NBS

NELSON BUILDING SOCIETY

Annual Report 2008

New Zealand's Oldest Building Society Est'd. 1862

The 146th Annual Report of the Nelson Building Society

Contents

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

General Manager K J Beams

Secretary A J Cadigan

Solicitor Glasgow Harley

Bankers Westpac / ASB Bank

Auditor Deloitte

Head Office
111 Trafalgar Street
PO Box 62
Nelson

Notice Of Annual General Meeting
Notice is hereby given that the One Hundred and Forty Sixth Annual General Meeting of Shareholders of the Nelson Building Society will be held at The Rutherford Hotel, Waimea Wairau Room, Trafalgar Square, Nelson on Wednesday 25 June 2008 at 5.30pm.

Business
1. To receive the Director's Report and Statement of Accounts.
2. To fix the remuneration for the Directors for the ensuing year.
3. To appoint the Auditors for the ensuing year and fix their remuneration.
4. 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

The financial markets in New Zealand have been under extreme pressure over the past 12 months and we are pleased to report that your local NBS has performed outstandingly well recording another record profit.

During the earlier part of the financial year we were still faced with high demand for mortgage finance and found it difficult to fund from the retail market. This pressure lessened as major parts of the financial world stalled in the second half, which in turn slowed down the market demand for lending.

The key results for the year:

Borrowing Growth	up	7.3%	to	$204m
Advances Growth	up	7.7%	to	$194m
Total Asset Growth	up	8.2%	to	$224m
Profit Growth	up	77.7%	to	$1.4m

The profit before tax increased by 77.7% which is a pleasing result for Management and Board in a difficult financial year. This has been achieved as a result of a stabilised interest market with only two changes to the OCR and a better mix achieved in our Mortgage Book. The outlook for an OCR reduction now looks certain with all the economic data creating market pressures on the Government to look at reducing rates.

With the review of Financial Institutions still continuing the NBS Directors decided to press forward with the Societies Credit Rating with Fitch. The rating given was a BB, which for our size is an outstanding result. It is worth noting a comment from the Fitch report:

"NBS demonstrates a conservative approach to risk management and its lending is undertaken within prudent limits, with the majority of loans secured by first mortgages over real estate. The asset quality is excellent".

This comment coming from a leading global rating agency should encourage more people to support their local Building Society, and give more comfort to existing clients.

With Financial Institutions collapsing and more mergers taking place, I am pleased to report that the Building Societies as a collective, have been working closer together. We have issued joint press releases based on the security offered by the Building Societies and at the same time made the Government aware of the market share we hold in our respective areas.

NBS will upgrade the Nelson premises this year, and at the same time will carry out a re-branding of our market image to better recognise the quality organisation we are.

This year has seen us further develop our product base with the introduction of NBS Lifestages KiwiSaver Scheme and the NBS Lifestages Deposit Portfolio (PIE). The PIE structure is a new regime of taxation for qualifying managed funds.

The next financial year will be one of consolidation, with moderate growth projected.

On behalf of the Board we extend our thanks to the staff and management team for their professionalism in managing our client base in a very difficult year of operation.

We thank our members for their ongoing support of the Society and trust this will continue into the future which will allow NBS to achieve it's goal of being the preferred local financial institution.

The Directors retiring by rotation are Mr Craig Taylor and Mr Garry Dayman. Both Directors are eligible for re-election without nomination and accordingly we declare them duly re-elected.

TREVOR CAMERON

KEN BEAMS

Nelson Building Society Annual Report **2008**

When you've been busy keeping your customers happy,

1862

just seems like yesterday.

Since 1862 Nelson Building Society has been growing and developing competitive financial services tailored specifically to the local community.

Generations of Nelson and Tasman residents have entrusted their savings and their futures to our care. This indeed makes us a very safe pair of hands.

As the region grows, our products continue to diversify and deliver, for a modern fast paced world.

We will always be competitive, and we will always be relevant to the society we live and work in. It's a formula that has stood us in good stead for 146 years!

Personal Banking

The things that appealed to your great, great, great grandfather are the same things that will appeal to you

We're not talking about our services, because they've obviously changed over the years... we're talking about our attitude. Our business has always been about people. It was the case in the 1860s and in 2008! It will be in a hundred years' time. Whoever you are and whatever you want to achieve, we've been helping people turn their dreams into reality for 146 years. There are many ways in which we help our customers.

Our personal banking services include:

- Personal loans and personal accounts
- Personal investments
- Portfolio Investments Entity
- Kiwisaver
- A whole host of insurances
- Mortgages
- Online banking & telephone banking
- Direct debits and direct credits
- Bill payments and automatic payments

Business Banking

The core values of business don't change...

...and neither do concepts like trust, reliability and wanting our business customers to succeed.

It doesn't matter who you are. Whether you're a sole trader or a big company, a partnership or a non-profit organisation. We actively support businesses because they're the heart of our community. To keep the cash-flowing we have facilites like overdrafts and business loans, we also offer internet banking so you can stay on top of things wherever and whenever you want. Then, there are cheque accounts. In fact, there's everything you need. Including one thing you won't find at some of the other big banks - people who are interested in you, what you're trying to achieve, and are actually available to talk to you when you want to discuss your plans, needs and goals. It's an old fashioned concept but we like it and so do our clients.

We know everyone's a little different because we work with all sorts of different Business Banking Entities:

- Sole traders facing the world alone!
- Partnerships
- Very big and very small companies
- Non-profit organisations making a difference.

Community

Grey District Primary School Soccer Tournament


Tasman Tennis Centre

Mapua Easter Fair

West Coast Netball Centre


Murchison A & P Show

We use our profits to help the community, not Australian Shareholders, because we believe in our region. Local people making local decisions and giving something back to the area.

Each year NBS reinvests many thousands of dollars back into the local community.

Nelson Branch
- Dance Sport
- Federation of Graduate Women
- Fifeshire Foundation
- Nelson Bays Squash
- Nelson Bowling Club
- Nelson Budget Service
- Nelson Croquet Association
- Nelson Golf Club
- Nelson Hinemoa Croquet
- Nelson Indoor Bowls
- Nelson Masters Hockey
- Nelson Performing Arts
- Nelson Regional Hospice
- Nelson RSA
- Nelson U13 Cricket
- Nelson Women's Softball
- Ngawhatu Bowling Club
- Relay for Life
- Special Olympics
- Stoke Hockey
- Tahunanui Bowling Club
- Tasman Bay Heritage
- Theatre Alive
- Uniquely Nelson
- Waimea U14 Basketball

Richmond Branch
- Hope Indoor Bowling Club
- Moutere Hills Complex
- Richmond Touch Module
- Star & Garter Wheelers
- Tasman Tennis
- Totaradale Golf Club
- Waimea Rugby Football Club

Motueka Branch
- Festival of Lights
- Inlet House Military Museum
- Mapua Bowling Club
- Motueka Bowling Club
- Motueka Golf Club
- Motueka Senior Net
- Ngatimoti Bowling Club
- Riwaka Bowling Club
- Takaka Bowling Club
- Tasman Golf Club
- Top of the South Music Awards

Murchison Branch
- Bowls Murchison
- Murchison A & P
- Murchison Area School
- Murchison Community Services
- Murchison Pony Club
- Murchison Sport & Recreation Centre

Westport Branch
- Buller District Council
- Buller Women's Triathlon
- Westport Contract Bridge Club
- Westport Trotting Club

Greymouth Branch
- Greymouth Motorcycle Street Racing
- Karoro Hockey
- West Coast Netball Association

Financials

Audit Report

To The Members of Nelson Building Society

Deloitte.

We have audited the financial statements on pages 10 to 36. The financial statements provide information about the past financial performance of Nelson Building Society (the Society) and its financial position as at 31 March 2008. This information is stated in accordance with the accounting policies set out on pages 15 to 18.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the Society as at 31 March 2008 and the results of operations and cash flows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board of Directors.

Basis of Opinion

An audit 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's circumstances, 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.

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

Unqualified Opinion

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 on pages 10 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 the Society as at 31 March 2008 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 30 May 2008 and our unqualified opinion is expressed as at that date.

Deloitte

Chartered Accountants
CHRISTCHURCH, NEW ZEALAND

Income Statement
For The Year Ended 31 March 2008

		Year to 31/03/2008 $	Year to 31/03/2007 $
Income			
Income Received From:			
Mortgages & Personal Loans		17,612,698	14,504,083
Consumer Lending		1,033,674	936,733
Bank Deposits, Investments & Debentures		2,131,264	1,790,914
Other Interest		-	4,970
Interest Income		20,777,636	17,236,700
Deduct Finance Costs			
Interest Incurred on:			
Term & Call Deposits		15,211,087	13,012,481
Other Borrowings		261,147	241,208
Commission on:			
Consumer Lending		244,343	266,783
		15,716,577	13,520,472
Net Interest And Commission Income		**5,061,059**	**3,716,228**
Add - Other Income			
Bad Debts Recovered		22,975	9,602
Commission		72,138	48,235
Establishment Fees		246,225	254,409
Consumer Lending Fees		114,496	84,445
Other Income		527,913	462,116
Rental Income on Investment Property		142,187	202,089
Rental Expenses on Investment Property		(1,618)	(868)
		1,124,316	**1,060,028**
Gross Contribution From Activities		**6,185,375**	**4,776,256**
Deduct Overhead expenses			
Auditors — Audit Fees		46,125	43,875
Assurance Services		44,544	44,942
Prospectus Review		9,338	8,200
Administration Expenses		1,689,917	1,410,180
Amortisation & Depreciation		458,537	402,256
Bad Debts		235,419	13,110
Directors Fees		88,500	74,026
Operating Lease Costs		226,672	221,420
Personnel Cost		1,864,620	1,618,831
Provision for Credit Impairment		-	144,000
Sponsorship		144,714	129,224
Total Expenses		**4,808,386**	**4,110,064**
Operating Surplus		**1,376,989**	**666,192**
Add Revaluation of Investment Property	Note 10	60,000	238,995
Deduct Loss on Sale of Investment Property		-	96,676
Surplus Before Taxation		**1,436,989**	**808,511**
Taxation	Note 2	630,085	223,359
Net Surplus For The Period		**806,904**	**585,152**

The Notes to the Financial Statements (pages 15 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 2008

		Year to 31/03/2008 $	Year to 31/03/2007 $
Opening Equity		16,267,992	7,054,237
Net Surplus for the Period		806,904	585,152
Other Recognised Income And Expenses			
Revaluation of Land and Buildings, Net of Tax	Note 17	49,722	251,258
Total Recognised Income and Expenses		**856,626**	**836,410**
Shares - Issued	Note 15	5,892,000	8,430,000
Redeemed		(3,650,000)	
Dividends	Note 16	(779,528)	(52,655)
Closing Equity		**18,587,090**	**16,267,992**

Approval of Financial Statements for the Year Ended 31 March 2008

Authorised for Issue

The Directors authorised the issue of these financial statements on 30 May 2008.

Approval by Directors

The Directors are pleased to present the financial statements of Nelson Building Society for the year ended 31 March 2008.

K J Beams
General Manager

T N Cameron CA
Chairman of Directors

P A Bell LLB
Deputy Chairman of Directors

The Notes to the Financial Statements (pages 15 to 36) form part of and should be read in conjunction with these financial statements.

Balance Sheet

As at 31 March 2008

		As at 31/03/2008 $	As at 31/03/2007 $
Assets			
Cash and Cash Equivalents	Note 3	21,255,017	17,312,101
Trade Receivables	Note 9	10,095	4,775
Prepayments		303,455	306,605
Investments	Note 5	3,535,522	4,580,592
Loans and Receivables	Note 4		
Mortgages		185,692,216	173,331,823
Personal Loans		593,842	461,669
Consumer Lending		8,150,591	6,696,886
Less Provision for Credit Impairment	Note 7	(148,000)	(148,000)
Investment Property	Note 10	2,000,000	1,940,000
Property, Plant & Equipment	Note 11	2,501,410	2,467,328
Intangible Assets	Note 12		
Software		160,180	361,750
		224,054,328	**207,315,529**
Liabilities			
Borrowings	Note 18	204,115,998	190,161,718
Employee Entitlements		125,371	116,065
Trade and Other Payables		810,600	578,160
Current Tax Liabilities	Note 2	192,553	53,870
Deferred Taxation	Note 13	222,716	137,724
		205,467,238	**191,047,537**
Net Assets		**18,587,090**	**16,267,992**
Equity			
Share Capital	Note 15	10,672,000	8,430,000
Retained Earnings	Note 16	6,914,480	6,887,104
Revaluation Reserve	Note 17	1,000,610	950,888
Attributable to Members of the Society		**18,587,090**	**16,267,992**

The Notes to the Financial Statements (pages 15 to 36) form part of and should be read in conjunction with these financial statements.

Cash Flow Statement

For The Year Ended 31 March 2008

	Year to 31/03/2008 $	Year to 31/03/2007 $
Cash Flows From Operating Activities		
Cash was provided from:		
Interest Received	20,777,636	17,069,233
Fees, Rents and Commissions	1,124,316	1,100,960
	21,901,952	18,170,193
Cash was disbursed to:		
Interest Paid	(15,688,405)	(13,202,383)
Operating Expenses	(4,141,344)	(3,668,569)
Income Taxes Paid	(380,617)	(324,032)
	(20,210,366)	(17,194,984)
Net Cash Flows From Operating Activities before changes in Operating Assets	**1,691,586**	**975,209**
Increase in Loans and Receivables: Advances	70,099,705	74,582,625
Decrease in Loans and Receivables: Repayments	(84,045,974)	(93,263,279)
Net Cash Flows From Operating Activities	**(12,254,683)**	**(17,705,445)**
Cash Flows From Investing Activities		
Cash was provided from:		
Decrease in Investments	1,045,071	297,329
Sale of Investment Property	-	2,433,324
	1,045,071	**2,730,653**
Cash was disbursed to:		
Increase in Investments	-	1,284
Property, Plant & Equipment	(216,763)	(271,109)
Intangible Assets	(47,461)	(16,650)
	(264,224)	(286,475)
Net Cash Flows used in Investing Activities	**780,847**	**2,444,178**
Cash Flows From Financing Activities		
Cash was provided from:		
Increase in Borrowings	13,954,279	6,390,181
Issue of Shares	2,242,000	8,430,000
	16,196,279	**14,820,181**
Cash was disbursed to:		
Dividends Paid	(779,527)	(4,472)
Net Cash Flows from Financing Activities	**15,416,752**	**14,815,709**
Increase/(Decrease) in Cash Held	3,942,916	(445,558)
Add Opening Cash and Cash Equivalents	17,312,101	17,757,659
Closing Cash and Cash Equivalents	**21,255,017**	**17,312,101**

The Notes to the Financial Statements (pages 15 to 36) form part of and should be read in conjunction with these financial statements.

Cash Flow Statement

For The Year Ended 31 March 2008

	Year to 31/03/2008 $	Year to 31/03/2007 $
Reconciliation Of Net Surplus To Cash Flows From Operating Activities		
Net Surplus	806,904	585,152
Non Cash Items		
Deferred Taxation	110,784	(102,323)
Depreciation and Amortisation	458,537	402,256
Investment Properties (Revaluation)	(60,000)	(238,995)
Increase/(Decrease) in Provision for Credit Impairment	-	(119,090)
Loss on Sale of Investment Property	-	96,676
	509,321	38,524
Movement in Other Items		
Increase in Trade and Other Payables	229,543	241,129
Increase/(Decrease) in Taxation Payable	138,682	12,780
(Increase)/Decrease in Trade Receivables	(5,320)	413
(Increase)/Decrease in Prepayments	3,150	82,226
Increase/(Decrease) in Employee Entitlements	9,306	14,985
Increase in Loans and Receivables: Advances	70,099,705	74,582,625
Decrease in Loans and Receivables: Repayments	(84,045,974)	(93,263,279)
	(13,570,908)	(18,329,121)
	(12,254,683)	**(17,705,445)**

The Notes to the Financial Statements (pages 15 to 36) form part of and should be read in conjunction with these financial statements.

Notes to the Financial Statements

For The Year Ended 31 March 2008

Statement Of 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, insurances, mortgages and online and telephone banking.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP") the Financial Reporting Act 1993 and the Securities Regulations 1983. They comply with the New Zealand equivalents to International Financial Reporting Standards (`NZ IFRS') and other applicable reporting standards as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that 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 30 May 2008.

Adoption Of NZ IFRS

The Society adopted NZ IFRS for the reporting period commencing 1 April 2007. Hence, from this date the Society has prepared financial statements using NZ IFRS as issued by the NZ Financial Reporting Standards Board and approved by the New Zealand Accounting Standard's Review Board.

These financial statements are the first financial statements prepared in accordance with NZ IFRS. NZ IFRS 1: First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards has been applied. An explanation of how the transition from previous GAAP to NZ IFRS has impacted the Society's previously reported Income Statement, Balance Sheet and Cash Flow Statement is set out in Note 29 Explanation of Transition to NZ IFRS.

The accounting policies set out below have been consistently applied to all periods in these financial statements and in preparing an opening NZ IFRS Balance Sheet as at 1 April 2006.

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 and mortgages.

Particular Accounting Policies

i. Revenue Recognition

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

• Interest Income

Interest income for all instruments measured at amortised cost is recognised in the Income Statement 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 Income Statement 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. Asset management fees relating to investment funds are recognised over the period the service is provided.

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised as non-interest 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 income statement 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 Income Statement 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 2008

• Leasing
Operating lease payments are recognised in the Income Statement 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 Income Statement 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 income statement, except when it relates to items credited or debited to equity, in which case the deferred tax or current tax is also recognised directly in equity.

iv. Goods And Services Tax

GST is recognised as part of the revenue, expense or asset. 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 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 Balance Sheet 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 Balance Sheet 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 Balance Sheet, 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.

Loans and Receivables are recorded at amortised cost using the effective interest method less impairment. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the amount initially recognised.

• Investments
Investments in Listed Securities are classified as Held to Maturity Financial Instruments. Investments in listed 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 subsequentially measured at amortised cost, using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

• 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 amortised cost using the effective interest method.

Notes to the Financial Statements
For The Year Ended 31 March 2008

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 annually, 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 Income Statement as an expense as incurred. Impairment losses are recognised as a non-interest expense in the Income Statement.

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 Income Statement 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 to the asset revaluation reserve included in equity unless it reverses a revaluation decrease of the same asset previously recognised in the Income Statement. Any revaluation deficit is recognised in the Income Statement 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
General Office Equipment	10%	Diminishing Value
Computer Hardware	Over 3 - 5 yrs	Straight Line
Other Assets	Over 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 Income Statement in the period in which they arise.

• Intangible Assets
Software is finite life intangibles and are 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.

vi. Impairment

• Impairments of Financial Assets
Financial Assets comprising loans and receivables and held to maturity investments are reviewed at each Balance Sheet date to determine whether there is any objective evidence of impairment based on the expected future cash flows from these assets discounted at their original effective interest rates. If any indication of impairment exists, the assets recoverable amount is estimated and provision is made for any shortfall between the carrying amount and the recoverable amount. Losses for impaired loans are recognised immediately when there is objective evidence that the impairment of a loan has occurred i.e. 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. 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.

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.

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 Income Statement immediately.

Past Due Assets represent the total loans and receivables due where the counter party is in default by one or more contractual repayments. Restructured Assets are loans and receivables that are impaired, have had their original terms changed and the new terms are not comparable with the terms for new facilities.

Notes to the Financial Statements
For The Year Ended 31 March 2008

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 cost and are recorded in the Balance Sheet inclusive of accrued interest. Interest payable on borrowings is recognised using the effective interest rate method. Call borrowings include those amounts in the Trust Deed and previously referred to as call shares.

• 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 Balance Sheet classification of the related debt or equity instruments.

ix. **Cash Flow Statement**

• Basis of Presentation
The Cash Flow Statements have been prepared using the direct approach modified by the netting of certain items disclosed below.

• Cash and Cash Equivalents
Cash and Cash Equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Balance Sheet.

• 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 loans and receivables and customer borrowings.

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. Such judgements include determining whether substantially all the significant risks and rewards of ownership of financial assets are transferred to other entities. 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 below:

• Estimation of average lives of loans used to defer fees and costs

The estimation of the useful lives of loans has been based on historical experience, and market and statistical trends. In addition, the average life of loans is assessed at least once per year and considered against the remaining contractual life. Adjustments to the average life are made when considered necessary. The average life of loans is used to defer fees and costs under the effective interest rate method.

xi. **Changes In Accounting Policies**

The Society has changed its accounting policies from 1 April 2007 to comply with NZ IFRS. The impact of these changes have been explained in note 29. There have been no other changes in accounting policies.

xii. **Standards And Interpretations In Issue Not Yet Adopted**

The Society have adopted all new standards and interpretations as issued by the Financial Reporting Standards Board except for those listed in the table below.

Initial application of the following Standards will not affect any of the amounts recognised in the financial statements, but may change the disclosures presently made in relation to the Society's financial statements:

Standard	Effective for Annual reporting periods beginning on or after	Expected to be initially applied in the year ending
NZ IFRS-8 'Operating Segments'	01/01/2009	31/03/2010
NZ IAS-1 'Presentation of Financial Statements' (Revised Standard)	01/01/2009	31/03/2010
NZ 1AS -23 'Borrowing Costs' (Revised Standard)	01/01/2009	31/03/2010
NZ IFRS-3 'Business Combinations (Revised Standard)	01/07/2009	31/03/2011

Notes to the Financial Statements
For The Year Ended 31 March 2008

1. Key Management Compensation

Amounts received, or due and receivable by Directors:	Year to 31/03/2008	Year to 31/03/2007
T Cameron (Chairman)	28,500	25,000
P Bell (Deputy Chairman)	17,500	7,667
P Robson	15,000	14,750
G Dayman	13,750	11,000
JC Taylor	13,750	12,250
KA Carr	-	3,359
	88,500	**74,026**

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

Key Management Compensation which comprised:	Year to 31/03/2008	Year to 31/03/2007
Salaries & Short-Term Employee Benefits	323,738	298,532
Post-employment benefits	45,597	35,595
Total Compensation of Key Management Personnel	**369,335**	**334,127**

2. Taxation

(a) Income Tax Recognised in Profit	Year to 31/03/2008	Year to 31/03/2007
Income Tax Expense Comprises:		
Current Tax Expense	519,300	325,682
Adjustments Recognised in the Current Year in Relation to the Current Tax of Prior Years:		
Deferred Tax Expense Relating to the Origination and Reversal of Temporary Differences	116,892	(102,323)
Deferred Tax Expense (Income) Relating to Changes in Tax Rates	(6,107)	-
Total Income Tax Expense Recognised in Profit	**630,085**	**223,359**
The prima facie income tax expense on pre tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
Profit from Operations	1,436,989	808,511
Taxation thereon at 33%	474,206	266,809
Non Assessable Income	(19,966)	(78,868)
Non-deductible Expenses	181,952	35,418
Effect on Deferred Tax balances due to change in Income Tax Rate from 33% to 30% effective 1 April	(6,107)	-
	630,085	**223,359**

The tax rate used on the above reconciliation is the corporate tax rate of 33% payable by New Zealand companies under New Zealand tax law.

The corporate tax rate in New Zealand was changed from 33% to 30% with effect from 1 April 2008. The revised rate has not impacted the current tax payable for the current year but will do so in future years. However, the impact of the change in tax rate has been taken into account in the measurement of deferred tax at the end of the reporting year.

(b) Income Tax Recognised in Equity

The following deferred tax amounts were charged direct to equity during the year:		
Property Revaluations (Note 17)	(5,552)	(5,556)
Deferred Tax Expense (Income) Relating to Changes in Tax Rates	(20,240)	-
	(25,792)	**(5,556)**

Notes to the Financial Statements
For The Year Ended 31 March 2008

	Year to 31/03/2008	Year to 31/03/2007
(c) Current Tax (Asset) Liability		
Balance at the Beginning of the Year	53,870	41,090
Taxation Expense	519,300	325,682
Taxation Paid	(380,617)	(312,902)
Balance at End of Year	**192,553**	**53,870**
(d) Deferred Tax Balances		
Deferred tax liabilities comprise:		
Temporary Differences (Note 13)	222,716	137,724
	222,716	**137,724**

3. Cash And Cash Equivalents

	Year to 31/03/2008	Year to 31/03/2007
Bank Deposits	20,522,935	16,703,552
Cash on Hand	732,082	608,549
	21,255,017	**17,312,101**

4. Loans And Receivables

	Year to 31/03/2008	Year to 31/03/2007
Secured	193,926,493	180,103,855
Unsecured	510,156	386,523
Gross Advances	**194,436,649**	**180,490,378**
Less Provisions for Credit Impairment	(148,000)	(148,000)
Total Net Advances	**194,288,649**	**180,342,378**

5. Investments

	Year to 31/03/2008	Year to 31/03/2007
Investments	3,535,522	4,580,592
	3,535,522	**4,580,592**

Investment Securities have a nominal value of $3.5m (2007:$4.5). Investment Securities include subordinated investments with a nominal value of $1m (2007:$2.5m).

6. Asset Categorisation

	Year to 31/03/2008	Year to 31/03/2007
Financial Assets:		
Loans and Receivables (including Cash and Cash Equivalents)	215,553,761	197,659,254
Assets Held to Maturity	3,535,522	4,580,592
	219,089,283	**202,239,846**
Financial Liabilities:		
Financial Liabilities Held at Amortised Cost	205,119,150	190,793,748
	205,119,150	**190,793,748**

Notes to the Financial Statements
For The Year Ended 31 March 2008

7. Provision For Credit Impairment

	Year to 31/03/2008		Year to 31/03/2007	
	Peforming Assets	Impaired (Non-Accrual)	Peforming Assets	Impaired (Non-Accrual)
Specific and General Provisions Against Loans and Receivables (All relate to Impaired Assets)				
Balance at Beginning of the Period				
Collective	73,000	-	148,000	-
Specific	75,000	-	119,090	-
	148,000	-	267,090	-
New Provisions during the Period				
Collective	87,419	-	(75,000)	-
Specific	148,000	-	219,000	-
Balances Written Off during the Period				
Collective	87,419	-		-
Specific	148,000	-	263,090	-
Recoveries	-	-	-	-
Balance at End of the Period				
Collective	73,000	-	73,000	
Specific	75,000	-	75,000	
	148,000	**-**	**148,000**	**-**

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 relate 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.

8. Asset Quality

	Year to 31/03/2008	Year to 31/03/2007
(a) Asset Quality Advances to Customers		
Past Due But Not Impaired	577,140	634,842
Neither Past Due or Impaired	193,711,509	179,707,536
Total Carrying Amount	**194,288,649**	**180,342,378**

The average Loan Value Ratio for advances when issued to customers is 60% with no advances to customers having a Loan Value Ratio in excess of 85%.

	Year to 31/03/2008		Year to 31/03/2007	
	Peforming Assets	Impaired (Non-Accrual)	Peforming Assets	Impaired (Non-Accrual)
(b) Movements in Balances of Impaired and Past Due Assets				
Opening Balance	634,842	-	788,738	-
Assets Classified as Past Due	774,388	-	535,367	-
Charges	21,108	-	16,275	-
Customer Repayments	(35,162)	-	(55,136)	-
Loan Balance Written Off	(235,419)	-	(263,000)	-
Assets no Longer Meeting Definition	(582,617)	-	(387,402)	-
Closing Balance	**577,140**	**-**	**634,842**	**-**

Notes to the Financial Statements

For The Year Ended 31 March 2008

(c) Ageing of Past Due and not Impaired Assets	Year to 31/03/2008	Year to 31/03/2007
Past due 0-29 days	313,872	186,758
Past due 30-59 days	174,574	287,956
Past due 60-89 days	40,978	53,654
Past due 90 days+	47,717	106,473
Carrying Amount	**577,140**	**634,842**

The balance is 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 necessary to determine the fair value of the collateral (which is the responsibility of the third party car dealer).The balance is reviewed regularly and the Society is satisfied that there are no impairment issues.

9. Trade Receivables

	Year to 31/03/2008	Year to 31/03/2007
Other Receivables	10,095	4,775
	10,095	**4,775**

10. Investment Property

	Year to 31/03/2008	Year to 31/03/2007
Freehold Land (at valuation)		
Balance at Beginning of the Period	980,000	956,000
Net Revaluation Increments	110,000	24,000
Balance at End of the Period	1,090,000	980,000
Buildings (at valuation)		
Balance at Beginning of the Period	960,000	744,000
Additions	-	1,005
Net Revaluation Increments	(50,000)	214,995
	910,000	960,000
Balance at End of the Period	**2,000,000**	**1,940,000**

Investment Property

The property at 231 Trafalgar Street, Nelson, is classified as an investment property. An independent valuation of the property was carried out at 31 March 2008 by Murray Lauchlan of Duke & Cooke Lid, Registered Valuers. The valuation was based on highest and best use. Such valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable, willing seller in an arm's length transaction at the valuation date. The property has been valued in accordance with NZ IAS 40 using the Income Capitalisation Approach.

The investment property has a rental income of $140,000 per annum with its next renewal date being the 20th December 2009.

11. Property, Plant & Equipment

Land and Buildings

An independent valuation of the Society's freehold land and building was carried out at 31 March 2008 by Murray Lauchlan of Duke & Cooke Ltd, Registered Valuers. The valuations were based on highest and best use. Such valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable, willing seller in an arm's length transaction at the valuation date. The property has been valued in accordance with NZ IAS 40 using the Income Capitalisation Approach.

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

	Year to 31/03/2008	Year to 31/03/2007
Freehold Land	16,550	16,550
Buildings	833,435	833,435
	849,985	**849,985**

Notes to the Financial Statements

For The Year Ended 31 March 2008

	Year to 31/03/2008	Year to 31/03/2007
Freehold Land and Buildings		
Cost		
Balance at Beginning of the Period	1,985,411	1,728,587
Additions	-	-
Net Revaluation Increments	26,824	256,824
Balance at End of the Period	**2,012,235**	**1,985,411**
Amortisation and Impairment		
Balance at Beginning of the Period	245,411	228,587
Depreciation for the Period	16,824	16,824
Impairment Losses	-	-
Balance at End of the Period	**262,235**	**245,411**
Total Freehold Land and Buildings	**1,750,000**	**1,740,000**
Computer Equipment		
Cost		
Balance at Beginning of the Period	256,616	221,385
Additions	102,449	35,231
Net Revaluation Increments	-	-
Balance at End of the Period	**359,065**	**256,616**
Amortisation and Impairment		
Balance at Beginning of the Period	183,711	164,119
Depreciation for the Period	68,001	19,592
Impairment Losses	-	-
Balance at End of the Period	**251,712**	**183,711**
Total Computer Equipment	**107,353**	**72,905**
Other		
Cost		
Balance at Beginning of the Period	1,128,976	894,145
Additions	114,314	234,831
Net Revaluation Increments	-	-
Balance at End of the Period	**1,243,290**	**1,128,976**
Amortisation and Impairment		
Balance at Beginning of the Period	474,553	381,611
Depreciation for the Period	124,680	92,942
Impairment Losses	-	-
Balance at End of the Period	**599,233**	**474,553**
Total Other Assets	**644,057**	**654,423**
Total Property, Plant and Equipment	**2,501,410**	**2,467,328**

Notes to the Financial Statements
For The Year Ended 31 March 2008

12. Intangible Assets

	Year to 31/03/2008	Year to 31/03/2007
Software		
Cost		
Balance at Beginning of the Period	1,223,484	1,206,834
Additions	47,461	16,650
Balance at End of the Period	**1,270,945**	**1,223,484**
Amortisation and Impairment		
Balance at Beginning of the Period	861,734	618,878
Amortisation for the Period	249,031	242,856
Impairment Losses	-	-
Balance at End of the Period	**1,110,765**	**861,734**
Total Software	**160,180**	**361,750**

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

No impairment losses have been recognised against the gross carrying amount of software for the year ended 31 March 2008 (March 2007 $nil).

There are no contractual commitments to purchase software at 31 March 2008 (March 2007 $nil).

13. Deferred Taxation

	Opening Balance $NZ	Charged to Income $NZ	Charged to Equity $NZ	Closing Balance $NZ
2008				
Establishment Fees in Advance	24,798	307	-	25,105
Provision for Credit Impairment	48,840	(4,440)	-	44,400
Investment Property	53,766	(168,947)	-	(115,181)
Property, Plant and Equipment	(237,079)	12,359	25,792	(198,928)
Intangible Assets - Software	(65,229)	53,995	-	(11,234)
Employee Entitlements	38,301	(690)	-	37,611
Other	(1,121)	(3,368)	-	(4,489)
	(137,724)	**(110,784)**	**25,792**	**(222,716)**
2007				
Establishment Fees in Advance	-	24,798	-	24,798
Provision for Credit Impairment	88,140	(39,300)	-	48,840
Investment Property	53,766	-	-	53,766
Property, Plant and Equipment	(323,929)	81,284	5,566	(237,079)
Intangible Assets - Software	(65,229)	-	-	(65,229)
Employee Entitlements	-	38,301	-	38,301
Other	1,639	(2,760)	-	(1,121)
	(245,613)	**102,323**	**5,566**	**(137,724)**

14. Imputation Credit Account

	Year to 31/03/2008	Year to 31/03/2007
Opening Balance	1,958,140	1,660,041
Tax Paid	376,300	324,034
Dividends Paid	(820,722)	(25,935)
Closing Balance	**1,513,718**	**1,958,140**

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Notes to the Financial Statements
For The Year Ended 31 March 2008

15. Share Capital

During the year ending 31 March 2008 an additional 2,242,000(net) preference shares were issued for $1 each, fully paid (31st March 2007 8,430,000 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 the 90 day bill rate, set at the beginning of each quarter, plus 1.5% pa. 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.

	31/03/2008		31/03/2007	
	Number of Shares	$	Number of Shares	$
Opening Balance	8,430,000	8,430,000	-	-
Shares Issued	5,892,000	5,892,000	8,430,000	8,430,000
Shares Redeemed	(3,650,000)	(3,650,000)	-	-
	2,242,000	2,242,000	8,430,000	8,430,000
Closing Balance	**10,672,000**	**10,672,000**	**8,430,000**	**8,430,000**

16. Retained Earnings

	Year to 31/03/2008	Year to 31/03/2007
Opening Balance	6,887,104	6,354,607
Net Surplus for the Period	806,904	585,152
Dividends	(779,528)	(52,655)
Closing Balance	**6,914,480**	**6,887,104**
Dividends Paid per Share	$0.068 cents per Share	$0.062 cents per Share

17. Revaluation Reserve - Property Plant & Equipment

Balance at Beginning of the Period	950,888	699,630
Surplus on Revaluation of Land and Buildings	55,274	256,824
Deferred Tax on Revaluation	(5,552)	(5,566)
Balance at End of the Period	**1,000,610**	**950,888**

18. Borrowings

	Year to 31/03/2008	Year to 31/03/2007
Borrowings		
Call Borrowings - Depositors	27,047,084	28,627,055
Term Borrowings - Depositors	177,068,914	159,534,663
ASB Funding Line	-	2,000,000
Total Borrowings	**204,115,998**	**190,161,718**

All borrowings are unsecured.

	31/03/2008	Weighted Average Interest Rate %	31/03/2007	Weighted Average Interest Rate %
Maturity Analysis Of Term And Current Borrowings				
Borrowings at Call	27,047,084	3.38	30,627,055	4.33
Between 0 and 1 year	169,923,367	8.55	149,811,890	7.49
Between 1 and 2 years	7,145,547	8.80	9,462,481	7.68
Between 2 and 5 years	-	-	260,292	6.60
Total Borrowings	**204,115,998**	**7.87**	**190,161,718**	**6.98**

Notes to the Financial Statements
For The Year Ended 31 March 2008

19. Commitments And Contingent Liabilities

The Society has a commitment for loans approved but not yet paid at 31 March 2008 of $5,286,751 (31 March 2007 for a total of $10,728,218).

The Society has entered into property leases in Richmond, Motueka, Murchison, Westport and Greymouth for 3 years commencing 1 November 2006, 1 August 2005, 1 January 2007, 15 November 2004 and 1 May 2006 respectively, with right of renewal for a further 3 years at the conclusion of the current lease periods.

The Society also entered into certain motor vehicle leases.

Lease commitments under non-cancellable operating leases:

	Year to 31/03/2008	Year to 31/03/2007
Less than 1 year	157,515	206,277
Between 1 and 2 years	60,309	154,972
Between 2 and 5 years	24,151	68,417
	241,975	**429,666**

Sponsorship commitments beyond 31 March 2008 total $7,500. (March 2007: $27,000).

The Society had no contingent liabilities as at 31 March 2008. (2007: $Nil).

The Society has no contractual capital commitments at 31 March 2008 (2007:nil).

20. Segmental Analysis

The Society operates in one industry and one geographical location: a building society within the Nelson and West Coast Region.

21. Fair Value

Disclosed below is the estimated fair value of the Society's financial instruments disclosed in terms of NZ IFRS 7(Financial Instruments). For variable interest rate advances, the carrying amount is a reasonable estimate of fair value.

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
Investments are held to maturity and are valued at amortised cost. Fair value is determined in accordance with current market values.

Loans and Receivables
Carrying amounts are calculated using discounted cash flow methodology and available market interest rates.

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.

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For The Year Ended 31 March 2008

Trade Payables
Carrying amount is equivalent to fair value.

	31/03/2008		31/03/2007	
Financial Assets	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Cash Equivalents	21,255,017	21,255,017	17,312,101	17,312,101
Investments	3,535,522	3,460,355	4,580,592	4,538,669
Loans and Receivables	194,288,649	189,774,191	180,342,379	187,861,788
Trade Receivables	10,095	10,095	4,775	4,775
Total Financial Assets	**219,089,283**	**214,499,658**	**202,239,847**	**209,717,333**
Financial Liabilities				
Borrowings	204,115,998	193,548,844	190,161,718	190,403,772
Trade and Other Payables	810,600	810,600	578,160	578,160
Total Financial Liabilities	**204,926,599**	**194,359,444**	**190,739,878**	**190,981,932**

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 and guarantees. 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 daily basis.

The maturity profile of monetary assets and liabilities and loan commitments shows the undiscounted cash flows and has been prepared on the basis of the remaining period to contractual maturity as at balance date. The maturity profile of assets and liabilities presented below is not considered by the Society to be in any way indicative of future cash flows as a significant proportion of the Society's borrowings are renewed at maturity and therefore do not have a cash flow impact. In addition, all mortgage advances are repayable on demand, or repayable on 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 cash flows due to early repayments, further drawdowns and principal reductions.

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 Balance Sheet to be adequate.

Cash demands are usually met by realising liquid investments, 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. The Society gained approval from the trustee to operate outside this limit for a short period during the September quarter while a new funding line was finalised.

Asset liquidity includes Cash and Cash Equivalents, 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.

Monetary Assets Receivable Matched Against Liabilities Payable as at 31 March 2008.
(The interest rate risk profile matches the liquity risk profile)

	Effective Interest	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	8.71%	732,082	20,522,935	-	-	-	21,255,017
Investments	7.08%	-	545,430	499,503	2,490,589	-	3,535,522
Trade Receivables		10,095	-	-	-	-	10,095
Personal Loans	14.11%	593,842	-	-	-	-	593,842
Consumer Lending	14.01%	-	1,443,691	1,414,417	2,637,916	2,654,568	8,150,592
Mortgage Advances	9.83%	21,053,396	10,247,933	6,333,360	148,057,527	-	185,692,216
Provision for Credit Impairment		(148,000)	-	-	-	-	(148,000)
		22,241,415	**32,759,989**	**8,247,280**	**153,186,032**	**2,654,568**	**219,089,284**
Interest		-	6,183,158	4,554,564	3,710,476	270,400	14,718,598
Total Monetary Assets		**22,241,415**	**38,943,147**	**12,801,844**	**156,896,508**	**2,924,968**	**233,807,882**

Notes to the Financial Statements
For The Year Ended 31 March 2008

	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 Liabilities							
Borrowings	7.87%	27,047,084	42,291,654	127,631,713	7,145,547	-	204,115,998
Trade and Other Payables		810,600	-	-	-	-	810,600
Employee Entitlements		125,371	-	-	-	-	125,371
Current Tax Liabilities		-	192,553	-	-	-	192,553
		27,983,055	42,484,207	127,631,713	7,145,547	-	205,244,522
Interest		-	5,570,612	4,299,105	778,241	-	10,647,958
Total Monetary Liabilities		**27,983,055**	**48,054,819**	**131,930,818**	**7,923,788**	**-**	**215,892,480**
Net Monetary Assets/ (Liabilities)		**(5,741,640)**	**(9,111,672)**	**(119,128,974)**	**148,972,720**	**2,924,968**	**17,915,402**
Unrecognised Loan Commitments		**5,286,751**	**-**	**-**	**-**	**-**	**5,286,751**
Net Liquidity Gap		**(11,028,391)**	**(9,111,672)**	**(119,128,974)**	**148,972,720**	**2,924,968**	**12,628,651**

Monetary Assets Receivable Matched Against Liabilities Payable as at 31 March 2007

	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	7.65%	2,225,493	15,086,608	-	-	-	17,312,101
Investments	6.64%	-	2,574,492	-	999,053	1,007,047	4,580,592
Trade Receivables		4,775	-	-	-	-	4,775
Personal Loans	13.93%	461,669	-	-	-	-	461,669
Consumer Lending	13.47%	-	1,410,949	1,318,887	2,072,220	1,894,830	6,696,886
Mortgage Advances	9.32%	9,667,426	8,487,068	10,634,778	144,542,551	-	173,331,823
Provision for Credit Impairment		(148,000)	-	-	-	-	(148,000)
		12,211,363	**27,559,117**	**11,953,665**	**147,613,824**	**2,901,877**	**202,239,846**
Interest		-	5,539,018	4,274,442	36,935,455	35,700	46,784,615
Total Monetary Assets		**12,211,363**	**33,098,135**	**16,228,107**	**184,549,279**	**2,937,577**	**249,024,461**
Monetary Liabilities							
Borrowings	6.98%	28,627,055	25,474,587	124,337,303	9,462,481	260,292	188,161,718
ASB Bank Funding Line	9.56%	2,000,000	-	-	-	-	2,000,000
Trade and Other Payables		578,160	-	-	-	-	578,160
Employee Entitlements		116,065	-	-	-	-	116,065
Current Tax Liabilities		-	53,870	-	-	-	53,870
		31,321,280	25,528,457	124,337,303	9,462,481	260,292	190,909,813
Interest			458,835	3,580,186	988,340	-	5,027,361
Total Monetary Liabilities		**31,321,280**	**25,987,292**	**127,917,489**	**10,450,821**	**260,292**	**195,937,174**
Net Monetary Assets/ (Liabilities)		**(19,109,917)**	**7,110,843**	**(111,689,382)**	**174,098,458**	**2,677,285**	**53,087,287**
Unrecognised Loan Commitments		**10,728,218**	**-**	**-**	**-**	**-**	**10,728,218**
Net Liquidity Gap		**(29,838,135)**	**7,110,843**	**(111,689,382)**	**174,098,458**	**2,677,285**	**42,359,069**

Although the Society has the right to call up mortgage advances 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.

Notes to the Financial Statements
For The Year Ended 31 March 2008

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 are committed but undrawn funding lines. As at 31 March 2008, the Society had total committed funding lines with Registered Banks of $10,000,000 (March 2007 $10,000,000). $4,000,000 is with ASB and $6,000,000 with Westpac. Of these facilities $nil (March 2007 $2,000,000) were drawn down at 31 March 2008.

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 balance sheet plus loans approved but undrawn. 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 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 Stock, deposits and bonds with New Zealand registered banks and listed companies. The Society has appointed Bancorp Treasury Services Ltd to manage its investments. The credit risk on loans and receivables are limited because most counter parties are banks and companies with high credit ratings assigned by international credit- rating agencies. Personal advances are generally secured by way of guarantee. Consumer lending advances are all secured by 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 funds are invested in residential mortgages. Over 90% of all Loans and Receivables are in the Nelson region. This concentration does not significantly increase the Society's credit exposure.

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 %	31/03/2008 Bank	31/03/2008 Other	31/03/2007 Bank	31/03/2007 Other
10-19	-	4	-	6
20-29	-	3	-	-
30-39	-	-	-	-
40-49	2	-	1	-
50-59	-	-	-	-
60-69	-	-	1	-

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.

	Year to 31/03/2008	Year to 31/03/2007
Residential	130,839,993	127,261,255
Commercial	54,777,221	45,995,569
Personal Lending	593,842	461,669
Consumer Finance	8,077,593	6,623,885
	194,288,649	180,342,378

The table below shows the level of lending by region.

	Year to 31/03/2008	Year to 31/03/2007
Nelson	167,711,905	157,636,758
West Coast	26,428,744	22,705,620
	194,288,649	180,342,378

Notes to the Financial Statements
For The Year Ended 31 March 2008

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 99% of the borrowings can be repriced within twelve months.

At 31 March 2008 there were 484 fixed rate borrowings totalling $55,075,457 not reviewable within one year. (31 March 2007: 578 fixed rate borrowings totalling $73,804,340).

25. Currency Risk

The Society is not exposed to currency risk.

26. Capital Adequacy

The Society is subject to minimum capital requirements of 5% as specified in its Trust Deed dated 20 December 1990. As at 31 March 2008 the capital ratio was 8.30% (31 March 2007:7.85%) This is calculated as Total Equity as a percentage of Total Assets.

Set out below are the Capital Ratios in relation to the above specified benchmarks.

Capital Adequacy Ratio Calculation

Measurement of Equity	**31/03/2008**	**31/03/2007**
Share Capital	10,672,000	8,430,000
Retained Earnings	6,914,480	6,887,104
Revaluation Reserve	1,000,610	950,888
Total Equity	**18,587,090**	**16,267,992**
Total Assets	**224,054,328**	**207,315,529**
Capital Adequacy Ratio (Trust Deed Minimum 5%)	**8.30%**	**7.85%**

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 retum 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.

27. Related Parties

A number of transactions are entered into with related parties (including key management personnel[1]) in the normal course of business. Details of these transactions are outlined below.

[1]Key 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**	
	Year to 31/03/2008	**Year to 31/03/2007**
Loans and advances outstanding at beginning of period	1,287,841	722,159
Net loans issued/(repaid) during the period	(182,411)	565,682
Loans and advances outstanding at end of period	**1,105,430**	**1,287,841**

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 2008 (March 2007 $nil).

(b) Deposits from Related Parties	**Directors and Other Key Management Personnel**	
	Year to 31/03/2008	**Year to 31/03/2007**
Deposits at beginning of period	453,152	302,468
Net deposits received/(repaid) during the period	30,055	150,684
Deposits at end of period	**483,207**	**453,152**

The above deposits are unsecured and are repayable on demand.

(c) Key management compensation

Details of remuneration paid or payable to the Directors and other key management personnel are outlined in Note 1.

Loans and advances with non-executive key management personnel of the Society are made in the ordinary course of business on commercial terms and conditions. Loans and advances with executive key management personnel of the Society are made either:

- on normal terms and conditions; or
- on terms and conditions which apply to other employees in the Society

All loans made to key management personnel have been made in accordance with the Society's lending policies.

Notes to the Financial Statements
For The Year Ended 31 March 2008

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 31st March 2008 it is estimated that a general increase of one percentage point in interest rates would increase the Society's profit before income tax by $193,736 (2007:$71,630).

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

29. Explanation of Transition to NZ IFRS

The Society has prepared these financial statements using the New Zealand Standards that are equivalent to International Financial Reporting Standards ('NZ IFRS'). As these financial statements are for the first year reported in accordance with IFRS pages 32 and 36 provide explanations of how transition from previous New Zealand generally accepted accounting principles ('previous GAAP') to NZ IFRS has affected previously reported financial position, financial performance and cash flows.

The Society changed its accounting policies on 1 April 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards', with 1 April 2006 as the transition date.

NZ IFRS adjustments with effect from 1 April 2006

(a) Fee Revenue

Initial reduction in retained earnings; Some impact on future earnings

Under NZ IAS-18: 'Revenue', certain service type fees (such as administration fees) which had been recognised when billed, have been deferred and amortised over the period of service. Further, under NZ IAS-39: 'Financial Instruments: Recognition and Measurement', certain fee income (such as loan approval fees) integral to the yield of an originated financial instrument (such as loans and receivables measured at amortised cost), net of any direct incremental costs, will be capitalised as part of the amortised cost of the item and deferred over the expected life of the financial instrument using the effective interest method.

On 1 April 2006, certain fees that had previously been recognised in the Income Statement, are deferred and recognised against net loans and receivables in the Balance Sheet with a corresponding reduction to retained earnings. The impact was a reduction to opening retained earnings at 1 April 2006 of $23,505 (post tax) with a corresponding decrease to Loans and Receivables of $35,082 and an increase to deferred tax assets of $11,577. The impact of this change on the Income Statement for the period ended 31 March 2007 is a decrease to net surplus of $40,065 post tax with a corresponding decrease in Loans and Receivables at 31 March 2007 of $40,065 and a decrease in deferred tax liability at 31 March 2007 of $24,798. The ongoing impact of this change on the Income Statement for the Society is not expected to be material. However, there will be an increase in interest income offset by a reduction in fee income and a reclassification of certain assets and liabilities.

(b) Employee Benefits

Impact on retained earnings; immaterial impact on future earnings

Under previous GAAP employee entitlements to salaries and wages, annual leave, long service leave, and other benefits are recognised when they accrue to employees and are fully vested. Under NZ IFRS accrued leave is recognised on an actuarial basis over the period of service.

For the Society this resulted in an increase to Holiday Pay and Sick Leave liabilities at 1 April 2006 of $55,037 to $101,080 together with a corresponding decrease to retained earnings. As at 31 March 2007 the Holiday Pay and Sick Leave liability was adjusted upwards to $116,065 resulting in a decrease to retained earnings of $28,184 with a corresponding decrease to operating expenses.

(c) Property, Plant and Equipment and Intangible Assets

No impact on earnings; Reclassification only

On transition to NZ IFRS capitalised software assets have been reclassified from Property, Plant and Equipment to a separately identifiable intangible asset. For the Society this resulted in a reclassification of $587,956 at 1 April 2006 and a further $(226,206) as at 31 March 2007. On transition to NZ IFRS all temporary tax differences on building revaluation are now recognised. For the Society this resulted in a temporary difference of $103,534. There is no impact on the Income Statement.

(d) Investments - Cash & Bank

No impact on earnings; Reclassification only

On transition to NZ IFRS term bank deposits have been reclassified from Investments to bank & cash on hand. For the Society this resulted in a reclassification of $4,530,549 at 1 April 2006 and a further $10,556,059 as at 31 March 2007. There is no impact on the Income Statement.

Reconciliations from previous GAAP to NZ IFRS

The tables that follow contain reconciliations from previous GAAP to NZ IFRS in accordance with NZ IFRS 1. The NZ IFRS adjustment column is referenced to detailed discussion of the changes under NZ IFRS.

		Page
Income Statement	Year ended 31 March 2007	32
Balance Sheet	As at 1 April 2006	33
	As at 31 March 2007	34
Cashflow Statement	Year ended 31 March 2007	35

Notes to the Financial Statements

For The Year Ended 31 March 2008

29. Explanation of Transition to NZ IFRS (continued)

Reconciliation of Income Statement for the year ended 31 March 2007

	Previous GAAP	Deferred Fee Revenue (note a)	Employee Benefits (note b)	Reclassification of Assets (note c & d)	Total IFRS Adjustemnts	NZ IFRS
Income						
Income Received From:						
Mortgages & Personal Loans	14,504,083	-	-	-	-	14,504,083
Consumer Lending	936,733	-	-	-	-	936,733
Bank Deposits , Investments & Debentures	1,790,914	-	-	-	-	1,790,914
Other Interest	4,970	-	-	-	-	4,970
Interest Income	**17,236,700**	**-**	**-**	**-**	**-**	**17,236,700**
Deduct Finance Costs						
Interest incurred on:						
Term and Call Deposits	13,012,481	-	-	-	-	13,012,481
Other Borrowings	241,208	-	-	-	-	241,208
Commission on:						
Consumer Lending	266,783	-	-	-	-	266,783
	13,520,472	**-**	**-**	**-**	**-**	**13,520,472**
Net Interest Income	**3,716,228**	**-**	**-**	**-**	**-**	**3,716,228**
Add - Other Income						
Bad Debts Recovered	9,602	-	-	-	-	9,602
Commission	48,235	-	-	-	-	48,235
Establishment Fees	294,474	(40,065)	-	-	(40,065)	254,409
Consumer Lending Fees	84,445	-	-	-	-	84,445
Other Income	462,116	-	-	-	-	462,116
Rental Income on Investment Property	202,089	-	-	-	-	202,089
Rental Expense on Investment Property	(868)	-	-	-	-	(868)
	1,100,093	**(40,065)**	**-**	**-**	**(40,065)**	**1,060,028**
Operating Income	**4,816,321**	**(40,065)**	**-**	**-**	**(40,065)**	**4,776,256**
Deduct Overhead expenses						
Auditors - Audit Fees	43,875	-	-	-	-	43,875
- Other Services	44,942	-	-	-	-	44,942
- Prospectus Review	8,200	-	-	-	-	8,200
Administration Expenses	3,041,983	-	(12,972)	-	(12,972)	3,029,011
Amortisation & Depreciation	402,256	-	-	-	-	402,256
Bad Debts	13,110	-	-	-	-	13,110
Directors Fees	74,026	-	-	-	-	74,026
Operating Lease Costs	221,420	-	-	-	-	221,420
Provision for Credit Impairment	144,000	-	-	-	-	144,000
Sponsorship	129,224	-	-	-	-	129,224
Total Expenses	**4,123,036**	**-**	**(12,972)**	**-**	**(12,972)**	**4,110,064**
Operating Surplus	**693,285**	**(40,065)**	**12,972**	**-**	**(27,093)**	**666,192**
Add Revaluation of Investment Property	238,995	-	-	-	-	238,995
Deduct Loss on Sale of Investment Property	96,676	-	-	-	-	96,676
Surplus Before Taxation	**835,604**	**(40,065)**	**12,972**	**-**	**(27,093)**	**808,511**
Taxation	232,299	(13,221)	4,281	-	(8,941)	223,359
Net Surplus For The Year	**603,305**	**(26,844)**	**8,691**	**-**	**(18,152)**	**585,152**

Notes to the Financial Statements

For The Year Ended 31 March 2008

29. Explanation of Transition to NZ IFRS (continued)

Reconciliation of Balance Sheet as at 1 April 2006

	Previous GAAP	Deferred Fee Revenue (note a)	Employee Benefits (note b)	Reclassification of Assets (note c & d)	Total IFRS Adjustemnts	NZ IFRS
Assets						
Cash and Cash Equivalents	13,186,469	-	-	4,530,549	4,530,549	17,717,018
Debtors	4,360	-	-	-	-	4,360
Prepayments	389,659	-	-	-	-	389,659
Investments	9,182,882	-	-	(4,530,549)	(4,530,549)	4,652,333
Loans and Receivables						
Mortgages	155,421,771	(35,082)	-	-	(35,082)	155,386,689
Personal Loans	259,865	-	-	-	-	259,865
Consumer Lending	6,203,235	-	-	-	-	6,203,235
Less Provision for Credit Impairment	(267,090)	-	-	-	-	(267,090)
Property						
Investment Properties	1,700,000	-	-	-	-	1,700,000
Property Plant & Equipment	2,687,756	-	-	(587,956)	(587,956)	2,099,800
Property Intended for Sale	2,530,000	-	-	-	-	2,530,000
Intangible Assets						
Software	-	-	-	587,956	587,956	587,956
	191,298,907	**(35,082)**	**-**	**-**	**(35,082)**	**191,263,825**
Liabilities						
Borrowings	183,504,024	-	-	-	-	183,504,024
Employee Entitlements	46,043	-	55,037	-	55,037	101,080
Trade and Other Payables	317,781	-	-	-	-	317,781
Current Tax Liabilities	70,829	(11,577)	(18,162)	-	(29,739)	41,090
Deferred Taxation	245,613	-	-	-	-	245,613
	184,184,290	**(11,577)**	**36,875**	**-**	**25,298**	**184,209,588**
Net Assets	**7,114,617**	**(23,505)**	**(36,875)**	**-**	**(60,380)**	**7,054,237**
Equity						
Share Capital						
Reserve Fund	6,311,453	(23,505)	(36,875)	103,534	43,154	6,354,607
Revaluation Reserve	803,164	-	-	(103,534)	(103,534)	699,630
Attributable to Members of the Society	**7,114,617**	**(23,505)**	**(36,875)**	**-**	**(60,380)**	**7,054,237**

Notes to the Financial Statements

For The Year Ended 31 March 2008

29. Explanation of Transition to NZ IFRS continued)

Reconciliation of Balance Sheet as at 31 March 2007

	Previous GAAP	Deferred Fee Revenue (note a)	Employee Benefits (note b)	Reclassification of Assets (note c & d)	Total IFRS Adjustemnts	NZ IFRS
Assets						
Cash and Cash Equivalents	2,225,493	-	-	15,086,608	15,086,608	17,312,101
Debtors	4,775	-	-	-	-	4,775
Prepayments	306,605	-	-	-	-	306,605
Investments	19,667,200	-	-	(15,086,608)	(15,086,608)	4,580,592
Loans and Receivables						
Mortgages	173,406,970	(75,147)	-	-	(75,147)	173,331,823
Personal Loans	461,669	-	-	-	-	461,669
Consumer Lending	6,696,886	-	-	-	-	6,696,886
Less Provision for Doubtful Debts	(148,000)	-	-	-	-	(148,000)
Property						
Investment Properties	1,940,000	-	-	-	-	1,940,000
Property Plant & Equipment	2,829,078	-	-	(361,750)	(361,750)	2,467,328
Intangible Assets						
Software	-	-	-	361,750	361,750	361,750
	207,390,676	**(75,147)**	**-**	**-**	**(75,147)**	**207,315,529**
-	-	-	-	-	-	
Liabilities						
Borrowings	190,161,718	-		-	-	190,161,718
Employee Entitlements	74,000		42,064	-	42,064	116,064
Trade and Other Payables	578,160	-	-	-	-	578,160
Current Tax Liabilities	53,870	-	-	-	-	53,870
Deferred Taxation	176,404	(24,798)	(13,881)	-	(38,679)	137,725
	191,044,152	**(24,798)**	**28,183**	**-**	**3,385**	**191,047,537**
Net Assets	**16,346,524**	**(50,349)**	**(28,183)**	**-**	**(78,532)**	**16,267,992**
Equity						
Share Capital	8,430,000	-	-	-	-	8,430,000
Reserve Fund	6,862,102	(50,349)	(28,183)	103,534	25,002	6,887,104
Revaluation Reserve	1,054,422	-	-	(103,534)	(103,534)	950,888
Attributable to Members of the Society	**16,346,524**	**(50,349)**	**(28,183)**	**-**	**(78,532)**	**16,267,992**

Notes to the Financial Statements

For The Year Ended 31 March 2008

29. Explanation of Transition to NZ IFRS (continued)

Reconciliation of Cash Flows for the year ended 31 March 2007

	Previous GAAP	Effect of Transition to NZI FRS	NZ IFRS
Cash Flows From Operating Activities			
Cash was provided from:			
Interest Received	17,036,851	32,382	17,069,233
Fees, Rents and Commissions	1,100,960	-	1,100,960
	18,137,811	32,382	18,170,193
Cash was disbursed to:			
Interest paid	(13,202,383)	-	(13,202,383)
Operating Expenses	(3,668,569)	-	(3,668,569)
Taxation Paid	(324,032)	-	(324,032)
	(17,194,984)	-	(17,194,984)
Net Cash Flows From Operating Activities before changes in Operating Assets	942,827	32,382	975,209
Increase in Loans and Receivables: Advances	-	74,582,625	74,582,625
Decrease in Loans and Receivables: Repayments	-	(93,263,279)	(93,263,279)
Net Cash Flows From Operating Activities	**942,827**	**(18,648,272)**	**(17,705,445)**
Cash Flows From Investing Activities			
Cash was provided from:			
Net (Increase)/Decrease in Investments	297,329	-	297,329
Sale of Property held for Resale	2,433,324	-	2,433,324
	2,730,653	-	2,730,653
Cash was Disbursed to:			
Net increases in Advances	(18,680,654)	18,680,654	-
Net Increase in investments	(10,481,752)	10,483,036	1,284
Purchase of Property, Plant & Equipment	(271,109)	-	(271,109)
Purchase of Intangibles	(16,650)	-	(16,650)
	(29,450,165)	29,163,690	(286,475)
Net Cash Flows used in Investing Activities	**(26,719,512)**	**29,163,690**	**2,444,178**
Cash Flows From Financing Activities			
Cash was provided from:			
Net Increase in Borrowings	6,390,181	-	6,390,181
Issue of Shares	8,430,000	-	8,430,000
	14,820,181	**-**	**14,820,181**
Cash was disbursed to:			
Dividends Paid	(4,472)	-	(4,472)
Net Cash Flows From Financing Activities	**14,815,709**	**-**	**14,815,709**
Net Increase/(Decrease) in Cash Held	(10,960,976)	29,196,072	(445,558)
Add Opening Cash and Cash Equivalents	13,186,469	4,571,191	17,757,659
Closing Cash and Cash Equivalents	**2,225,493**	**33,767,263**	**17,312,101**

Notes to the Financial Statements
For The Year Ended 31 March 2008

29. Explanation of Transition to NZ IFRS (continued)

The main NZ IFRS transition effects presented by the Society in its statement of cashflows for the year ended 31 March 2007, were:

(1) Under NZ IFRS, the definition of cash and cash equivalents has been widened to include short-term, highly liquid investments that are readily convertible to cash. This includes short-term bank deposits with an original maturity of less than 90 days. Previously, bank deposits were classified as investments.

(2) Advances made and repayments received on Loans and Advances are reclassified from Investing Activities to Operating Activities.

NBS
NELSON BUILDING SOCIETY

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 well over a hundred 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.

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