

## Wairarapa Building Society

# PROSPECTUS NUMBER 46

dated 25 June 2010

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#### Second Schedule Requirements -

#### Second Schedule Clauses – relating to Deposits, Saver Shares and Senior Shares

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In accordance with Clause 52 of the Securities Regulations 2009 which came into force on 1 October 2009, the Directors have elected for the Securities Regulations 1983 to apply to the offer of securities contained in this prospectus.

## **Wairarapa Building Society PROSPECTUS NUMBER 46**

**For the issue of unsecured debt securities (Deposits), both Crown Guaranteed and Excluded, and unsecured specified participatory securities (Saver Shares and Senior Shares) as defined in the Securities Act 1978 and Securities Act (Building Societies) Exemption Notice 2002, both Crown Guaranteed and Excluded, up to a maximum of \$100,000,000**

### **The issuer**

Wairarapa Building Society (referred to in this Prospectus as 'WBS'), a Building Society incorporated under the Building Societies Act 1965 (formerly 1908) on 22 April 1932.

The Registered Office of WBS and its subsidiaries is located at 75 Queen Street, Masterton; the postal address is Post Office Box 441, Masterton, and the telephone number is 06 370 0070.

A branch office of WBS is located at 124 Main Street, Greytown.

Wairarapa Property Investments Limited and Manawatu Permanent Building Society are wholly owned subsidiaries of the issuer and are both guaranteeing subsidiaries ("the Guaranteeing Subsidiaries"). The guarantees given by the subsidiaries are unlimited and unconditional.

The Guaranteeing Subsidiaries and WBS form "The Borrowing Group" and "The Guaranteeing Group". References to WBS include them all as the context reasonably permits, and references to Borrowing Group and Guaranteeing Group are interchangeable.

### **Issue date – 25 June 2010**

A copy of this Prospectus, duly signed with copies attached of the documents required by Section 41 of the Securities Act 1978 and Regulation 7 of the Securities Regulations 1983, has been delivered to the Ministry of Economic Development (MED) at Wellington for registration in terms of Section 42 on 25 June 2010.

The documents required to be attached in terms of Section 41 are the Auditor's Report and the Auditor's Statement consenting to that Report appearing in this Prospectus in the form in which it appears.

### **Expiry date – 31 December 2010**

Although due to expire on 31 December 2010 WBS reserves the right to issue a new Prospectus at any time in substitution for, or amendment of, this Prospectus.

### **Other General Information**

The public file relating to WBS (File 1781003) can be accessed on the Companies Office website [www.companies.govt.nz](http://www.companies.govt.nz) under "Search Other Registers". Copies of the documents may also be obtained (on payment of a search fee) by telephoning the MED Business Service Centre on 0508 266 726. All legislation referred to in this Prospectus can be viewed on line at [www.legislation.govt.nz](http://www.legislation.govt.nz).

The Rules of WBS may be inspected at any office of WBS.

The Securities Act (Building Societies) Exemption Notice 2002 exempts WBS from certain provisions of the Securities Act 1978 and Securities Regulations 1983.

The exemption notice has the effect of allowing WBS to issue Specified Participatory Securities as though they were Debt Securities.

Stock Exchange listing has not been sought for any of the Securities offered in this Prospectus.

## **Crown Guarantee**

On 12 October 2008, the Crown announced the introduction of an opt-in retail deposit guarantee scheme that would cover all retail deposits of participating New Zealand registered banks and retail deposits by locals in non-bank deposit taking entities.

WBS has a guarantee under the Crown Retail Deposit Guarantee Scheme. With the exception of the guarantee, the material obligations of the Society are not guaranteed.

The guarantee is provided by the Crown under a Crown Deed of Guarantee entered into by WBS and the Crown on 20 November 2008. Subject to the terms of the deed, the guarantee came into force on 12 October 2008 and shall remain in force until 12 October 2010. A copy of the deed, further information about the Crown Retail Deposit Guarantee Scheme, and the most recent audited statement of financial position of the Crown, is available on The Treasury website at [www.treasury.govt.nz](http://www.treasury.govt.nz) free of charge. A copy of the deed is also available on the WBS website at [www.wbs.net.nz](http://www.wbs.net.nz).

WBS has applied for the Crown Retail Deposit Guarantee extension which runs from 12 October 2010 until 31 December 2011.

## **Material Contracts**

The Crown Guarantee referred to above is the only material contract entered into by WBS in the two years preceding issue of this Prospectus (not being contracts entered into in the ordinary course of business).

## **Pending Proceedings**

There are no legal proceedings or arbitrations pending at the date of the Prospectus that may have a material adverse effect on WBS or its guaranteeing subsidiaries.

## **Issue Expenses**

This issue is not being made through a promoter or through any organising brokers and the total issue expenses are estimated to be \$60,000.

Brokerage has been paid in the past and will continue to be paid during the term of this Prospectus for some funds received at the rate of 0.25% to 0.50% per annum.

Brokerage is paid to persons authorised to receive brokerage by WBS.

## **Ranking of Securities**

All securities issued under this Prospectus are unsecured.

Total Debt Securities rank equally with all unsecured creditors and ahead of total Specified Participatory Securities and equity securities.

By special resolution on 13 March 2008 the Rules of WBS were changed so that Specified Participatory Securities outstanding as at that date became "Senior Shares" with their rights and privileges unchanged. Specified Participatory Securities issued after that date are either Senior Shares or "Saver Shares", with the rights and privileges set out in this Prospectus.

Both of those classes rank ahead of the equity securities ("Capital Shares") already issued to the WBS Charitable Trust.

As at 31 March 2010 the amount of Debt Securities on issue was \$14,927,000 (30/9/09: \$15,689,000), and the amount of Specified Participatory Securities on issue was \$82,004,000 (30/9/08 \$80,523,000).

As at the date of this Prospectus the only Capital Shares issued are those referred to below.

On 10 March 2008, 30 million Capital Shares were issued to WBS Charitable Trust which results in that Trust becoming a substantial equity securityholder of WBS.

As at the date of this Prospectus there are no securities secured by mortgage or charge that rank in point of security ahead of the securities being offered in this Prospectus.

## **Directorate, Managers and Advisors**

### **Directors**

DOBSON Donald Graham, LLB, (Chairman); Solicitor, 25 Second Street, Masterton.  
ALLEN Michael George; CA; Accountant, 'Waingongoro', R D 4, Masterton.  
BOSCH Florus; Farmer/Property Investor, Kahutara Road, R D 2, Featherston.  
BROWN Stephen Wallace; Managing Director/Builder, 28 William Donald Drive, Masterton.  
GOLD Robyn Molly; Retired, 1B Miller Place, Masterton.  
HAYES Graham Dean; Retired, 40 Cody Crescent, Masterton.  
McLEOD Alexander Gregory; Company Director, 110 West Street, Greytown.

### **General Manager**

TULLOCH Alexander; BCA, 'Hollycombe', R D 5, Masterton.

### **Secretary**

McCABE Kimberley Paul; BCA; 'Trenair' R D 7, Masterton.

### **Auditors**

KPMG, 10 Customhouse Quay, Wellington.

### **Solicitors**

Gawith Burridge, Corner Lincoln Road and Queen Street, Masterton.  
Chapman Tripp, 10 Customhouse Quay, Wellington.

### **Bankers**

Bank of New Zealand, 193-197 Queen Street, Masterton.  
Westpac Institutional Bank, 157 Lambton Quay, Wellington.

### **Securities Registrar**

McCABE Kimberley Paul; BCA; 75 Queen Street, Masterton.

### **Trustee**

Trustees Executors Limited, 10 Customhouse Quay, Wellington.

### **Directors and Officers**

The Directors, Officers, or persons named in this prospectus do not guarantee the repayment of the securities issued under this Prospectus or the payment of interest or dividends thereon. There are no 'promoters' of this offer as defined in the Securities Act.

## Directors' Statement

In our opinion, after due enquiry by us in relation to the period between the date of the latest Balance Sheet contained in this Prospectus and the date that this Prospectus was registered, no circumstances have arisen which materially adversely affect the trading or profitability of the Borrowing Group, the value of its assets or the ability of the Borrowing Group to pay its liabilities due within the next twelve months.

This prospectus has been duly signed by all the Directors or their authorised Agents.

Dobson D G  
Bosch F  
Gold R M  
McLeod A G

Allen M G  
Brown S W  
Hayes G D

## Description of Activities

Wairarapa Building Society (WBS) resulted from the renaming of the former North Wairarapa Permanent Building and Investment Society, following the transfer of engagements to that Society of the Permanent Investment and Loan Association of Wairarapa and the Tararua Permanent Building and Investment Society, on 1 April 1980.

The underlying purpose of the 1 April 1980 amalgamation was to establish a strong united Wairarapa based regional Building Society of a size able to compete in the Wairarapa financial market place.

In December of 1987 WBS purchased at par the total shareholding of the Manawatu Permanent Building Society and this Society remains a wholly owned subsidiary of WBS. In September of 1988 WBS incorporated a wholly owned subsidiary company called Wairarapa Property Investments Limited to act as the vehicle for WBS's property investment activities.

The purpose of WBS is to promote a range of competitive investment options for the residents of the Wairarapa, and from the funds attracted, finance the secured home and commercial loan needs of the residents and businesses of the Wairarapa with special emphasis on the provision of long term mortgage finance and commercial properties for lease.

The activities of the Borrowing Group during the 5 years preceding the issue of this Prospectus have been consistent with this purpose.

## Your Risks

Like any other financial institution, WBS is exposed to a range of risks that arise from operating in the financial markets. The maximum loss to which any investor can be exposed is the loss of the funds invested together with any interest owing on those funds. This situation would only eventuate if WBS became insolvent.

Any financial institution needs to be sufficiently capitalised to provide a buffer for investors against the various risks inherent in operating in the financial markets. In the case of WBS, this buffer is provided by its Reserves, Retained Earnings and Capital Shares. As at 31 March 2010, WBS had Reserves, Retained Earnings and Capital Shares of \$16,152,000 (14.0% as a percentage of Total Tangible Assets).

Although exposed to a variety of risks, those that have the potential to impact significantly on the viability of WBS are discussed in greater detail below:

### Credit Risk

WBS's exposure to credit risk arises from its activity of lending money. Mitigating this risk is the fact that virtually all of WBS's loans are secured by registered mortgage over land and buildings. Of its total loans, some 60% are secured by mortgage over residential property. On international standards (Bank of International Settlements Basel, Capital Adequacy Requirements) this is one of the safest forms of lending which can be undertaken.

In addition, WBS operates within the terms of a Trust Deed that sets prudent lending limitations against any particular type of security, i.e. residential or commercial. There are further limitations on the exposure to any one person or entity and to the top ten borrowers in total. These are highlighted on page 7 under the heading Main Terms of Trust Deed. The combination of these various limitations reduces the risk of WBS suffering any significant or material loss from its lending activities.

### Solvency

In terms of its Trust Deed, WBS is required to maintain a minimum level of both liquidity and reserves. Liquidity is monitored on a daily basis and WBS has credit line facilities totalling \$24,000,000 from two major registered banks.

### Interest Rate Risk

Interest rate risk arises from the timing differential in WBS's borrowing and lending activities. Most borrowing is undertaken for relatively short periods, i.e. less than one year, which is characteristic of financial institutions in the New Zealand market. On the other hand, lending can be at a fixed interest rate for terms ranging for up to five years. The interest rate risk arises from the mis-match of these two activities. This risk is managed by WBS hedging much of the exposure by the use of interest rate swaps. The effectiveness of this hedging policy is evidenced by the Interest Rate Repricing Schedule on page 42.

## Competitive Risk

Competition amongst the various financial institutions is an area of risk faced on a daily basis. The market is highly competitive and margins are narrow. WBS, in light of its strong Reserves position and market share in the Wairarapa, is well placed to meet this competition.

## Operational Risk

The largest component of operational risk to WBS is its IT and other related systems. The IT system used by WBS is provided by an Australian group that provides the same software to a significant number of buildings societies and credit unions in Australia. In addition to WBS, the software is also used in New Zealand by a registered bank. In short, WBS is part of a group who all have a common interest in the maintenance and enhancement of commonly used software. Hardware vulnerability is covered by WBS maintaining a disaster recovery system in Wellington.

## Credit Rating

WBS holds a BB+ (Stable) credit rating from Fitch Ratings, an international credit rating agency. This rating is above the minimum required for a non-bank deposit taker to qualify to apply for coverage under the Crown Retail Deposit Guarantee. A fact sheet explaining credit ratings may be found on the Reserve Bank of New Zealand's website at [www.rbnz.govt.nz/finstab/nbdt/creditratings/3914649.pdf](http://www.rbnz.govt.nz/finstab/nbdt/creditratings/3914649.pdf).

## Main Terms of Offer and Description of Deposits, Saver and Senior Shares

The characteristics of these Securities are as follows –

### Debt Securities - Deposits

The Debt Securities offered in this Prospectus are unsecured Deposits invested for a nominated term or on demand at an interest rate negotiated at the commencement of the term in respect of term deposits, and at an interest rate negotiated when invested or fluctuating at WBS's discretion in respect of call deposits. **The Debt Securities offered under this Prospectus may either be subject to the Crown Retail Deposit Guarantee (Crown Guaranteed) or not (Excluded). The status of the securities issued is determined by the investor at the time of investment. Any security issued on an Excluded basis will not have the benefit of the Crown Retail Deposit Guarantee.**

Changes to interest rates fluctuating at WBS's discretion will be communicated direct to account holders or advertised in the Wairarapa Times Age.

The interest calculation method and frequency of interest credit is agreed to at the time of investment.

Liability is limited to the amount invested and accrued interest - there is no minimum subscription and all subscriptions must be in cash.

Debt Securities are issued under the terms of the Trust Deed and rank ahead of Specified Participatory Securities in the event of WBS's dissolution or winding up but behind any secured debt obligations of the Guaranteeing Group.

As at the date of this Prospectus WBS has no secured debt obligations.

In WBS's accounts Debt Securities are recorded as Deposits.

### Specified Participatory Securities – Saver and Senior Shares

The Specified Participatory Securities offered in this Prospectus are unsecured Deposits invested for a nominated term or on demand at an interest rate negotiated at the commencement of the term in respect of term deposits, and at an interest rate negotiated when invested or fluctuating at WBS's discretion in respect of call deposits. These shares are referred to in WBS's accounts as Redeemable Shares and in this Prospectus as either Saver Shares or Senior Shares. **The Specified Participatory Securities offered under this Prospectus may either be subject to the Crown Retail Deposit Guarantee (Crown Guaranteed) or not (Excluded). The status of the securities issued is determined by the investor at the time of investment. Any security issued on an Excluded basis will not have the benefit of the Crown Retail Deposit Guarantee.**

The following is a description of the main terms of Saver Shares. Detailed issue conditions are set out in the Schedule to the Rules. Funds are invested in Saver Shares for a nominated term or on demand at an interest rate negotiated at the commencement of the term in respect of term shares and at an interest rate negotiated when invested or fluctuating at WBS's discretion in respect of call shares.

Changes to interest rates fluctuating at WBS's discretion will be communicated direct to account holders or advertised in the Wairarapa Times Age.

The interest calculation method and frequency of interest credit is agreed to at the time of investment.

Liability is limited to the amount invested and accrued interest - there is no minimum subscription and all subscriptions must be in cash.

The price of Saver Shares is one dollar per share and shares may be subscribed for in any dollar amount, or fraction thereof, acceptable to WBS.

In the event of WBS's dissolution or winding up the holders of Saver Shares will be entitled to the return of the subscription price and interest at the agreed rate, but will not participate in WBS's Reserves. Holders of Saver Shares agree as a term of issue that they are not entitled to any windfall benefit that could be otherwise derived from holding Saver Shares and any such benefit will pass instead to the WBS Charitable Trust.

Saver Share investors are entitled to attend and vote at any Special or Annual General Meeting of WBS as provided for in the Rules.

Voting rights on a show of hands or a poll are conditional upon the holder having a minimum of two hundred dollars invested in aggregate in either Saver or Senior Shares at the relevant books closing date and also at the end of the last financial year of WBS before the date of the meeting.

Each eligible Saver Shareholder is entitled to one vote.

In accordance with the Rules the Directors may decline to accept, or may refund, any share subscription.

Senior Shares have the same terms and characteristics as Saver Shares with the addition that they participate in WBS's reserves in the event of the winding up or dissolution of WBS.

Senior Shares are shares subscribed for by Senior Shareholders and held in accounts open as at 13 March 2008, being the shares under levels recorded by WBS from time to time as the minimum holding in each account.

Senior Shareholders are all members of WBS as at 13 March 2008 who hold shares continuously after that date.

## **General Conditions of Investment for Deposits, Senior and Saver Shares**

In this section the references to 'investments' and 'funds invested' are to be read as references to both Deposits (Debt Securities) and Saver or Senior Shares (Specified Participatory Securities).

### **Interest Rate**

The interest rate in respect of funds invested is negotiated at the commencement of the term in respect of term investments, and either negotiated at the date invested or left to fluctuate at WBS's discretion in respect of call investments.

### **Withholding Tax**

Unless satisfied to the contrary, WBS will assume that all holders of Securities issued pursuant to this Prospectus are New Zealand residents for tax purposes. Under New Zealand Income Tax legislation interest paid to New Zealand residents will, unless an investor holds an exemption certificate, be subject to the deduction of resident withholding tax at the rate of 21% for the relevant income year if investors supply their personal Inland Revenue Department number; and 38% if Inland Revenue Department numbers are not supplied or the investor elects to have tax deducted at the higher rate.

Investors are requested to supply their Inland Revenue Department numbers when initially investing with WBS. WBS will provide these numbers to the Inland Revenue Department.

Investors should seek their own tax advice.

### **Interest Credit**

The frequency of interest credited is that which is agreed to at the time of investment.

### **Maturity**

Prior to the maturity of term investments, investors are contacted and their instructions on the handling of their funds on the maturity date sought.

Term investors are given the option of either reinvesting or withdrawing all or part of their funds.

Where no instructions are received from an investor in respect of a maturing term investment the funds are reinvested for the same term at the interest rate prevailing for that term at the time of maturity.

## **Repayment of Term Investments Prior to Maturity**

In exceptional or unforeseen circumstances term investors may apply in writing to WBS to break the term of their investment.

Reasonable requests to break term investments are normally agreed to but WBS may require thirty (30) days notice and retrospectively adjust the interest payable to deliver the rate applicable to the actual reduced term of investment and/or charge a fee.

# Main Terms of Trust Deed

## Introduction

The Deposits and Specified Participatory Securities offered under this Prospectus are issued under and have the benefit of a Trust Deed, the main provisions of which are set out on pages 8 to 12. "Trust Deed" means "the Trust Deed dated 28 November 2003 as amended by the Supplemental Deed of Variation dated 30 April 2008".

A copy of the Trust Deed may be inspected during normal office hours at the Head Office of WBS at 75 Queen Street, Masterton. A copy may also be searched as per "Other General Information" on page 2 of this Prospectus.

## The Trust Deed

The deposits and Specified Participatory Securities (referred to as "deposits" and "Shares" respectively in the Trust Deed) offered in this Prospectus are issued under a Trust Deed made between WBS and its wholly-owned subsidiaries ("Guaranteeing Subsidiaries") (together called the "Guaranteeing Group") and Trustees Executors Limited, (the "Trustee") as trustee for the Securityholders.

The Trust Deed came into effect on 2 February 2004 and in addition to the terms and conditions relating to the Securities set out in this Prospectus, those contained in the Trust Deed apply.

The Securities covered by the Trust Deed include all such Deposit and Shares issued from 2 February 2004.

All deposits rank equally on a winding up with all other deposits and unsecured liabilities of the Society and before Shares (including Capital Shares), and Saver or Senior Shares rank equally amongst themselves but behind all deposits and other liabilities (whether secured or unsecured) of the Society, and ahead of Capital Shares notwithstanding that they may have been issued at different times and carry interest at different rates and are repayable at different times.

Terms referred to in this section and which are defined in the Trust Deed have the meaning specified in the Trust Deed. Definitions of important terms used in this summary are set out below.

**"Deposit Money"** means at any time and from time to time the Principal and interest payable on the deposits, and all other money payable in respect of the deposits to or at the direction of the Trustee or any Depositor, and all costs, charges and expenses earned or incurred by the Trustee, under or pursuant to this Deed or the terms of issue of any of the deposits.

**"Effective Date"** means 2 February 2004.

**"External Person"** means any person other than a member of the Guaranteeing Group.

**"Money Owing"** means the aggregate of:

- (a) the Share Money, the Deposit Money; and
- (b) any other money for the time being owing or payable to or at the direction of the Trustee or any Securityholder pursuant to this Deed or the terms of issue of any of the Securities (not including Capital Shares).

**"Principal"** means in relation to Securities, the sum (other than interest) payable by the Society on redemption of the relevant Security but inclusive of any premium payable in accordance with the conditions of issue thereof.

**"Reference Date"** means the date at which a calculation is being made for the purposes of the Trust Deed of a financial covenant set out in clause 4.1 of the Trust Deed.

**"Related Party"** means an "associated person" as that term is defined in Section [OD 8(3)] Income Tax Act 1994.

**"Reserves"** means the reserves of the Society as at the Reference Date which are or which would be disclosed by a Reference Balance Sheet (being a Balance Sheet if one was prepared as at the Reference Date).

**"Share Money"** means that any time from time to time the Principal and interest whether or not called dividends payable on the Shares and all other money payable in respect of the Shares to or at the direction of the Trustee or to any Shareholder under or pursuant to this Deed or the terms of issue of any of the Shares and whether payable by the Society and/or by any Guaranteeing Subsidiary and in any case whether as a principal debtor or as a Guarantor.

**"Shareholders Funds"** means the aggregate of:

- (a) shares issued by the Society that are redeemable only at the directors' discretion, e.g. capital shares; and
- (b) the Reserves.

**"Shares"** means all shares issued by the Society on or after the Effective Date pursuant to section 11 of the Building Societies Act and the Rules and which are redeemable by the holder which are from time to time outstanding and uncanceled, or a specified portion thereof as the case may require, and (where appropriate) includes the Principal represented thereby.

**"Total Liabilities"** means the aggregate on a consolidated basis of the amounts of all Liabilities of the Society and the Guaranteeing Subsidiaries as would be disclosed in a Reference Balance Sheet if one was prepared as at the Reference Date.

**"Total Liquid Assets"** means the total on a consolidated basis of the Market Values of all Liquid Assets of the Guaranteeing Group as would be disclosed in a Reference Balance Sheet if one was prepared as at the Reference Date.

**"Total Listed Securities"** means the total on a consolidated basis of the Market Values of Listed Securities of the Guaranteeing Group as would be disclosed in a Reference Balance Sheet if one was prepared as at the Reference Date.

**"Total Other Liabilities"** means Total Liabilities less the aggregate of the Money Owing.

**"Total Other Tangible Assets"** means the total on a consolidated basis of Market Values of all Other Tangible Assets of the Guaranteeing Group as would be disclosed in a Reference Balance Sheet if one was prepared as at Reference Date.

**"Total Secured Indebtedness"** means the total on a consolidated basis of the Market Value of all Secured Indebtedness owing to the Guaranteeing Group as would be reflected in a Reference Balance Sheet if one was prepared as at the Reference Date.

**"Total Secured Liabilities"** means the total on a consolidated basis of the amount of all Secured Liabilities of the Guaranteeing Group as would be disclosed in a Reference Balance Sheet if one was prepared as at the Reference Date.

**"Total Tangible Assets"** means an amount equal to the aggregate on a consolidated basis of the book values of the tangible assets of the Guaranteeing Group Members as at the Reference Date which are or which would be disclosed by a Reference Balance Sheet if one were then prepared after:

- (a) making such adjustments as are appropriate to make in respect of receivables, provision for bad debts and income yet to mature, except those already taken into account in the determination of book value; and
- (b) taking account of any Subsidiary which any two Directors on behalf of the Directors certify in writing to the Trustee (with supporting detail to the reasonable satisfaction of the Trustee) will become a Guaranteeing Subsidiary within a period of three months after the Reference Date as if that Subsidiary had been a Guaranteeing Subsidiary at the Reference Date.

**"Total Unlisted Securities"** means the total on a consolidated basis of the Market Values of all Unlisted Securities of the Guaranteeing Group as would be disclosed in a Reference Balance Sheet if one were prepared at the Reference Date.

**"Total Unsecured Indebtedness"** means the total on a consolidated basis of the Market Value of all Unsecured Indebtedness owing to the Guaranteeing Group as would be disclosed in a Reference Balance Sheet if one was prepared as at the Reference Date.

## Trustee

Under the Trust Deed the Trustee is appointed trustee for all Security holders. The Trustee does not guarantee repayment of the Securities or the payment of any interest or dividends thereon.

## Limitation

The Trust Deed does not prohibit the creation of new mortgages or charges ranking in point of the security ahead of the Securities but imposes a maximum to the total amount that may be so secured over the assets of the Guaranteeing Group (see below under "Secured Liabilities Restriction").

## Financial Restrictions

The Trust Deed contains the following financial and other restrictions:

WBS will not at any time without the Trustee's prior consent:

### Asset Quality Requirements

- (a) permit the aggregate of Total Secured Indebtedness, Total Unsecured Indebtedness, Total Listed Securities and Total Unlisted Securities, to exceed 15% of Total Tangible Assets;
- (b) permit the aggregate of Total Unsecured Indebtedness, Total Listed Securities and Total Unlisted Securities to exceed 5% of Total Tangible Assets;

### Liquidity Requirements

- (a) permit Liquid Assets to be less than 15% of Total Tangible Assets less Shareholders Funds, if Shareholders Funds are 7% or greater, but less than 8%, of Total Tangible Assets;
- (b) permit Liquid Assets to be less than 12.5% of Total Tangible Assets less Shareholders Funds, if Shareholders Funds are 8% or greater, but less than 9%, of Total Tangible Assets;
- (c) permit Liquid Assets to be less than 10% of Total Tangible Assets, less Shareholders Funds, if Shareholders Funds are 9% or greater, but less than 12%, of Total Tangible Assets;

- (d) permit Liquid Assets to be less than 7.5% of Total Tangible Assets, less Shareholders Funds, if Shareholders Funds are 12% or greater of Total Tangible Assets;
- (e) permit the total amount of interest payable in cash by the Guaranteeing Group (including withholding tax payable thereon) over any half year to exceed income actually received in cash, by the Guaranteeing Group, over the same period;
- (f) fail to ensure that the assets of the Guaranteeing Group that are or may be available are sufficient or likely to be sufficient to enable its liabilities (which for the avoidance of doubt, include the Share Money) to be discharged when they become due;

**Total Liabilities Limited**

- (a) permit Shareholders Funds to be less than 7% of Total Tangible Assets;

**Secured Liabilities Restriction**

- (a) permit the aggregate of Prior Amounts to exceed 2.5% of Total Tangible Assets;

**Lending Restrictions**

- (a) permit the aggregate amount of money owing to WBS from time to time by any Single Group (excluding Trust House Ltd and Masterton Trust Lands Trust or their successors) to exceed 7.5% of Total Tangible Assets;
- (b) permit the aggregate amount of moneys owing to WBS from time to time by the 10 Single Groups (excluding the amounts owing to the Society by Trust House Ltd and Masterton Trust Lands Trust, or their successors ) which owe the highest principal amounts to the Society to exceed 30% of Total Tangible Assets;
- (c) permit the amount of monies owing to WBS by Trust House Ltd or Masterton Trust Lands Trust, or their successors, to exceed 60% of the value of the Freehold Land provided as security for the monies owed or 10% of Total Tangible Assets, whichever is the lower. Value to be determined with reference to the definition of Approved Mortgage Principal;

The Trustee has consented to a waiver such that the amount of monies owing to WBS by Trust House Limited shall not at any time exceed 15% of Total Tangible Assets or 60% of the value of the Freehold Land provided as security for the monies owed, whichever is the lower.

**Disposal of Undertaking**

- (a) sell or transfer whether by a single transaction or any series of transactions whether related or not the whole or any substantial part of the business, undertaking or assets of the Guaranteeing Group, viewing such business, undertaking or assets as a single entity, except to WBS or any Guaranteeing Subsidiaries;

**Dealing with Assets**

- (a) dispose of any part of its undertaking or assets to any Related Party otherwise than for full consideration in the ordinary course of business and any consideration not passing on settlement to be secured to the satisfaction of the Trustee;

**Dealings with Related Parties**

- (a) lend to any Related Party except in the ordinary course of business, on normal commercial terms and such that the loan qualifies as Guaranteed Investment Principal or Approved Mortgage Principal;

**Unlimited Guarantees**

- (a) enter into or permit the subsistence of any guarantee, indemnity or security (not prohibited elsewhere in this deed) for the obligations of any External Person for any unlimited amount of liability;

**Provision of Services or Assets**

- (a) enter into any substantial contract or arrangement (other than in the ordinary course of business) with any Related Party for the provision of any services or assets by or to such Related Party unless a Director's Certificate is given to certify that the consideration therefore is fair and reasonable assessed on an arms-length basis, and for the purposes of this paragraph the Trustee and the Society may from time to time agree when any contract or arrangement shall be deemed to be substantial having regard to the consideration therefore;

**Alteration of Business**

- (a) make any alteration to the nature of its business which shall be, or result in, a substantial alteration to the business of the Guaranteeing Group taking account of the nature of business generally accepted as the business of a building society;

**Write Up Value of Assets**

- (a) write up the value of any tangible assets in its books of account to a value in excess of its Market Value at the time of writing up;

## **Non Guaranteeing Subsidiaries**

- (a) make any loan to, subscribe for share capital in, guarantee, or give an indemnity for, or otherwise be responsible for the obligations of, any Non-Guaranteeing Subsidiary without the prior written consent of the Trustee;

## **Guarantee of the Guaranteeing Group**

Under the Trust Deed each of the guaranteeing subsidiaries unconditionally guarantees the due and punctual payment by WBS of the share money and the Deposit Money and the performance by WBS of its obligations under the Trust Deed.

## **Reports to Trustee**

To enable the Trustee to monitor the financial position of the Guaranteeing Group, WBS must report regularly to the Trustee on the Guaranteeing Group's financial affairs.

Audited financial statements must be presented yearly and unaudited financial statements half yearly.

The directors of WBS must report to the Trustee every three months on various matters specified in detail in the Trust Deed, and supply unaudited financial statements for each quarter ending 30 June and 31 December in each year.

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

## **Duties of Trustee**

The following is a summary of the duties of the Trustee as stated by the Trust Deed:

- (a) to oversee compliance with the covenants and obligations of the Guaranteeing Group under the Trust Deed on the basis of the provisions of the Trust Deed;
- (b) to receive and consider the financial statements and reports of the Directors and Auditors;
- (c) to ascertain whether or not the Guaranteeing Group has breached the covenants in the Trust Deed or the terms of issue of any of the Securities issued after 1 February 2004;
- (d) Upon the occurrence of certain events of default under the Trust Deed -
  - (i) The Trustee may in its discretion declare the Money Owing immediately due and payable; and
  - (ii) The Trustee shall upon the written request of the holders of at least one-fifth in value of the Money Owing or upon being directed to do so by an Extraordinary Resolution of Securityholders, call up and demand payment of the Money Owing as a debt immediately due and payable.

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

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

The Trustee has no duty to holders of Capital Shares.

## **Meetings of Securityholders having the benefit of the Trust Deed**

The Trust Deed contains provisions for meetings of Securityholders and any class of them. An Extraordinary Resolution (i.e. a resolution passed by three-quarters of the votes cast at a meeting where there was a quorum of the holders of not less than a majority in value of the relevant securities) of Securityholders (or any class of them) generally binds all the members of that class of Securityholders (whether they vote or not). However, an Extraordinary Resolution which exclusively affects the rights and interests of a class of Securityholders shall be of no force and effect unless passed by an Extraordinary Resolution of that class of Securityholders or unless it has been assented to in writing by the holders of not less than three-quarters in Principal amount of that class of Securityholders.

## **Modifications to Trust Deed**

The Trustee may concur with WBS in making modifications to the Trust Deed in certain specified cases including where the modification is approved by Extraordinary Resolution passed by Security holders or where the Trustee is of the opinion that such alteration is not or is not likely to become prejudicial to the general interests of Security holders (or any class of them).

## **Release of the Trust Deed**

The Trustee will release the Guaranteeing Group from its obligations under the Trust Deed if the Guaranteeing Group becomes a registered bank or transfers its engagements to a bank which is exempted from the requirement of a Trust Deed under the Securities Act or to another building society or entity which has a trust deed in place which complies with the Securities Act and under which the Security holders will be beneficiaries or upon the Trustee being satisfied that all moneys owing under the Trust Deed have been repaid or provision has been made for such payment.

## **Other Material Matters**

There are no other material matters.

## **KPMG Auditor's Report**

## **KPMG Auditor's Report**

## **KPMG Auditor's Report**

## **KPMG Auditor's Report**

## Trustees' Statement

25 June 2010

The Directors  
Wairarapa Building Society  
P O Box 441  
MASTERTON

Dear Sirs

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

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

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

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

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

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

Trustees Executors Limited does not guarantee the repayment of Trust Deed Securities or the payment of interest thereon

Signed for and on behalf of  
Trustees Executors Limited  
[Luiza Moran], Business Manager, Corporate Trust

# Consolidated Income Statement

## Financial Review

	Audited Year Ended 31/3/10 \$000  NZIFRS	Audited Year Ended 31/3/09 \$000  NZIFRS	Audited Year Ended 31/3/08 \$000  NZIFRS	Audited Year Ended 31/3/07 \$000  NZIFRS	Audited Year Ended 31/3/07 \$000 Previous NZGAAP	Audited Year Ended 31/3/06 \$000 Previous NZGAAP
<b>Interest Income</b>						
Interest Income from Loans	6,680	8,637	8,357	7,490	7,490	6,695
Interest Income from Other Assets	114	218	303	347	347	568
Interest Expense to Depositors and Shareholders	5,192	6,513	6,034	5,471	5,481	4,941
Interest Expense on Other Liabilities	2	1	3	3	3	2
<b>Net Interest Income</b>	<b>1,600</b>	<b>2,341</b>	<b>2,623</b>	<b>2,363</b>	<b>2,353</b>	<b>2,320</b>
<b>Other Income</b>						
Change in the Fair Value of Investment Properties	141	(163)	209	472	-	390
Other Operating Income	668	731	612	590	584	776
<b>Total Operating Income</b>	<b>2,409</b>	<b>2,909</b>	<b>3,444</b>	<b>3,425</b>	<b>2,937</b>	<b>3,486</b>
Personnel Expenses	824	937	865	759	759	713
Depreciation	73	69	71	82	82	106
Credit Impairment Charge	508	265	150	-	-	-
Other Operating Expenses	999	1,149	1,048	1,001	1,001	971
<b>Profit Before Income Tax</b>	<b>5</b>	<b>489</b>	<b>1,310</b>	<b>1,583</b>	<b>1,095</b>	<b>1,696</b>
Income Tax Expense/(Refund)	(40)	275	383	366	361	400
<b>Profit for the Year</b>	<b>45</b>	<b>214</b>	<b>927</b>	<b>1,217</b>	<b>734</b>	<b>1,296</b>

## Consolidated Statement of Financial Position

### Financial Review

	Audited As at 31/3/10 \$000 NZIFRS	Audited As at 31/3/09 \$000 NZIFRS	Audited As at 31/3/08 \$000 NZIFRS	Audited As at 31/3/07 \$000 NZIFRS	Audited As at 31/3/07 \$000 Previous NZGAAP	Audited As at 31/3/06 \$000 Previous NZGAAP
<b>Assets</b>						
Cash on Hand	78	121	99	88	88	90
Bank	79	-	258	-	-	-
Liquid Investments	6,975	4,781	4,170	1,998	1,998	7,394
Prepayments	49	42	16	14	14	15
Trade and Other Receivables	31	12	63	54	54	72
Derivative Financial Instruments	14	-	394	444	-	-
Tax Refund Due	-	23	-	11	11	10
Loans	99,284	99,133	93,367	91,695	92,139	81,639
Accrued Interest	13	15	35	1	-	41
Investment Property	6,500	6,220	6,355	6,115	5,947	5,432
Property, Plant and Equipment	2,417	2,458	1,733	1,727	1,679	1,506
<b>Total Assets</b>	<b>115,440</b>	<b>112,805</b>	<b>106,490</b>	<b>102,147</b>	<b>101,931</b>	<b>96,199</b>
<b>Liabilities</b>						
Bank Overdraft	-	27	-	220	220	45
Trade and Other Payables	1,322	1,454	1,799	1,766	1,668	1,490
Derivative Financial Instruments	817	1,552	43	1	-	-
Tax Payable	35	-	44	-	-	-
Redeemable Shares	82,004	76,004	69,909	63,867	63,867	61,621
Deposits and Bank Borrowings	14,927	17,342	18,671	21,231	21,231	19,501
Deferred Tax	183	339	297	318	351	333
<b>Total Liabilities</b>	<b>99,288</b>	<b>96,718</b>	<b>90,763</b>	<b>87,403</b>	<b>87,337</b>	<b>82,990</b>
<b>Net Assets</b>	<b>16,152</b>	<b>16,087</b>	<b>15,727</b>	<b>14,744</b>	<b>14,594</b>	<b>13,209</b>
<b>Equity</b>						
Capital Shares	300	300	-	-	-	-
Retained Earnings	14,781	14,736	14,972	14,045	13,704	12,970
Reserves	1,071	1,051	755	699	890	239
<b>Total Equity</b>	<b>16,152</b>	<b>16,087</b>	<b>15,727</b>	<b>14,744</b>	<b>14,594</b>	<b>13,209</b>

## Notes to the Financial Review

1.	Audited As at 31/3/10 \$000 NZIFRS	Audited As at 31/3/09 \$000 NZIFRS	Audited As at 31/3/08 \$000 NZIFRS	Audited As at 31/3/07 \$000 NZIFRS	Audited As at 31/3/07 \$000 Previous NZGAAP	Audited As at 31/3/06 \$000 Previous NZGAAP
Total Assets	115,440	112,805	106,490	102,147	101,931	96,199
Total Tangible Assets	115,440	112,805	106,490	102,147	101,931	96,199
Total Liabilities	99,288	96,718	90,763	87,403	87,337	82,990
Total Issued Capital, Retained Earnings and Reserves	16,152	16,087	15,727	14,744	14,594	13,209

2. The following ranges of amounts have been paid in respect of each class of security offered in this prospectus during the periods covered by the Financial Review.

The amounts are expressed in cents per share.

Period Ended	Investment Shares	Savings Shares	Deposited
31/3/10	2.00 - 8.75	0.00 - 4.45	0.00 - 8.75
31/3/09	2.00 - 9.81	0.00 - 8.25	0.00 - 9.00
31/3/08	2.00 - 9.81	0.00 - 8.25	0.00 - 8.80
31/3/07	0.00 - 7.56	0.00 - 7.25	0.00 - 7.35
31/3/06	2.00 - 7.60	0.00 - 7.25	0.00 - 7.35
31/3/05	2.00 - 7.60	0.00 - 7.25	0.00 - 7.35

3. All amounts in the Financial Review have been taken from audited financial statements.

## Consolidated Income Statement

For the Year Ended 31 March 2010

	Note	Audited Year Ended 31/3/10 \$000	Audited Year Ended 31/3/09 \$000
<b>Interest income</b>			
Interest Income from Loans		6,680	8,637
Interest Income from Other Assets		114	218
Interest Expense to Depositors and Shareholders		5,192	6,513
Interest Expense on Other Liabilities		2	1
<b>Net interest income</b>	6	<b>1,600</b>	<b>2,341</b>
<b>Other Income</b>			
Change in the Fair Value of Investment Properties	13	141	(163)
Other Operating Income	7	668	731
<b>Total Operating Income</b>		<b>2,409</b>	<b>2,909</b>
Personnel Expenses	8	824	937
Depreciation	15	73	69
Credit Impairment Charge		508	265
Other Operating Expenses	9	999	1,149
<b>Profit Before Income Tax</b>		<b>5</b>	<b>489</b>
Income Tax Expense/(Refund)	10	(40)	275
<b>Profit for the Year</b>		<b>45</b>	<b>214</b>

## Consolidated Statement of Comprehensive Income

For the Year Ended 31 March 2010

	Note	Audited Year Ended 31/3/10 \$000	Audited Year Ended 31/3/09 \$000
<b>Profit for the Year</b>		<b>45</b>	<b>214</b>
<b>Other Comprehensive Income</b>			
Available for Sale Reserve Movements		-	-
Net Change in Revaluation Reserve	19	20	296
<b>Total Other Comprehensive Income for the Year</b>		<b>20</b>	<b>296</b>
<b>Total Comprehensive Income for the Year</b>		<b>65</b>	<b>296</b>

The notes on pages 25 to 45 are an integral part of these financial statements.

## Consolidated Statement of Financial Position

As at 31 March 2010

	Note	Audited As at 31/3/10 \$000	Audited As at 31/3/09 \$000
<b>Assets</b>			
Cash on Hand	12	78	121
Bank	12	79	-
Liquid Investments	12	6,975	4,781
Prepayments		49	42
Trade and Other Receivables		31	12
Derivative Financial Instruments	20	14	-
Tax Refund Due		-	23
Loans	14	99,284	99,133
Accrued Interest		13	15
Investment Property	13	6,500	6,220
Property, Plant and Equipment	15	2,417	2,458
<b>Total Assets</b>		<b>115,440</b>	<b>112,805</b>
<b>Liabilities</b>			
Bank Overdraft	12	-	27
Trade and Other Payables	16	1,322	1,454
Derivative Financial Instruments	20	817	1,552
Tax Payable		35	-
Redeemable Shares	17	82,004	76,004
Deposits and Bank Borrowings	17	14,927	17,342
Deferred Tax	18	183	339
<b>Total Liabilities</b>		<b>99,288</b>	<b>96,718</b>
<b>Net Assets</b>		<b>16,152</b>	<b>16,087</b>
<b>Equity</b>			
Capital Shares	19	300	300
Retained Earnings	19	14,781	14,736
Reserves	19	1,071	1,051
<b>Total Equity</b>		<b>16,152</b>	<b>16,087</b>

The notes on pages 25 to 45 are an integral part of these financial statements.

D G Dobson  
(Chairman)

M G Allen  
(Deputy Chairman)

K P McCabe  
(Secretary)

23<sup>rd</sup> June 2010

## Consolidated Statement of Changes in Equity

For the Year Ended 31 March 2010

	Capital Shares \$000	General Reserve \$000	Revaluation Reserve \$000	Total Equity \$000
<b>Balance at 1 April 2008</b>	-	14,972	755	15,727
<b>Total Comprehensive Income for the Year</b>				
Profit or Loss	-	214	-	214
<b>Other Comprehensive Income</b>				
Revaluation of Properties	-	-	296	296
<b>Total Comprehensive Income</b>	-	214	296	510
<b>Contributions By and Distributions To Owners</b>				
Capital Shares Issued	300	-	-	300
Dividends Paid	-	(450)	-	(450)
<b>Total Contributions by and Distributions to Owners</b>	300	(450)	-	(150)
<b>Balance at 31 March 2009</b>	300	14,736	1,051	16,087
<b>Balance at 1 April 2009</b>	300	14,736	1,051	16,087
<b>Total Comprehensive Income for the Year</b>				
Profit or (Loss)	-	45	-	45
<b>Other Comprehensive Income</b>				
Revaluation of Properties	-	-	20	20
<b>Total Comprehensive Income</b>	-	45	20	65
<b>Balance at 31 March 2010</b>	300	14,781	1,071	16,152

The notes on pages 25 to 45 are an integral part of these financial statements.

## Consolidated Statement of Cash Flows

For the Year Ended 31 March 2010

	Note	Audited Year Ended 31/3/10 \$000	Audited Year Ended 31/3/09 \$000
<b>Cash Flows from Operating Activities</b>			
Interest Income		6,796	8,875
Other Income		685	657
Tax Refund Received		23	-
Interest Paid		(5,230)	(6,969)
Cash Paid to Suppliers and Employees		(1,897)	(1,956)
Income Tax Paid		(80)	(300)
<b>Net Cash from/(Used In) Operating Activities</b>	23	<b>297</b>	<b>307</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from Disposal of Property, Plant and Equipment		-	20
Loans Repaid		21,896	23,664
Acquisition of Property, Plant and Equipment	15	-	(518)
Acquisition of Computer Software	15	(12)	-
Loans Advanced		(23,369)	(27,712)
Additions to Investment Property	13	(140)	(29)
<b>Net Cash From/(Used In) Investing Activities</b>		<b>(1,625)</b>	<b>(4,575)</b>
<b>Cash Flows from Financing Activities</b>			
Net Proceeds from Investing Deposits		3,585	4,766
Capital Shares Issued		-	300
Dividends Paid		-	(450)
<b>Net Cash From/(Used In) Financing Activities</b>		<b>3,585</b>	<b>4,616</b>
<b>Net Increase in Cash and Cash Equivalents</b>			
		<b>2,257</b>	<b>348</b>
Cash and Cash Equivalents at the Beginning of the Year		4,875	4,527
<b>Cash and Cash Equivalents at the End of the Year</b>	12	<b>7,132</b>	<b>4,875</b>

The notes on pages 25 to 45 are an integral part of these financial statements.

## Notes to the Financial Statements

### 1. Reporting Entity

The consolidated financial statements presented are those for Wairarapa Building Society (WBS) (Parent) and Subsidiaries (the Group). The Group consists of the Parent (WBS) and its wholly owned subsidiaries, Wairarapa Property Investments Limited (WPIL) and Manawatu Permanent Building Society (MPBS). The Group is domiciled in New Zealand.

The financial statements have been prepared in accordance with the Building Societies Act 1965, the Securities Regulations 1983, the Securities Act 1978 and the Financial Reporting Act 1993.

The Group is primarily involved in providing savings and investment accounts, financing residential, rural and commercial property and investment in properties.

### 2. Basis of Preparation

#### (a) Statement of Compliance

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

The financial statements were approved by the Board on 23 June 2010.

#### (b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following, which are measured at fair value:

- investment properties
- land and buildings
- derivative financial instruments
- available for sale investments

#### (c) Functional and Presentation Currency

These financial statements are presented in New Zealand dollars (\$), which is the Parent's functional currency. All financial information presented in NZ\$ has been rounded to the nearest thousand (\$000).

#### (d) Use of Estimates, Judgements and Assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 4 – Determination of Fair Values
- Note 20 – Financial Instruments

In preparing these financial statements in accordance with NZ IFRS, the following standard was available for early adoption but has not been applied by the Group:

- NZ IFRS 9 – Financial Instruments: Classification and Measurement. Effective from 1 January 2013.
- NZ IAS 7 – Statement of Cash Flows (amendments). Effective from 1 January 2010
- NZ IAS 24 – Related party Disclosures (revised 2009). Effective from 1 July 2011
- NZ IAS 34 – Interim Financial Reporting – scope. Effective from 1 July 2009
- NZ IAS39 - Financial Instruments: Recognition and Measurement – amendments for eligible hedged items. Effective from 1 July 2009
- NZ IAS 39 – Financial Instruments: Amendments from April 2009 annual improvements to IFRSs. Effective from 1 January 2010

The adoption of this standard is not likely to have a material impact on the financial performance or position of the Group.

## Significant Accounting Policies (continued)

### 3. Other Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

#### (a) Basis of Consolidation

##### (i) Subsidiaries

Subsidiaries are entities controlled by another Group entity. Control exists when one entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The purchase method of accounting is used in the preparation of the Consolidated Financial Statements.

##### (ii) Transactions Eliminated on Consolidation

The effects of intra-group transactions and balances are eliminated in preparing the consolidated financial statements.

#### (b) Revenue and Expense Recognition

Revenue is recognised to the extent that it is probable economic benefits will flow to the Group and that revenue can be reliably measured. Expenses are recognised in the income statement on an accruals basis.

#### (c) Interest Income and Expenses

Interest income and expenses are recognised in the income statement as they accrue, using the effective interest method. The effective interest rate method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability. The application of the method has the effect of recognising income and expenses on the financial asset or liability evenly in proportion to the amount outstanding over the period to maturity or repayment.

#### (d) Rental Income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

#### (e) Fee Income

Fee income that is integral to the effective interest rate on a financial asset is recognised progressively in interest over a three year period.

#### (f) Net Income from Other Financial Instruments at Fair Value

Net income from other financial instruments at fair value relates to derivatives held for risk management purposes and includes all realised and unrealised fair value changes on interest rate swap derivative contracts.

#### (g) Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (h) Financial Assets and Liabilities

##### (i) Recognition

The Group recognises a financial asset or liability on its balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial asset or liability.

## Significant Accounting Policies (continued)

### (ii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

### (iii) Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Group has an enforceable legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

### (iv) Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

### (v) Fair Value Measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Group uses quoted prices in active markets for determining the fair value of common financial instruments like interest rate swaps. For these financial instruments, inputs into models are market observable.

### (vi) Impairment of Financial Assets

At each balance sheet date the Group assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably. The Group considers evidence of impairment at a specific asset level.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amounts of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rates. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impaired loans and advances include:

- Assets acquired through the enforcement of security are those assets which are legally owned by the Group as a result of enforcing security in settlement of all or part of a debt.
- Other individually impaired assets are those assets determined to be impaired but which are not restructured assets or assets acquired through the enforcement of security.

Assets that are in arrears based upon their contractual terms, but not yet impaired, are reported separately. These are known as 'past due assets'.

## (i) Financial Instruments

### Derivative Financial Instruments

Derivative financial instruments are contracts whose value is derived from changes in one or more underlying financial instrument or indices. The Group's derivative financial instruments comprise interest rate swaps.

Derivative financial instruments are recognised initially at fair value in the balance sheet and subsequently remeasured at fair value. Fair values are obtained from quoted prices in active markets, including recent transactions. Movements in the fair value of derivative financial instruments are recognised in the income statement.

## Significant Accounting Policies (continued)

### Fair Value Hedges

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes. The Group has elected to apply fair value hedge accounting. Under a fair value hedge, when a derivative is designated as a hedge of the change in fair value of a recognised asset or liability or firm commitment, changes in the fair value of the derivative are recognised in the income statement together with changes in the fair value of the hedged item that is attributable to the hedged risk.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. The resulting adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the income statement over a period to maturity. If the hedged item is sold or repaid, the balance of the adjustment to the carrying value of the hedged item is recognised in the income statement immediately.

### Non-Derivative Financial Instruments

#### Available-for-Sale Financial Assets

The Group's investments in equity securities and New Zealand Government and Local Authority Stock are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

#### (j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, floats and petty cash and liquid investments. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### (k) Trade and Other Receivables

Trade and other receivables are stated at their cost less impairment losses.

#### (l) Trade and Other Payables

Trade and other payables are stated at cost.

#### (m) Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, less any impairment loss. They are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership.

Restructured loans and advances are those that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Contractual changes, including loan extensions that arise in the normal course of business are not considered to give rise to restructured loans and advances.

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

#### (n) Property, Plant and Equipment

##### (i) Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, except for land and buildings which are at fair value. Land and buildings included in property, plant and equipment is distinct from investment property in that more than 20% of the lettable area is occupied by WBS. Cost includes expenditures that are directly attributable to the acquisition of the asset.

##### (ii) Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

## Significant Accounting Policies (continued)

### (iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The depreciation rates used for each class of asset are as follows:

●	Buildings	1.0%
●	Plant and equipment	10.0 – 39.6%
●	Computer equipment	26.0 – 48.0 %
●	Office equipment	11.4 – 60.0%
●	Motor vehicles	31.2%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

### (o) Intangible Assets

#### (i) Software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is four years.

At each reporting date, the software assets and other intangible assets are reviewed to determine whether there is any objective evidence of impairment. If any indication of impairment exists, the recoverable amount of the assets are estimated and compared against the existing carrying value. Where the existing carrying value exceeds the recoverable amount, the difference is charged to the income statement.

### (p) Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment properties are measured at fair value with any change therein recognised in the Income Statement. Valuations are determined annually by independent registered valuers.

### (q) Redeemable Shares and Deposits

Redeemable shares include fixed term and call shares issued by the Group. Deposits are interest bearing customer deposits. Shares and deposits are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost. The interest expense is recognised using the effective interest method. Both Redeemable Shares and Deposits are unsecured. Deposits rank ahead of Redeemable Shares.

Redeemable Shares are considered to be a compound instrument. However due to the debt portion of the instrument being the material balance of the Redeemable Shares, there is no material equity portion which should be disclosed.

### (r) Bank Borrowings

Bank borrowings include the borrowing facility that the Group has arranged with the Bank of New Zealand and Westpac Banking Corporation described in Note 17. Any funds drawn down from these bank borrowing facilities are initially recognised at fair value plus transaction costs, and subsequently stated at amortised cost. Interest expense is recognised in the income statement using the effective interest method.

### (s) Impairment of Non Financial Assets

The carrying amounts of the Group's non-financial assets, other than investment property, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

### (t) Employee Benefits

#### Short-term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid if the Group has a present legal obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

## Significant Accounting Policies (continued)

### (u) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### (v) Segment Reporting

The Group operates in the retail banking and property investment industries. In accordance with NZIFRS 8, the operating segments reported are in line with the organisational structure of the Group and reporting to the Chief operating decision maker and take into account the nature of the product and services provided.

### (w) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') except where the amount of GST incurred is not recoverable from the Inland Revenue Department ('IRD'). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the IRD is included as 'other assets' or 'other liabilities' in the balance sheet. Cash flows are included in the cash flow statement on a net basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the IRD are classified as operating cash flows.

### (x) Statement of Cash Flows

The Statement of Cash flows has been presented using the direct approach modified by the netting of certain items as disclosed below.

#### (i) Cash and Cash Equivalents

Cash and cash equivalents reflect the cash on hand, liquid investments, short term borrowings at call and bank overdraft used in the day-to-day cash management of the Group, that the Group has the ability to liquidate within three months.

#### (ii) Netting of Cash Flows

Investing deposit 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 the customers rather than those of the Group.

## 4. Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### (a) Property, Plant and Equipment

Land and buildings are shown in the financial statements at fair value. The fair values are based on market values. The market valuation is undertaken annually by an external independent valuer, Blackmore & Associates (registered and ANZIV Certified Valuers), having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

### (b) Investment Property

Investment properties are measured at fair value. The fair values are based on market values. The market valuation is undertaken annually by an external valuer, Blackmore & Associates (registered and ANZIV Certified Valuers), having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

### (c) Investments in Debt Securities

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

### (d) Derivatives

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

## Determination of Fair Values (continued)

### (e) Loans and Advances

For variable rate advances the carrying amount is a reasonable estimate of the fair value as they can be settled the following day at balance outstanding. For fixed rate advances, fair values have been estimated using the discounted cash relative wholesale rates for the term at original fixing, and the wholesale rate for the remaining term at balance date.

### (f) Non-Derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

## 5. Segment Reporting

### Operating Segments

The operating segments are based on the Group's management and internal reporting structure. The Group comprises the following main operating segments:

- Banking
- Property investment

### Operating Segments Disclosure

	Banking 31/3/10 \$000	Audited Property Investment 31/3/10 \$000	Group 31/3/10 \$000	Banking 31/3/09 \$000	Audited Property Investment 31/3/09 \$000	Group 31/3/09 \$000
Total Operating Income	1,662	747	2,409	2,870	39	2,909
Pre Tax Result	65	60	5	662	(173)	489
Tax Expense/(Refund)	20	(60)	(40)	278	(3)	275
Profit for the Year	45	-	45	384	(170)	214
Segment Assets	106,496	8,944	115,440	106,832	5,973	112,805
Segment Liabilities	98,787	501	99,288	96,251	467	96,718
Capital Expenditure	12	140	152	31	515	546
Depreciation	30	43	73	33	36	69
Impairment Loss on Loans	508	-	508	265	-	265

6. **Net Interest Income**

	Audited 31/3/10 \$000	Audited 31/3/09 \$000
<b>Interest Income</b>		
Loans	6,680	8,637
Call Deposits	57	112
Promissory Notes	57	106
<b>Total Interest Income</b>	<b>6,794</b>	<b>8,855</b>
<b>Interest Expense</b>		
Bank Overdraft	2	1
Redeemable Shares	4,670	5,356
Deposits	522	1,204
Net (Gain)/Loss on Fair Value Hedging Instruments and Loans (Hedge Ineffectiveness)	-	(47)
<b>Total Interest Expense</b>	<b>5,194</b>	<b>6,514</b>
<b>Net Interest Income</b>	<b>1,600</b>	<b>2,341</b>

There is no interest income earned on financial assets acquired through the enforcement of security or impaired assets (2009 – nil).

7. **Other Operating Income**

	Audited 31/3/10 \$000	Audited 31/3/09 \$000
Lending and Facility Fees Income	55	62
Other Fee Income	7	4
Rental Income from Investment Properties	606	665
<b>Other Operating Income</b>	<b>668</b>	<b>731</b>

8. **Personnel Expenses**

	Audited 31/3/10 \$000	Audited 31/3/09 \$000
Directors Fees	72	71
Wages and Salaries	735	838
Other Staff Related Expenses	17	28
<b>Personnel Expenses</b>	<b>824</b>	<b>937</b>

9. **Other Operating Expenses**

The following items of expenditure are included in other operating expenses:

	Audited 31/3/10 \$000	Audited 31/3/09 \$000
Sponsorship	54	119
Auditor's Remuneration to KPMG comprises:		
Audit of Financial Statements	37	43
Other Audit-Related Services	6	3
<b>Total Auditor's Remuneration</b>	<b>43</b>	<b>46</b>

Other audit-related services include services for the audit or review of financial information other than financial reports including prospectus reviews and trust deed reporting.

10. **Income Tax Expense in the Income Statement**

	Audited 31/3/10 \$000	Audited 31/3/09 \$000
<b>Current Tax Expense</b>		
Current Period	116	233
<b>Deferred Tax Expense</b>		
Origination and Reversal of Temporary Differences	(156)	42
<b>Total Income Tax Expense/(Refund)</b>	<b>(40)</b>	<b>275</b>
<b>Reconciliation of Effective Tax Rate</b>		
	Audited 31/3/10 \$000	Audited 31/3/09 \$000
Profit before Income Tax	5	489
Income Tax using the Tax Rate 30% (2008: 33%)	1	147
Non Deductible Expenses/(Tax Exempt Income)	(41)	128
<b>Total Income Tax Expense/(Refund)</b>	<b>(40)</b>	<b>275</b>

11. **Imputation Credit Account**

	Audited 31/3/10 \$000	Audited 31/3/09 \$000
<b>Imputation credits at beginning of Year</b>	<b>6,363</b>	<b>6,063</b>
Income tax paid during the period	80	300
Income tax refunded during the period	(23)	-
<b>Imputation Credits at End of Year</b>	<b>6,420</b>	<b>6,363</b>

12. **Cash and Cash Equivalents**

	Audited 31/3/10 \$000	Audited 31/3/09 \$000
Cash on Hand	78	121
Liquid Investments	6,975	4,781
Bank/(Overdraft)	79	(27)
<b>Cash and Cash Equivalents in the Statement of Cash Flows</b>	<b>7,132</b>	<b>4,875</b>

13. **Investment Property**

	Audited 31/3/10 \$000	Audited 31/3/09 \$000
Balance at Beginning of Year	6,220	6,355
Acquisitions/Additions	139	28
Disposals	-	-
Change in Fair Value/Revaluation	141	(163)
<b>Balance at End of Year</b>	<b>6,500</b>	<b>6,220</b>

## Investment Property (continued)

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases is non-cancellable. Subsequent renewals are negotiated with the lessee. No contingent rents were charged.

The Group's investment in properties is independently valued annually as at 31 March by Blackmore & Associates (Registered and ANZIV Certified Valuers). The current Government valuation (Masterton - 1 September 2008, Greytown - 1 September 2009) of the Group's Investment Properties is \$6,600,000. An assessment by Directors has been made at 31 March 2010 and confirms that there has been no material change in value.

### Leases as Lessor

The Group leases out its investment property held under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	Audited 31/3/10 \$000	Audited 31/3/09 \$000
Less than One Year	570	554
Between One and Five Years	1,729	816
More than Five Years	451	265
	<b>2,750</b>	<b>1,635</b>

During the year ended 31 March 2010, \$605,000 (2009: \$665,000) was recognised as rental income in the income statement. At 31 March 2010 direct operating expenses arising from the investment property recognised in the income statement totalled \$225,000 (2009: \$211,000).

## 14. Loans

	Audited 31/3/10 \$000	Audited 31/3/09 \$000
Secured Loans		
By Mortgage	98,346	96,950
By Other than Mortgage	917	850
Unsecured Loans	141	149
<b>Total Loans and Advances</b>	<b>99,404</b>	<b>97,949</b>
Fair Value Adjustment	803	1,599
Less Individual Provision for Doubtful Debts	(923)	(415)
<b>Net Loans</b>	<b>99,284</b>	<b>99,133</b>

The Individual Provision for Doubtful Debt impairment is the result of financial assets acquired through the enforcement of security.

	Audited 31/3/10 \$000	Audited 31/3/09 \$000
Opening Balance	415	150
Provision Raised	508	265
<b>Closing Balance</b>	<b>923</b>	<b>415</b>

The estimated value of the collateral of the impaired loan is \$150,000.

Included in Secured Loans and Advances are assets of \$1,073,000 acquired through enforcement of security against which a specific provision of \$923,000 is held.

## 15. Property, Plant and Equipment

Group	Land and Buildings at Fair Value \$000	Plant and Equipment at Cost \$000	Computer Equipment at Cost \$000	Motor Vehicles at Cost \$000	Total \$000
<b>Asset Cost or fair value</b>					
Balance at 1 April 2008	1,620	365	381	44	2,410
Additions	419	22	31	46	518
Revaluation	296	-	-	-	296
Disposals	-	-	(19)	(44)	(63)
<b>Balance at 31 March 2009</b>	<b>2,335</b>	<b>387</b>	<b>393</b>	<b>46</b>	<b>3,161</b>

## Property, Plant and Equipment (continued)

Group	Land and Buildings at Fair Value \$000	Plant and Equipment at Cost \$000	Computer Equipment at Cost \$000	Motor Vehicles at Cost \$000	Total \$000
<b>Asset Cost or fair value (continued)</b>					
Balance at 1 April 2009	2,335	387	393	46	3,161
Additions	-	-	14	-	14
Revaluation	18	-	-	-	18
Disposals	-	(31)	(75)	-	(106)
<b>Balance at 31 March 2010</b>	<b>2,353</b>	<b>356</b>	<b>332</b>	<b>46</b>	<b>3,087</b>
<b>Depreciation</b>					
Balance at 1 April 2008	20	301	337	19	677
Depreciation for the Year	15	15	28	11	69
Impairment Loss	-	-	-	-	-
Disposals	-	-	(19)	(24)	(43)
<b>Balance at 31 March 2009</b>	<b>35</b>	<b>316</b>	<b>346</b>	<b>6</b>	<b>703</b>
Balance at 1 April 2009	35	316	346	6	703
Depreciation for the Year	18	17	26	12	73
Impairment Loss	-	-	-	-	-
Disposals	-	(31)	(75)	-	(106)
<b>Balance at 31 March 2010</b>	<b>53</b>	<b>302</b>	<b>297</b>	<b>18</b>	<b>670</b>
<b>Carrying Amounts</b>					
At 31 March 2009	2,300	71	47	40	2,458
At 31 March 2010	2,300	54	35	28	2,417

The carrying amount of land and buildings as at 31 March 2010 had they been recognised under the cost model would have been \$1,283,000 (2009: \$1,283,000).

The Group's land and buildings are independently valued annually. The valuation for the year ended 31 March 2010 was performed by Blackmore & Associates (Registered and ANZIV Certified Valuers).

Included within Computer Equipment is computer software, the carrying amount of this at 31 March 2010 was \$15,000 (2009: \$7,000).

## 16. Trade and Other Payables

	Audited 31/3/10 \$000	Audited 31/3/09 \$000
Interest payable	907	960
Accrued expenses	143	223
Other payables	272	271
	<b>1,322</b>	<b>1,454</b>

## 17. Redeemable Shares, Deposits and Bank Borrowings

This note provides information about the contractual terms of the Group's interest-bearing shares, deposits and bank borrowing facilities. For more information about the Group's exposure to interest rate risk, see note 20.

	Audited Group/Parent 31/3/10 \$000	Audited Group/Parent 31/3/09 \$000
Redeemable Shares	82,004	76,004
Deposits	14,927	17,342

Both redeemable shares and deposits are unsecured. Deposits rank ahead of redeemable shares.

### Bank Borrowing Facility

The Group has committed borrowing facilities totalling \$24,000,000 (2009: \$24,000,000) with the Bank of New Zealand (2010: \$16,000,000; 2009: \$8,000,000) and Westpac Banking Corporation (2010: \$8,000,000; 2009 \$16,000,000). As at 31 March 2010, the amounts drawn down were nil. The full use of these facilities is available on demand. Any funds drawn down under these facilities rank equally in point of security with all other deposits.

### Terms and Debt Repayment Schedule

Terms and conditions of outstanding redeemable shares, deposits and bank borrowings are as detailed above.

## 18. Deferred Tax Liabilities

### Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Audited 31/3/10 \$000	Audited 31/3/09 \$000
Property, Plant and Equipment	59	58
Investment Property	313	298
Derivatives	-	14
Other items	(189)	(31)
<b>Net Deferred Tax Liabilities</b>	<b>183</b>	<b>339</b>

### Movement in temporary differences during the period

	Audited 31/3/10 \$000	Audited 31/3/09 \$000
Opening Balance	339	297
Property, Plant and Equipment	1	22
Investment Property	15	(5)
Derivatives	(14)	22
Other items	(158)	3
<b>Net Deferred Tax Liabilities</b>	<b>183</b>	<b>339</b>

All movements in temporary differences during the year were recognised in the income statement.

## 19. Equity

### Reconciliation of Movement in Equity and Reserves

Group	Capital Shares \$000	General Reserve \$000	Revaluation Reserve \$000	Total Equity \$000
Balance at 1 April 2008	-	14,972	755	15,727
Net Change in Revaluation Reserve	-	-	296	296
Total Recognised Income and Expense	-	214	-	214
Capital Shares Issued	300	-	-	300
Dividends Paid	-	(450)	-	(450)
<b>Balance at 31 March 2009</b>	<b>300</b>	<b>14,736</b>	<b>1,051</b>	<b>16,087</b>
Balance at 1 April 2009	300	14,736	1,051	16,087
Net Change in Revaluation Reserve	-	-	20	20
Total Recognised Income and Expense	-	45	-	45
Capital Shares Issued	-	-	-	-
Dividends Paid	-	-	-	-
<b>Balance at 31 March 2010</b>	<b>300</b>	<b>14,781</b>	<b>1,071</b>	<b>16,152</b>

#### General Reserve

The general translation reserve comprises Retained Earnings.

#### Revaluation Reserve

The revaluation reserve relates to the revaluation of property, plant and equipment

#### Capital Share

30 million capital shares at 1c per share are on issue. All capital shares have equal voting rights and share equally in dividends and assets on winding up. All capital shares are held by Wairarapa Building Society Charitable Trust. Dividends of nil per share were paid during the year (2009 – 1.5c per share).

## 20. Financial Instruments

### (a) Financial Risk Management Policies

Exposure to credit, liquidity, interest rate and other market risks arises in the normal course of the Group's business.

#### (i) Credit Risk

Credit Risk is the potential loss arising from the non performance by the counterparty to an instrument or facility. Credit Risk is controlled through the credit approval process and the holding of appropriate security. Securities held include registered mortgages and personal property charges (refer to Note 14).

#### (ii) Liquidity Risk

Liquidity Risk is the risk that an entity will encounter difficulty in raising funds at short notice to meet obligations from its financial liabilities.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group maintains a portfolio of short-term liquid assets and unused credit lines, to ensure that sufficient liquidity is maintained within the Group as a whole.

The Group's liquidity position is monitored daily.

## Financial Instruments (continued)

### (iii) Interest Rate Risk

Interest Rate Risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Although inherent in any lending portfolio, interest rate risk is managed where possible by the Group matching the interest maturity profile of its assets and liabilities. To this end the majority of the Group's borrowing undergo an interest rate review within one year and advances with fixed rates of interest exceeding one year are hedged with Interest Rate Swaps.

### (iv) Other Market Risks

The Group's assets are not traded. All material assets, excluding advances, are purchased with the intent that they are held to maturity. Therefore, unless sold as part of liquidity management, the Group would not be affected by any changes in the market value of these assets. The only exposure the Group has to derivative arrangements in the ordinary course of business is to manage interest rate risk by way of interest rate swap contracts.

## (b) Quantitative Disclosures

### (i) Credit Risk

Credit Risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit Risk is controlled through risk assessment, the credit approval process and holding appropriate collateral.

Risk assessment is based on the degree of risk of financial loss faced. An authorisation structure for the approval and renewal of credit facilities is in place, whereby authorisation limits are allocated to management and larger facilities require approval from the Board of Directors.

Collateral held includes registered mortgages and personal property charges. Group policy stipulates minimum levels of collateral in accordance with the assessed level of risk associated with each facility.

The amount that best represents the Group's maximum credit risk exposure is the book value of loans (including existing approved credit limits and interest accrued) and liquid investments. As at 31 March 2010, these items amounted to \$116,568,000 (2009 \$112,586,000).

The Group has taken possession of collateral it held as security over a loan. The event that led to taking possession of collateral was the customer becoming insolvent. The carrying amount of the assets obtained were approximately \$150,000 resulting in a provision for doubtful debts of \$923,000. The assets are not readily convertible into cash and the Group intends to operate the asset until it can be sold.

The Group's significant concentration of risk is the Wairarapa mortgage market as shown in the table below.

	Audited 31/3/10 \$000	Audited 31/3/09 \$000
<b>Analysis of the Risk is as Below:</b>		
Residential Lending	60,266	59,005
Commercial Lending	37,265	38,932
Farm Lending	1,753	1,196
<b>Concentration of Credit Risk:</b>		
Lending:	%	%
Within the Wairarapa	94	95
Outside the Wairarapa	6	5
<b>Percentage of Equity</b>		
Between 10 and 20	3	4
Between 20 and 30	2	2
Between 80 and 90	-	1
Between 90 and 100	1	-

The Group's six largest Debtors together owe 26.46% (2009: 26.99%) of Monetary Assets Receivable. The Group recognises this concentration of risk, has applied its normal risk management criteria, and is satisfied with the result.

## Financial Instruments (continued)

### Past Due

The status of loans and advances at the reporting date is as follows:

Group	Audited		Audited	
	Gross	Impaired	Gross	Impaired
	loans & advances 31/3/10 \$000	Loans 31/3/10 \$000	loans & advances 31/3/09 \$000	Loans 31/3/09 \$000
<b>Loans and Advances</b>				
Not Past Due	97,588	-	98,002	-
Past due 0-30 days	69	-	290	-
Past due 31-90 days	1,364	-	468	-
Past due 91-120 days	-	-	31	-
Past due 121-360 days	113	-	-	-
Impaired Loan due more than 1 year	-	150	-	342
<b>Total</b>	<b>99,134</b>	<b>150</b>	<b>98,791</b>	<b>342</b>

During the current year ended 31 March 2010 loans and advances to the value of \$655,000 were renegotiated (2009: \$832,000) and \$0 restructured (2009: \$0).

### (ii) Liquidity risk

The Group also maintains a portfolio of liquid assets together with committed external borrowing lines.

	Audited 31/3/10 \$000	Audited 31/3/09 \$000
Total Available Liquid Funds are:		
Liquid Investments	6,975	4,781
Committed Undrawn Borrowing Line	24,000	24,000
Bank/(Overdraft) and Cash	157	94
	<b>31,132</b>	<b>28,875</b>
The Group funding is sourced from:	%	%
Funding from within the Wairarapa	96	95
Funding from outside the Wairarapa	4	5
	<b>100</b>	<b>100</b>

The following table sets out a maturity analysis of the undiscounted contractual cash flows for all financial assets and liabilities prepared on the basis of the remaining period to contractual maturity as at balance date. It is shown on an undiscounted cash flow basis as this is considered the most meaningful and useful to users. The Parent contractual profile is considered materially consistent with the consolidated table shown below.

We show two Maturity tables, one Contractual and the other Expected. The Contractual table is based on a strict interpretation of the contractual obligations of the counterparties for both funding and lending and is prepared on a gross undiscounted basis. In other words, all funds invested are withdrawn on maturity and all loans go for the full contractual term.

The second maturity table shows Expected cash flows from funding and lending based on historical trend. In the last six years, the Group has on average had 33% of its loan book repaid annually. In the financial year end 31 March 2010 it has successfully retained 85.92% of all maturing invested funds. The table reflects this experience.

## Financial Instruments (continued)

<b>Contractual</b>	6 Months or Less * \$000	6-12 Months \$000	1-2 Years \$000	2-5 Years \$000	More than 5 Years \$000	Total \$000
<b>31 March 2010</b>						
<b>Assets</b>						
Cash on Hand	78	-	-	-	-	78
Bank	79	-	-	-	-	79
Liquid Investments	6,975	-	-	-	-	6,975
Prepayments	49	-	-	-	-	49
Trade and Other Receivables	31	-	-	-	-	31
Loans	18,120	7,026	13,472	24,569	121,221	184,408
Interest Accrued	13	-	-	-	-	13
<b>Total Financial Assets</b>	<b>25,345</b>	<b>7,026</b>	<b>13,472</b>	<b>24,569</b>	<b>121,221</b>	<b>191,633</b>
<b>Liabilities</b>						
Trade and Other Payables	1,322	-	-	-	-	1,322
Derivative Financial Instruments	817	-	-	-	-	817
Redeemable Shares & Deposits	87,533	7,403	1,609	386	-	96,931
<b>Total Financial Liabilities</b>	<b>89,672</b>	<b>7,403</b>	<b>1,609</b>	<b>386</b>	<b>-</b>	<b>99,070</b>
<b>Net Liquidity (Gap)/Surplus</b>	<b>(64,327)</b>	<b>(377)</b>	<b>11,863</b>	<b>24,183</b>	<b>121,221</b>	<b>92,563</b>

\* 0 – 6 months includes on-call amounts of Redeemable Shares of \$5,418,000 and Deposits from customers of \$9,897,000.

<b>Expected</b>	6 Months or Less * \$000	6-12 Months \$000	1-2 Years \$000	2-5 Years \$000	More than 5 Years \$000	Total \$000
<b>31 March 2010</b>						
<b>Assets</b>						
Cash on Hand	78	-	-	-	-	78
Bank	79	-	-	-	-	79
Liquid Investments	6,975	-	-	-	-	6,975
Prepayments	49	-	-	-	-	49
Trade and Other Receivables	31	-	-	-	-	31
Derivative financial Instruments	14	-	-	-	-	14
Loans	18,120	7,026	13,472	82,939	-	121,557
Interest Accrued	13	-	-	-	-	13
<b>Total Financial Assets</b>	<b>25,359</b>	<b>7,026</b>	<b>13,472</b>	<b>82,939</b>	<b>-</b>	<b>128,796</b>
<b>Liabilities</b>						
Trade and Other Payables	1,322	-	-	-	-	1,322
Derivative Financial Instruments	817	-	-	-	-	817
Redeemable Shares & Deposits	12,255	1,036	225	54	83,361	96,931
<b>Total Financial Liabilities</b>	<b>14,394</b>	<b>1,036</b>	<b>225</b>	<b>54</b>	<b>83,361</b>	<b>99,070</b>
<b>Net Liquidity (Gap)/Surplus</b>	<b>10,965</b>	<b>5,990</b>	<b>13,247</b>	<b>82,885</b>	<b>(83,361)</b>	<b>29,726</b>

## Financial Instruments (continued)

<b>Contractual</b>	6 Months or Less *	6-12 Months	1-2 Years	2-5 Years	More than 5 Years	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>31 March 2009</b>						
<b>Assets</b>						
Cash on Hand	121	-	-	-	-	121
Liquid Investments	4,781	-	-	-	-	4,781
Trade and Other Receivables	12	-	-	-	-	12
Loans	13,236	11,491	11,822	30,660	135,889	203,098
Interest Accrued	15	-	-	-	-	15
<b>Total Financial Assets</b>	<b>18,165</b>	<b>11,491</b>	<b>11,822</b>	<b>30,660</b>	<b>135,889</b>	<b>208,027</b>
<b>Liabilities</b>						
Bank Overdraft	27	-	-	-	-	27
Trade and Other Payables	1,454	-	-	-	-	1,454
Derivative Financial Instruments	1,552	-	-	-	-	1,552
Redeemable Shares & Deposits	78,639	14,303	200	204	-	93,346
<b>Total Financial Liabilities</b>	<b>81,672</b>	<b>14,303</b>	<b>200</b>	<b>204</b>	<b>-</b>	<b>96,379</b>
<b>Net Liquidity (Gap)/Surplus</b>	<b>(63,507)</b>	<b>(2,812)</b>	<b>11,622</b>	<b>30,456</b>	<b>135,889</b>	<b>111,648</b>

\* 0 – 6 months includes on-call amounts of Redeemable Shares of \$6,843,000 and Deposits from customers of \$13,464,000.

<b>Expected</b>	6 Months or Less *	6-12 Months	1-2 Years	2-5 Years	More than 5 Years	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>31 March 2009</b>						
<b>Assets</b>						
Cash on Hand	121	-	-	-	-	121
Liquid Investments	4,781	-	-	-	-	4,781
Trade and Other Receivables	12	-	-	-	-	12
Loans	13,236	11,491	11,822	86,028	-	122,577
Interest Accrued	15	-	-	-	-	15
<b>Total Financial Assets</b>	<b>18,150</b>	<b>11,491</b>	<b>11,822</b>	<b>86,028</b>	<b>-</b>	<b>127,506</b>
<b>Liabilities</b>						
Bank Overdraft	27	-	-	-	-	27
Trade and Other Payables	1,454	-	-	-	-	1,454
Derivative Financial Instruments	1,552	-	-	-	-	1,552
Redeemable Shares & Deposits	12,582	2,288	16	33	78,427	93,346
<b>Total Financial Liabilities</b>	<b>15,615</b>	<b>2,288</b>	<b>16</b>	<b>33</b>	<b>(78,427)</b>	<b>96,379</b>
<b>Net Liquidity (Gap)/Surplus</b>	<b>2,535</b>	<b>9,203</b>	<b>11,806</b>	<b>85,995</b>	<b>(78,427)</b>	<b>31,127</b>

## Financial Instruments (continued)

### (iii) Interest Rate Risk – Repricing Analysis

The interest rate repricing analysis provides information about the Group's exposure to interest rate risk and has been prepared on the basis of the earliest of contractual maturity or the next repricing date.

Group/Parent	6 Months or Less \$000	6-12 Months \$000	1-2 Years \$000	2-5 Years \$000	More than 5 Years \$000	Total \$000
<b>31 March 2010</b>						
<b>Financial Assets</b>						
Cash on Hand	78	-	-	-	-	78
Bank	79	-	-	-	-	79
Liquid Investments	6,975	-	-	-	-	6,975
Prepayments	49	-	-	-	-	49
Trade and Other Receivables	31	-	-	-	-	31
Loans	78,904	3,671	11,074	5,635	-	99,284
Accrued Interest	13	-	-	-	-	13
<b>Total</b>	<b>86,129</b>	<b>3,671</b>	<b>11,074</b>	<b>5,635</b>	<b>-</b>	<b>106,509</b>
<b>Financial Liabilities</b>						
Trade and Other Payables	1,322	-	-	-	-	1,322
Redeemable Shares and Deposits	87,533	7,403	1,609	386	-	96,931
<b>Total</b>	<b>88,855</b>	<b>7,403</b>	<b>1,609</b>	<b>386</b>	<b>-</b>	<b>98,253</b>
<b>Net On Balance Sheet Position</b>	<b>(2,726)</b>	<b>(3,732)</b>	<b>9,465</b>	<b>5,249</b>	<b>-</b>	<b>8,256</b>
<b>Off Balance Sheet</b>						
Interest Rate Swaps	15,770	(1,125)	(10,730)	(3,915)	-	-
<b>Net Position</b>	<b>13,044</b>	<b>(4,857)</b>	<b>(1,265)</b>	<b>1,334</b>	<b>-</b>	<b>8,256</b>

Group/Parent	6 Months or Less \$000	6-12 Months \$000	1-2 Years \$000	2-5 Years \$000	More than 5 Years \$000	Total \$000
<b>31 March 2009</b>						
<b>Financial Assets</b>						
Cash on Hand	121	-	-	-	-	121
Liquid Investments	4,781	-	-	-	-	4,781
Prepayments	42	-	-	-	-	42
Trade and Other Receivables	12	-	-	-	-	12
Loans	72,314	8,957	6,269	11,593	-	99,133
Accrued Interest	15	-	-	-	-	15
<b>Total</b>	<b>77,285</b>	<b>8,957</b>	<b>6,269</b>	<b>11,593</b>	<b>-</b>	<b>104,104</b>
<b>Financial Liabilities</b>						
Bank Overdraft	27	-	-	-	-	27
Trade and Other Payables	1,454	-	-	-	-	1,454
Redeemable Shares and Deposits	78,639	14,303	200	204	-	93,346
<b>Total</b>	<b>80,120</b>	<b>14,303</b>	<b>200</b>	<b>204</b>	<b>-</b>	<b>94,827</b>
<b>Net On Balance Sheet Position</b>	<b>(2,835)</b>	<b>(5,346)</b>	<b>6,069</b>	<b>11,389</b>	<b>-</b>	<b>9,277</b>
<b>Off Balance Sheet</b>						
Interest Rate Swaps	24,545	(4,295)	(5,460)	(14,790)	-	-
<b>Net Position</b>	<b>21,710</b>	<b>(9,641)</b>	<b>609</b>	<b>(3,401)</b>	<b>-</b>	<b>9,277</b>

## Financial Instruments (continued)

### (iv) Capital Management

The Group's capital includes capital shares, reserves and retained earnings.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group is subject to externally imposed capital requirements via its Trust Deed. The minimum required capital is 7%. As at 31 March 2010 the Group has capital of 13.99%.

The allocation of capital between its specific business segments' operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. There have been no material changes in the Group's management of capital during the period.

### (v) Sensitivity Analysis

#### Cash Flow Sensitivity Analysis

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuation on the Group's earnings. Over the longer term, however, permanent changes in interest rates may have an impact on profit.

A change in interest rates would impact on interest payments and receipts on the Group's floating rate assets and liabilities. Accordingly, the one-year cash flow sensitivity to a 1% movement in interest rates (based on the assets and liabilities held at balance date) is as follows (interest rate swaps have been included in this calculation):

	2010 Impact on Profit & Loss	2009 Impact on Profit & Loss
1% Increase in Interest Rates	215,081	34,950
1% Decrease in Interest Rates	(215,081)	(34,950)

### (vi) Hedging

#### Interest Rate Hedges

The Group has a policy of ensuring that it materially hedges all exposure to changes in interest rates on fixed rate advances beyond one year. Interest rate swaps, denominated in New Zealand dollars, have been entered to achieve the Group's policy. The swaps mature over the next 5 years matching the maturity of the related loans and have fixed swap rates ranging from 4.05% to 8.46% (2009: 4.25% to 8.63%). At 31 March 2010, the Group had interest rate swaps with a notional contract amount of \$20,080,000 (2009: \$30,425,000). The Group classifies interest rate swaps as fair value hedges.

The net fair value of swaps at 31 March 2010 was negative \$803,000 (2009: negative \$1,552,000) comprising assets of \$14,000 (2009: \$Nil) and liabilities of \$817,000 (2009: \$1,552,000).

Hedge ineffectiveness as at 31 March 2010 amounted to zero (2009: \$47,000 gain).

## Financial Instruments (continued)

### (vii) Accounting Classifications and Fair Values

	Designated at Fair Value \$000	Loans and Receivables \$000	Available for Sale \$000	Other Amortised Cost \$000	Total Carrying Amount \$000	Fair Value \$000
<b>31 March 2010</b>						
<b>Assets</b>						
Cash on Hand	-	78	-	-	78	78
Bank	-	79	-	-	79	79
Liquid Investments	-	3,000	3,975	-	6,975	6,975
Trade & Other Receivables	-	31	-	-	31	31
Derivative Financial Instruments	14	-	-	-	14	14
Loans	-	99,284	-	-	99,284	99,284
Accrued Interest	-	13	-	-	13	13
<b>Total</b>	<b>14</b>	<b>102,485</b>	<b>3,975</b>	<b>-</b>	<b>106,474</b>	<b>106,474</b>
<b>Liabilities</b>						
Trade & Other Payables	-	-	-	1,322	1,322	1,322
Derivative Financial Instruments	817	-	-	-	817	817
Redeemable Shares and Deposits	-	-	-	96,931	96,931	96,931
<b>Total</b>	<b>817</b>	<b>-</b>	<b>-</b>	<b>98,253</b>	<b>99,070</b>	<b>99,070</b>

	Designated at Fair Value \$000	Loans and Receivables \$000	Available for Sale \$000	Other Amortised Cost \$000	Total Carrying Amount \$000	Fair Value \$000
<b>31 March 2009</b>						
<b>Assets</b>						
Cash on Hand	-	121	-	-	121	121
Liquid Investments	-	1,800	2,981	-	4,781	4,781
Trade & Other Receivables	-	12	-	-	12	12
Loans	-	99,133	-	-	99,133	98,393
Accrued Interest	-	15	-	-	15	15
<b>Total</b>	<b>-</b>	<b>101,081</b>	<b>2,981</b>	<b>-</b>	<b>104,062</b>	<b>103,322</b>
<b>Liabilities</b>						
Bank Overdraft	-	-	-	27	27	27
Derivative Financial Instruments	1,552	-	-	-	1,552	1,552
Trade & Other Payables	-	-	-	1,454	1,454	1,454
Redeemable Shares and Deposits	-	-	-	93,346	93,346	93,346
<b>Total</b>	<b>1,552</b>	<b>-</b>	<b>-</b>	<b>94,827</b>	<b>96,379</b>	<b>96,379</b>

Fair value hierarchy. Derivatives are valued using valuation models based on observable market inputs (level 2 inputs). For liquid investments classified as available for sale, fair values considered to be represented by the amortised cost of the investment as they are short term in nature and there has been no significant change in credit risk.

## 21. Contractual Commitments

WBS's commitment in respect of loans and advances approved but still awaiting settlement and undrawn facilities/limits as at 31 March 2010 totalled \$10,309,000 (2009: \$8,686,000).

## 22. Contingencies

The Group has no material contingent liabilities at balance date.

## 23. Reconciliation of the Profit for the Year with the Net Cash Flows from Operating Activities

	Audited 31/3/10 \$000	Audited 31/3/09 \$000
Profit for the Year	45	214
Adjustments for:		
Bad Debts Provision	508	265
Depreciation	73	69
Change in Fair Value of Investment Property	(141)	163
Accrued Income	2	20
Accrued Expenses	(29)	(382)
Change in Trade and Other Receivables	(19)	51
Change in Prepayments	(7)	(26)
Change in Trade and Other Payables	(37)	(42)
Change in Current Tax Liabilities/(Assets)	58	(67)
Change in Deferred Tax Liabilities/(Assets)	(156)	42
<b>Net Cash from Operating Activities</b>	<b>297</b>	<b>307</b>

## 24. Related Parties

### Parent and Ultimate Controlling Party

The ultimate controlling entity in the Group is Wairarapa Building Society.

### Loans to Directors

Additional loan facilities were issued to Directors, Key Management Personnel and their associated Companies during the year ended 31 March 2010 amounted to \$20,000 (2009: \$50,000). All loans are made on an "arms length" basis and at market rates. The loans are repayable by 31 December 2030 and are secured by registered mortgage. At 31 March 2010 the total balance of outstanding loans was \$885,000 (2009: \$973,000). These loan facilities are included in loans and advances recorded by the Group (see note 14).

## 25. Controlled entities

Controlled entities	Ownership interest %	Balance date	Nature of business
Wairarapa Property Investments Limited	100%	31 March	Property investment
Manawatu Permanent Building Society	100%	31 March	Property investment

## 26. Key Management Personnel Compensation

Key Management Personnel short term employee benefits amounted to \$599,000 for the year ended 31 March 2010 (2009: \$733,000). There were no other benefits paid to Key Management Personnel.

## 27. Subsequent Events

Since 31 March 2010 the Government has announced that the Company tax rate (which applies to the Group) will reduce from 30% to 28% effective for years beginning on or after 1 April 2011.

The financial effects of the change in tax rate have not been brought to account in the financial statements for the year ended 31 March 2010. Had the financial effect of the change in tax rate been recognised at 31 March 2010, there would have been a reduction in the deferred tax liability by \$12,200 and a decrease in income tax expense by \$12,200.