-	999,845
Employee Entitlements	182,711	-	-	-	-	-	182,711
Current Tax Liabilities	-	274,998	-	-	-	-	274,998
Total Monetary Liabilities	51,543,385	148,862,058	87,711,911	29,534,851	9,886,173	-	327,538,378
Net Monetary Assets/ (Liabilities)	(12,951,684)	(128,595,516)	(34,530,988)	(3,536,364)	37,848,689	329,538,880	187,773,017
Unrecognised Loan Commitments	(8,479,006)	-	-	-	-	-	(8,479,006)
Net Liquidity Gap	(21,430,690)	(128,595,516)	(34,530,988)	(3,536,364)	37,848,689	329,538,880	179,294,011

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

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

Notes to the Financial Statements

For The Year Ended 31 March 2012

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

Loans and Receivables

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

Credit Facility

Included in the definition of liquid assets is a committed but undrawn funding line. As at 31 March 2012, the Society had total committed funding lines with Registered Banks of \$6,000,000 (31 March 2011: \$6,000,000). None of this facility \$Nil (31 March 2011: \$Nil) was drawn down at 31 March 2012..

23. Credit Risk Exposure

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

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

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

Concentrations of Credit Risk to Individual Counterparties and Bank Counterparties

The table below shows the numbers of bank counterparties or groups of closely related counterparties of which a bank is a parent and individual counterparties (other than banks or groups of closely related counterparties of which a bank is parent) where the Society has large credit exposures. These have been disclosed in bands of 10% of the Society's equity at balance date.

% of Equity	31/03/2012		31/03/2011	
	Bank	Other	Bank	Other
10-19	3	4	2	4
20-29	2	1	-	1
30-39	-	-	1	-
40-49	-	-	-	-
50-59	1	-	-	-
60-69	-	-	2	-
70-79	1	-	-	-
80-89	-	-	-	-
90+	1	-	1	-

Notes to the Financial Statements

For The Year Ended 31 March 2012

Credit Risk Profile by Category

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

	31/03/2012	31/03/2011
Residential	208,968,217	184,544,465
Commercial	36,410,466	32,366,201
Personal Lending	487,852	403,628
Consumer Finance	8,518,445	7,562,047
	254,384,980	224,876,341

The table below shows the level of lending by region.

	31/03/2012	31/03/2011
Nelson	86,870,058	81,167,477
Tasman	117,692,498	104,282,493
West Coast	43,678,933	39,426,371
Golden Bay	6,143,491	-
	254,384,980	224,876,341

24. Interest Rate Risk

The Society's normal lending terms allow it to reset interest rates at thirty days notice.

Interest rates on "at call" loans and receivables can be reset immediately.

Interest rates on term borrowings are all fixed until their respective maturity dates. Over 68% of the borrowings can be repriced or mature within twelve months (31 March 2011: 95%).

At 31 March 2012 there were 468 fixed rate borrowings totalling \$82,815,019 not reviewable within one year. (31 March 2011: 227 fixed rate borrowings totalling \$12,879,343). The table below shows the next interest maturity date for financial assets and liabilities excluding interest.

Interest Rate Repricing Schedule as at 31 March 2012

	Effective Interest Rate%	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	Greater than 2 Years	Total Carrying Amount
Monetary Assets							
Cash & Cash Equivalents	3.86%	21,435,596	6,926,897	-	-	-	28,362,493
Term Deposits	4.66%	-	-	38,706,266	7,180,190	-	45,886,456
Investments	7.90%	-	2,035,844	4,227,575	-	1,001,528	7,264,947
Trade Receivables		26,086	-	-	-	-	26,086
Personal Loans	11.66%	462,102	-	-	19,868	5,822	487,792
Consumer Lending	13.73%	534,756	1,619,740	1,635,709	2,457,344	2,270,896	8,518,445
Mortgage Advances	6.75%	98,773,420	33,636,433	35,237,801	78,049,435	11,594	245,708,683
Provision for Credit Impairment		(330,000)	-	-	-	-	(330,000)
Total Monetary Assets		120,901,960	44,218,914	79,807,351	87,706,837	3,289,840	335,924,902
Liabilities							
Borrowings	4.13%	50,360,829	144,191,490	85,794,582	28,294,042	9,551,105	318,192,048
Trade and Other Payables		999,845	-	-	-	-	999,845
Employee Entitlements		182,711	-	-	-	-	182,711
Current Tax Liabilities		-	274,998	-	-	-	274,998
Total Monetary Liabilities		51,543,385	144,466,488	85,794,582	28,294,042	9,551,105	319,649,602
Net Monetary Assets/ (Liabilities)		69,358,575	(100,247,574)	(5,987,231)	59,412,795	(6,261,265)	16,275,300
Unrecognised Loan Commitments	6.43%	(8,479,006)	-	-	-	-	(8,479,006)
Net Liquidity Gap		60,879,569	(100,247,574)	(5,987,231)	59,412,795	(6,261,265)	7,796,294

Notes to the Financial Statements

For The Year Ended 31 March 2012

Interest Rate Repricing Schedule as at 31 March 2011

	Effective Interest Rate%	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	Greater than 2 Years	Total Carrying Amount
Monetary Assets							
Cash & Cash Equivalents	5.20%	4,908,905	36,999,672	-	-	-	41,908,577
Term Deposits	5.39%	-	-	17,519,519	-	-	17,519,519
Investments	6.94%	-	1,086,443	1,999,983	2,022,411	1,000,000	6,108,837
Trade Receivables		26,995	-	-	-	-	26,995
Personal Loans	12.95%	346,680	7,822	15,168	9,840	24,118	403,628
Consumer Lending	14.18%	156,288	1,607,866	1,627,281	2,218,992	1,951,620	7,562,047
Mortgage Advances	7.09%	66,444,819	81,912,040	44,343,750	24,440,057	-	217,140,666
Provision for Credit Impairment		(230,000)	-	-	-	-	(230,000)
Total Monetary Assets		71,653,687	121,613,843	65,505,701	28,691,300	2,975,738	290,440,269
Liabilities							
Borrowings	4.75%	40,993,889	150,971,723	71,496,034	12,000,047	897,296	276,358,989
Trade and Other Payables		1,003,893	-	-	-	-	1,003,893
Employee Entitlements		173,014	-	-	-	-	173,014
Current Tax Liabilities		-	150,374	-	-	-	150,374
Total Monetary Liabilities		42,170,796	151,122,097	71,496,034	12,000,047	897,296	277,686,270
Net Monetary Assets/ (Liabilities)		29,482,891	(29,508,254)	(5,990,333)	16,691,253	2,078,442	12,753,999
Unrecognised Loan Commitments	6.92%	(5,969,841)	-	-	-	-	(5,969,841)
Net Liquidity Gap		23,513,050	(29,508,254)	(5,990,333)	16,691,253	2,078,442	6,784,158

25. Currency Risk

The Society is not exposed to currency risk.

26. Capital Adequacy

An exemption notice, number 2011/259 dated 21 July 2011, has been approved by the Reserve Bank of New Zealand granting the Society Qualifying Mutual Status. On this basis the Risk Weighted Capital Ratio as at 31 March 2012 was 10.03% (31 March 2011: 10.03%), as calculated under the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010.

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

Notes to the Financial Statements

For The Year Ended 31 March 2012

27. Related Parties

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

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

(a) Loans and Advances to Related Parties

Directors and Other Key Management Personnel

	31/03/2012	31/03/2011
Loans and advances outstanding at beginning of period	2,275,980	1,342,840
Net loans issued/(repaid) during the period	(386,835)	933,140
Loans and advances outstanding at end of period	1,889,145	2,275,980

No provisions have been recognised in respect of loans given to related parties. There were no debts with any of the above parties written off or forgiven during the year ended March 2012 (31 March 2011: \$Nil). The above Loans and Receivables are charged interest at current market rates.

(b) Deposits from Related Parties

Directors and Other Key Management Personnel

	31/03/2012	31/03/2011
Deposits at beginning of period	1,397,236	1,612,737
Net deposits received/(repaid) during the period	552,048	(215,491)
Deposits at end of period	1,949,284	1,397,246

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

(c) Key Management Compensation

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

28. Sensitivity Analysis

In managing interest rate risk the Society aims to reduce the impact of short term fluctuations. Over the long term, however, permanent changes in interest rates will have an impact on profit. At 31 March 2012 it is estimated that a general increase of one percentage point in interest rates would increase the Society's profit before income tax and equity by \$245,926 (31 March 2011: \$203,724). This analysis has been applied against all call and term deposits and interest received on mortgage advances, personal loans, investments, bank deposits and consumer lending and borrowings.

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

29. Subsequent Events

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

*When you've been busy
keeping your customers happy,*

1862

just seems like yesterday.





**NEW ZEALAND'S
OLDEST
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