



# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 96th Annual General Meeting of Shareholders of the Loan and Building Society ("the Society") will be held in the Gallery Lounge, Hotel Ashburton, on Friday 29 July 2005 commencing at 4.30pm.

R.S.V.P by 4.30pm Wednesday, 27 July 2005 to the Loan and Building Society.

## **Business**

### **1. Annual Report and Directors' Report**

To receive and adopt the Annual Report and the Directors' Report for the year ended 31 March 2005.

### **2. Retirement of Directors**

To elect two Directors in place of Gary Leech and Roger Bonifant who retire by rotation. Gary Leech and Roger Bonifant are the only persons nominated who have given notice required by the Rules for the vacancies on the Board.

### **3. Auditors**

To reappoint Deloitte as the Society's Auditors for the ensuing year.

### **4. Directors' Remuneration**

To fix the remuneration of Directors. The Directors recommend that the combined fees be increased from \$99,000 to \$113,000 for the financial year commencing 1 April 2005.

### **5. General Business**

To deal with any other business that may properly be brought before the meeting.

John Moore (General Manager)



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# OUR COMMITMENT...

“To provide trusted personal banking service”

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## OUR ORIGINS...

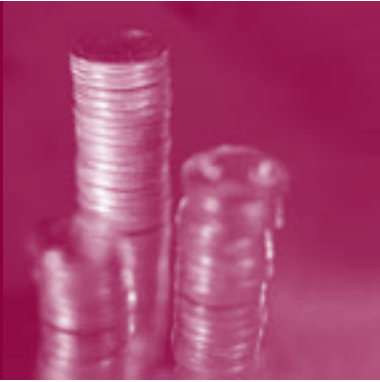


The Loan and Building Society began life in 1893 as a "Terminating" Building Society but was dissolved in 1909 and reformed as a "Permanent" Building Society named "Ashburton Loan and Investment Society and Bank of Deposit"-quite a mouthful. It underwent two more name changes over the years until 1997 when it changed to its present form.

Loan and Building Society is a progressive Building Society which has doubled its Total Tangible Assets over the last five years and is looking to increase its business in its traditional areas over the next five years. The Society's funding is from retail deposits throughout New Zealand. It lends on first registered mortgage on rural, commercial and residential property. The Society offers attractive deposit rates for both call and term deposits, competitive mortgage packages and seasonal finance through its cheque account facilities and low fee structure.

In December 1999, the Society demutualised and issued 1.5 million ordinary shares at a price of \$1.00 per share. In July 2001, an additional 1.5 million ordinary shares were issued, taking the total shares on issue to 3 million. These additional shares were issued at \$2.00 per share.

Loan and Building Society shares trade on the NZAX Board.



# PERFORMANCE HIGHLIGHTS

## RECORD PROFIT

17.8% lift in after-tax profit stemming from continued customer growth.

## CUSTOMER SERVICE

Introduction of internet banking and cash card facilities.

Major computer upgrade completed.

## TANGIBLE ASSETS

Total Tangible Assets up 8% to \$124 million for the year.

## LENDING INCREASES

Total lending up by 17% to \$108 million for the year.

## SHAREHOLDERS' INFORMATION

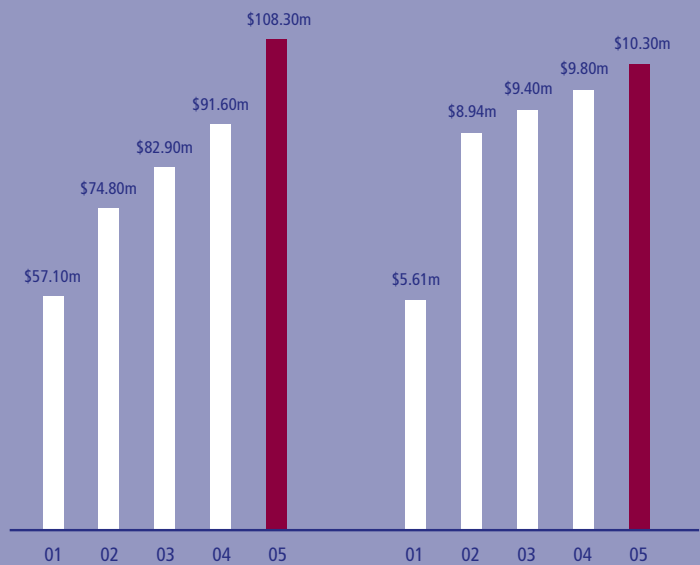
Shareholders' funds topped \$10 million for the first time.

Total dividend 15 cents per share fully imputed for the year.

## MORTGAGE ADVANCES



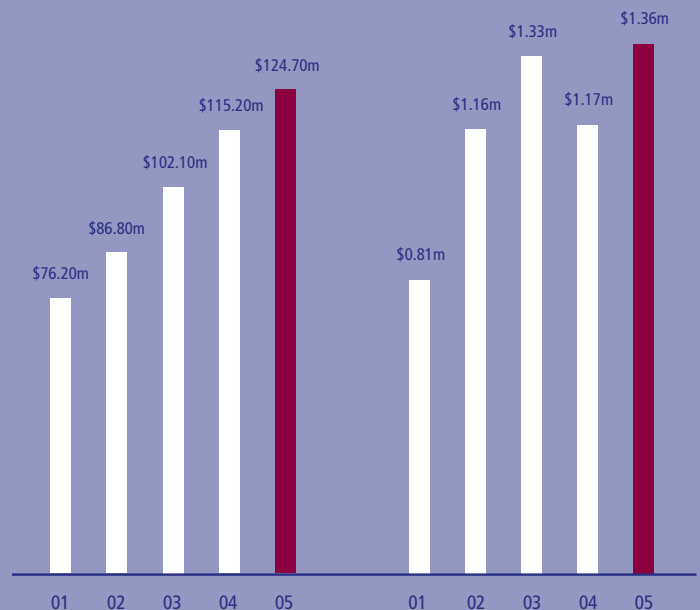
## TOTAL EQUITY



## TANGIBLE ASSETS



## PRE TAX SURPLUS



# OUR DIRECTORS & GENERAL MANAGER



**GEORGE BROWN**  
CA, ACIS, ACIM (Chairman)

Long serving director, George Brown has 35 years experience as a practising accountant and is a director of Brophy Knight Ltd, as well as several other local companies.



**LAURENCE COONEY**  
LLB, Notary Public (Deputy Chairman)

A past director of Trust Bank New Zealand Ltd, Laurence Cooney has served on many community organizations as well as directing a number of private companies. He is a practising barrister and solicitor with more than 40 years legal experience in many commercial fields.



**COLIN FLEMING**

In 1994 Colin Fleming became the first farmer to be elected to the board and served as chairman for three years from 2000. He is prominent in a number of community and service organizations, and has been chairman of Federated Farmers, Round Table and Lions Clubs.



**GARY LEECH**  
B.Com, FCA

Gary Leech is a chartered accountant practising at Leech and Partners Ltd. He is also a professional director in many business sectors including electricity, seed production and wool merchandising. He is involved with Junior Chamber International and is a life member of JCI and NZ Jaycees.



**ROGER BONIFANT**  
M.Ag.Sc, M.Sc, CNZM

Appointed a Companion of the New Zealand Order of Merit in the 2005 Queen's Birthday Honours List for his services to business and the public sector, Roger Bonifant is a director of several companies in Canterbury and chairman of Motor Trade Finances Ltd.



**JOHN MOORE** - General Manager  
AFNZIM

Since becoming General Manager in 1992, John Moore has overseen the Society's growth from \$16 million of tangible assets to \$124.7 million this year. He is a former executive member of the Financial Services Federation and holds an Advanced Diploma in Executive Management through the NZ Institute of Management.

# DIRECTORS' REPORT



It is with pleasure that on behalf of the Board of Directors of the Loan & Building Society I present the Society's Annual Report and Financial Statements for the year ended 31 March 2005.

During the past year we have experienced steady growth in our lending and our assets. In a volatile market with rising interest rates, we have maintained our lending margins and improved profitability. Our profit this year is a record for the Society with a surplus after tax of \$911,217 (compared to \$773,291 in 2004) This surplus represents a 9.23% return on average equity.

## RESULTS AT A GLANCE

Our results have continued to consolidate our position and these are:

	<b>2005</b>	<b>2004</b>	<b>Change</b>
	<b>\$ million</b>	<b>\$ million</b>	
Assets	124	115	+ 8%
Advances	108	91	+ 18%
Shareholders' Funds	10.3	9.8	+ 5%
Pre Tax Surplus	1.368	1.177	+ 17%
Surplus After Tax	0.911	0.773	+ 17.8%

## SHAREHOLDER RETURNS

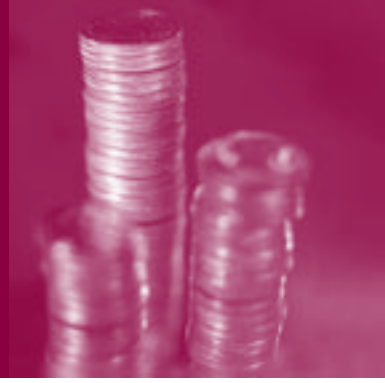
The Directors have continued the policy of providing cash returns to Shareholders and it is proposed to pay a final dividend, fully imputed, of 8 cents per share for the year ended 31 March 2005. This will bring total dividends for the year to 15 cents per share, an increase of 1 cent over the 2004 payout of 14 cents.

The statistics on shareholders' returns are:

	<b>2005</b>	<b>2004</b>
Shares on Issue	3 million	3 million
Shareholders' Funds (at year end)	10.32 million	9.83 million
Net Tangible Assets per Share	3.44	3.27
Earnings per Share (cents)	30.37	25.78
Dividend per Share (Fully imputed)	15c	14c
Gross Dividend Yield	4.98%	5.98%
Debt to Equity	1,107.44%	1,072.29%
Return on Assets	6.50%	5.41%
Return on Equity	8.82%	7.86%

## OPERATING ENVIRONMENT

The major influence on profitability over the year in review has been interest rate margins. Rising interest rates enabled the Society to maintain its margin on lending, even though more customers opted to fix their rates. Whilst fixed rates are good for our customers, it puts pressure on our margin realised due to borrowing costs continuing to rise and returns remaining static. To counter this, we are fortunate in having a mix of commercial and private customers and also the ability to borrow with a spread of terms and borrowing rates. Our expenses continue to be held to acceptable levels.



The services provided by the Society have been completed to a stage where we can offer, on a secure basis:

- Internet Banking to a level acceptable to our current users;
- Cash Cards operating through ATM machines and Eftpos terminals with retailers;
- A fully completed computer program redevelopment to a point where we do not envisage any major expenditure over the next few years.

### **LENDING POLICY**

The Board places a high priority on lending only on quality loans. Major loans are all subject to close scrutiny from Directors together with a regular review of these assets. The Directors do not expect to have any difficulties with current loans on the Society's lending book. The majority of loans continue to be secured by first mortgage over housing, commercial and farming properties in the Canterbury region.

Overdue loans and overdrafts are negligible and there are no doubtful debts on the current books.

We continue to provide for bad debts and currently have set aside from profits in recent years a total of \$400,000 (\$300,000 in 2004).

### **BUSINESS DEVELOPMENT**

The Board and management have met to consider options for continued growth of the Society. Whilst we have not made major forays into any new business projects, we continue to evaluate propositions for sustainable growth. This includes investigating new products for marketing and ways to increase our ability to improve services for clients. The Society is developing several new product lines that we envisage will enhance client services and attract new clients.

### **DIRECTORS AND STAFF**

The Society has been trading for 96 years and continues to attract staff of a very high calibre. This has been demonstrated recently by the addition of a new Lending Officer and a new Funding Manager. On behalf of the Directors I formally wish to thank our staff for their efforts and dedication over the past year. We look forward with confidence to the future.

**George Brown**  
Chairman of Directors



# GENERAL MANAGER'S REPORT...



It would be remarkable to look back 96 years and be able to see the key people who founded the Ashburton Loan and Investment Society and Bank of Deposit and to know what their thoughts would be of the Society as it is today.

In 2005 we offer electronic banking via cash cards and Internet Banking. Loans can be approved within hours. How difficult to imagine this would have been for our founding directors and shareholders, considering the telephone had not long been invented. If they could see our Total Tangible Assets at \$124 million and our Advances at \$108 million, they would be amazed that these assets are managed by just 13 staff.

With all this in mind, our founders obviously had great vision to form the Society. Now it is our job to carry that vision into the future and look for opportunities to make our services and products even better for clients and shareholders.

## **FINANCIAL**

Our financial performance for the year has produced a record tax paid surplus of \$911,217, up 18% on last year. Our growth in tangible assets grew by 8%, while mortgage advances grew 17%.

This result is very pleasing given the challenges we faced during a year of rising mortgage interest rates. This was testing to keep our margin at the correct levels to get the return to our shareholders, while also keeping investors and mortgagors happy. I believe we achieved this and the return is satisfactory to all.

We hope the coming year has greater interest rates stability, which will help with the management of our margin.

## **PRODUCTS**

### **CARDS**

The year was notable for a number of reasons, firstly the introduction of cash cards after considerable research and development. The introduction of cards has brought the Society into the world of electronic banking and given clients access to their money throughout the country. In a few months time they will also have access to their money while overseas. The cash cards can be used at ATM machines as well as purchases at all retailers with Eftpos terminals throughout the country.

The number of cards now being used has grown significantly and every week we have larger volumes transacted through cards.

### **INTERNET BANKING**

Internet banking was introduced in June 2004 at the same time as the cards. The uptake and growth of Internet Banking have been very strong, most notably amongst older clients using the internet for account balances and paying bills.



We encourage this growth as it helps both clients and Loan Society staff in terms of time saving and transaction efficiency. It is very cost-effective to use the internet to get daily balances and statements. As consumer confidence in the on-line facility grows, we believe many more users will adopt the practice in future.

While there has been some negative publicity over Internet Banking in recent months, we have been pro-active and made timely changes to our product for the protection of our clients. Responses to these changes have been very favourable.

### **SCHOOL BANKING**

This has proved very popular amongst local schools and also with parents introducing their children to the disciplines of banking. We now have Allenton, Tinwald, Ashburton Borough and Ashburton Intermediate Schools banking with us on a weekly basis.

### **IN TO WIN:**

Our In To Win savings account has been a real winner during the year, with the Society giving away \$3,000 of travel each month to lucky clients. That comes to a total of \$36,000 given away in this successful competition. The surprise and excitement of the winners when they are told and call in to accept their prizes is a real pleasure to witness.

### **NEW PRODUCTS**

Like any good business we continually plan and review what we deliver to our clients. We are currently assessing our entire range of products, and have spoken with clients and received their feedback. From this process a new product consolidating a number of existing products will be released over the next few months. At the appropriate time everyone involved will be fully informed.

### **SPONSORSHIPS**

Through the year we continued our sponsorship involvement in the community by supporting a wide range of organisations, each giving us strong endorsement and support during and after their events. Examples include bowling, golf, hockey, rugby, basketball and swimming.

### **STAFF**

As the Society grows we have sought additional staff to run our business. Over the year we have had several changes and welcomed back Sharon Thomas as a Customer Services Officer. We have also appointed René Artz as a new Loans Officer and Kevin Soster as a new Funding Manager.

All Society staff pride themselves on providing excellent customer service and treating everyone as an individual and not just another number.

### **THE FUTURE**

As referred to earlier, our founding directors and shareholders could scarcely have imagined what banking would be like today. The question to be asked now is, what will banking be like in the future?

Our goal is to keep pace with new technologies that bring cost-effective products to our clients, while providing a return to shareholders. This will most readily be achieved through communicating with our market and keeping closely in touch with our clients on what they want to receive.

For the year ahead our aim is to provide trusted personal banking service to all clients and offer the very best products it is possible to provide.

**John Moore**  
General Manager

# SUPPORTING OUR COMMUNITY

## LOAN SOCIETY SPONSORSHIPS

Allenton Rugby Club  
Allenton School-Sunhats  
Ashburton Art Gallery  
Ashburton Borough School - Art Auction  
Ashburton Bowling Club  
Ashburton Business Association Awards  
Ashburton College Volleyball  
Ashburton Golf Club-Brandon Bonanza  
Ashburton Hockey  
Ashburton MSA Bowling Club  
Ashburton Silver Band  
Cancer Society  
Hampstead Women's Bowling Club  
Hinds and District Lions  
Lions Club of Rakaia Golf Tournament  
Longbeach Charitable Trust-School  
Mayfield District Lions Golf Tournament  
Mid Canterbury Basketball  
Mid Canterbury Bowls Sub Centre  
Mid Canterbury Rugby Football Union  
Mid South Canterbury Life Education Trust-Harold Club  
Tinwald Cycling Club  
Vets Golf  
Winchmore Hall Society  
Zonta Club-Women's Breakfast



# FINANCIAL PERFORMANCE

## STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2005

	Notes	Consolidated		Society
		2005	2004	2005
		2005	2004	2005
<b>INCOME FROM:</b>				
Advances on Mortgage		7,368,364	5,954,602	7,368,364
Advances on Personal Loans		14,485	9,960	14,485
Overdrafts and Unsecured Advances		1,039,001	779,320	1,039,001
Investments		1,301,837	1,042,600	1,301,837
Inland Revenue		2,273	981	2,271
		<u>9,725,960</u>	<u>7,787,463</u>	<u>9,725,958</u>
<b>DEDUCT DIRECT COSTS OF FUNDS:</b>				
Interest on Deposits		6,736,120	5,064,404	6,737,804
Govt. Stock and Public Securities Amortisation		21,382	21,142	21,382
		<u>6,757,502</u>	<u>5,085,546</u>	<u>6,759,186</u>
<b>GROSS CONTRIBUTION FROM ACTIVITIES</b>				
Sundry Income		364,510	249,820	364,510
		<u>3,332,968</u>	<u>2,951,737</u>	<u>3,331,282</u>
<b>DEDUCT OVERHEAD EXPENSES:</b>				
Salaries		504,537	488,327	504,537
Audit Fees		57,364	68,661	57,364
Auditor - Other Services		-	-	-
Depreciation	6	158,547	109,203	146,923
Directors' Fees		99,000	85,003	99,000
Provision for Doubtful Debts		100,000	100,000	100,000
Rent		-	-	39,375
Other Operating Expenses		1,045,146	922,833	1,038,460
		<u>1,964,594</u>	<u>1,774,027</u>	<u>1,985,659</u>
<b>NET SURPLUS BEFORE TAXATION</b>				
Taxation	2	457,157	404,419	451,588
		<u>\$911,217</u>	<u>\$773,291</u>	<u>\$894,035</u>
<b>NET SURPLUS FOR THE YEAR</b>				
Earnings per Share (cents)		30.37	25.78	

The notes on pages 15-26 form part of and are to be read in conjunction with these financial statements.

# MOVEMENTS IN EQUITY

## STATEMENT OF MOVEMENTS IN EQUITY

For the year ended 31 March 2005

	Notes	Consolidated		Society	
		2005	2004	2005	2004
Equity at start of year		9,834,674	9,409,254	9,841,354	9,519,864
Net Surplus for the year	5	911,217	773,291	894,035	756,492
Increase in revaluation reserve	4	-	87,131	-	-
Total recognised revenue and expenses for the year		<u>911,217</u>	<u>860,422</u>	<u>894,035</u>	<u>756,492</u>
Distributions to owners	5	<u>(420,000)</u>	<u>(435,002)</u>	<u>(420,000)</u>	<u>(435,002)</u>
Equity at end of year		<u>\$10,325,891</u>	<u>\$9,834,674</u>	<u>\$10,315,389</u>	<u>\$9,841,354</u>

### AUTHORISATION FOR ISSUE

The Directors authorised the issue of these financial statements on 24 May 2005.

### APPROVAL BY DIRECTORS

The Directors are pleased to present the financial statements of Loan and Building Society for the year ended 31 March 2005 on pages 11 to 26.

On behalf of the Directors

  
GS Brown

  
LK Cooney

The notes on pages 15-26 form part of and are to be read in conjunction with these financial statements.

# FINANCIAL POSITION

## STATEMENT OF FINANCIAL POSITION

As at 31 March 2005.

	Notes	2005	Consolidated 2004	2005	Society 2004
<b>EQUITY</b>					
Share Capital	3	4,500,000	4,500,000	4,500,000	4,500,000
Property Revaluation Reserve	4	171,943	171,943	-	-
Retained Earnings	5	5,653,948	5,162,731	5,815,389	5,341,354
Total Equity		<u>\$10,325,891</u>	<u>\$9,834,674</u>	<u>\$10,315,389</u>	<u>\$9,841,354</u>
<b>REPRESENTED BY:</b>					
<b>NON CURRENT ASSETS</b>					
Property, Plant & Equipment	6	926,244	995,554	471,893	529,579
Investments	7	5,011,525	5,032,906	5,011,525	5,032,906
Shares in Subsidiary		-	-	500,000	500,000
Advances	8,9,10	108,304,382	91,635,209	108,304,382	91,635,209
Total Non Current Assets		<u>114,242,151</u>	<u>97,663,669</u>	<u>114,287,800</u>	<u>97,697,694</u>
<b>CURRENT ASSETS</b>					
Cash and bank		184,745	848,535	184,745	848,535
Accounts receivable		7,139	18,888	7,139	18,888
Short term deposits	11	9,957,379	16,527,196	9,957,379	16,527,196
Accrued interest		260,367	195,138	260,367	195,138
Taxation refund due		28,215	41,271	28,627	41,224
Total Current Assets		<u>10,437,845</u>	<u>17,631,028</u>	<u>10,438,257</u>	<u>17,630,981</u>
TOTAL ASSETS		<u>124,679,996</u>	<u>115,294,697</u>	<u>124,726,057</u>	<u>115,328,675</u>
<b>NON CURRENT LIABILITIES</b>					
Deposits	12	3,946,360	4,326,441	3,946,360	4,326,439
Total Non Current Liabilities		<u>3,946,360</u>	<u>4,326,441</u>	<u>3,946,360</u>	<u>4,326,439</u>
<b>CURRENT LIABILITIES</b>					
Accounts Payable		341,640	248,856	340,538	247,856
Employee entitlements		25,936	20,474	25,936	20,474
Accrued Interest		705,728	559,243	705,728	559,243
GST Payable		1,911	2,067	-	-
Current Portion of Deposits	12	109,332,530	100,302,942	109,392,106	100,333,309
Total Current Liabilities		<u>110,407,745</u>	<u>101,133,582</u>	<u>110,464,308</u>	<u>101,160,882</u>
TOTAL LIABILITIES		<u>114,354,105</u>	<u>105,460,023</u>	<u>114,410,668</u>	<u>105,487,321</u>
<b>NET ASSETS</b>		<u>\$10,325,891</u>	<u>\$9,834,674</u>	<u>\$10,315,389</u>	<u>\$9,841,354</u>

The notes on pages 15-26 form part of and are to be read in conjunction with these financial statements.

# CASH FLOWS

## STATEMENT OF CASH FLOWS

For the year ended 31 March 2005

	Notes	Consolidated		Society
		2005	2004	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
<b>Cash was provided from:</b>				
Interest on advances		8,376,710	6,726,452	8,376,710
Interest on Investments		1,299,177	1,160,402	1,299,177
Interest Inland Revenue Dept.		415	981	413
Sundry Income		361,178	248,470	361,178
Net GST		-	1,193	-
		<u>10,037,480</u>	<u>8,137,498</u>	<u>10,037,478</u>
<b>Cash was disbursed to:</b>				
Direct Cost of Funds		6,513,734	5,017,100	6,515,418
Overhead Expenses		1,671,418	1,541,782	1,704,209
Taxation Paid		444,501	413,707	439,391
Net GST		156	-	-
		<u>8,629,809</u>	<u>6,972,589</u>	<u>8,659,018</u>
Net Cash Flows from Operating Activities	13	<u>1,407,671</u>	<u>1,164,909</u>	<u>1,378,460</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
<b>Cash was provided from:</b>				
Net decrease in Short Term Deposits		6,569,817	-	6,569,817
Receipts on behalf of Loan Properties Limited		-	-	6,412
Advances Repaid		24,255,727	36,004,481	24,255,727
Government Stock Matured/Sold		-	500,000	-
		<u>30,825,544</u>	<u>36,504,481</u>	<u>30,825,544</u>
<b>Cash was disbursed to:</b>				
Net increase in Short Term Deposits		-	8,211,015	-
Advances Approved		41,024,900	45,003,890	41,024,900
Property Plant & Equipment Purchased		101,612	364,811	101,612
		<u>41,126,512</u>	<u>53,579,716</u>	<u>41,126,512</u>
Net Cash Flow Used in Investing Activities		<u>(10,300,968)</u>	<u>(17,075,235)</u>	<u>(10,300,968)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
<b>Cash was provided from:</b>				
Deposits received less withdrawals		8,649,507	12,745,715	8,678,718
		<u>8,649,507</u>	<u>12,745,715</u>	<u>8,678,718</u>
<b>Cash was disbursed to:</b>				
Dividends paid		420,000	435,002	420,000
Net Cash Flows from Financing Activities		<u>8,229,507</u>	<u>12,310,713</u>	<u>8,258,718</u>
Net (decrease) in Cash Held		(663,790)	(3,599,613)	(663,790)
Add Opening Cash brought forward		848,535	4,448,148	848,535
Closing Cash Carried Forward		<u>\$184,745</u>	<u>\$848,535</u>	<u>\$184,745</u>

The notes on pages 15-26 form part of and are to be read in conjunction with these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 1. STATEMENT OF ACCOUNTING POLICIES

### REPORTING ENTITY

Loan and Building Society (the Society) is a Building Society registered under the Building Societies Act 1965. The group consists of the Society and its subsidiary.

The Society is listed on the New Zealand Alternative Exchange (NZAX) and is an issuer for the purposes of the Financial Reporting Act 1993. The consolidated financial statements of the Society have been prepared in accordance with the Financial Reporting Act 1993, the Building Societies Act 1965 and the Securities Regulations 1983.

### MEASUREMENT BASE

The financial statements have been prepared on the historical cost basis except that certain property has been revalued.

### SPECIFIC ACCOUNTING POLICIES

#### Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Society and its subsidiary, which have been consolidated using the purchase method. All inter-company transactions and balances are eliminated on consolidation. In the financial statements of the Society, the investment in the subsidiary is stated at cost.

#### Fixed Assets

All fixed assets are initially recorded at cost.

Land and Buildings are revalued on a regular basis to net current value as determined by an independent registered valuer.

Revaluation surpluses are taken directly to the revaluation reserve. Decreases in value are debited directly to the revaluation reserve to the extent that they reverse previous surpluses and are otherwise recognised as expenses in the statement of financial performance. Additions since the latest revaluation are valued at cost.

#### Depreciation

Depreciation of property, plant & equipment other than land, is calculated on a straight line basis so as to write off the cost or valuation of property, plant & equipment in equal instalments over their expected economic lives. The principal annual rates of depreciation are:

Buildings	2% pa
Computers and Software	20% pa
Office Furniture	10% pa
Office Equipment	20% pa
Motor Vehicles	20% pa

#### Investments

Investments are valued at cost, excluding accrued interest that is included in current assets, less provision for any permanent impairment. Where Government or Local Authorities Stocks, Public Securities and Rated Corporate Bonds are purchased at a premium or discount, this premium or discount is amortised over the term of the investment.

#### Advances

Advances are stated at their estimated realisable value.

Specific provisions are made on a loan by loan basis to cover identified doubtful debts assessed as not being fully collectable in accordance with the terms of the contract.

The Society has established a general provision to recognise the potential for future losses to occur on advances made. The amount of the provision is determined with regard to the Society's asset base and type of lending.



# NOTES TO THE FINANCIAL STATEMENTS

Impaired assets include non-accrual loans, restructured loans and assets acquired through the enforcement of securities.

Past due assets are loans that have not been operated by the borrower within the key terms of the loan contract for at least 90 days and that are not impaired assets.

Interest charged on impaired assets is, to the extent that a specific provision is held for those loans, credited to the provision for that loan.

All known losses are written off in the Statement of Financial Performance in the period in which it becomes apparent that the loans are not collectable.

## Receivables

Receivables are stated at their estimated realisable value.

## Interest Income

Interest income includes all interest received and receivable by the Society.

## Interest Expense

Interest expense include interest paid and payable by the Society.

## Operating Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal installments over the lease term.

## Taxation

Taxation charged against surpluses includes current and deferred tax. Deferred tax, which is calculated on the liability basis using the comprehensive method arises from amounts of income or expenditure declared for tax purposes in years different from those in which they are dealt with in the financial statements. A debit balance in the deferred tax account is only recognised if there is virtual certainty of realisation.

## GST

The Statement of Financial Performance has been prepared so that the components that relate to the operation of the Building Society are stated on a GST inclusive basis and the components that relate to the operation of the subsidiary are stated on a GST exclusive basis.

## STATEMENT OF CASH FLOWS

### Basis of Preparation

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

### Cash

Cash reflects the balance of cash and liquid assets used in the day to day cash management of the Society.

### Netting of Cash Flows

Certain cash flows have been netted in order to provide more meaningful disclosure.

Deposits received less withdrawals are netted as the cash flows are received and disbursed on behalf of customers and reflect the activities of the customers rather than those of the Society.

Short term deposits made, less short term deposits matured are invested for short periods as part of the Society's cash management practice.

### Financial Instruments

The Society is party to recognised and unrecognised financial instruments that are subject to interest rate risk and credit risk in

# NOTES TO THE FINANCIAL STATEMENTS

the normal course of business. This is to meet the financing and banking needs of customers, for liquidity purposes and to reduce the Society's exposure to fluctuations in interest rates.

Financial instruments recognised in the Statement of Financial Position include investments, advances, bank balances, receivables, deposits and payables. These instruments are carried at their estimated realisable value. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Unrecognised financial instruments are used from time to time to hedge financial asset/liability exposures, commitments and anticipated transactions. Unrecognised financial instruments include interest rate swap arrangements.

For interest rate swap agreements entered into in connection with the management of interest rate exposure, the differential to be paid or received is accrued as interest rates change and is recognised as a component of interest income/expense over the life of the agreement.

## CHANGES IN ACCOUNTING POLICIES

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

## 2. TAXATION

	Consolidated		Society	
	2005	2004	2005	2004
(a) Net Surplus before taxation	1,368,374	1,177,710	1,345,623	1,156,485
Taxation at 33%	451,563	388,644	444,056	381,640
Tax effect of permanent differences:				
Non deductible expenses	-	11,220	-	11,220
Timing differences not recognised	5,594	4,555	7,532	7,133
Taxation Expense	\$457,157	\$404,419	\$451,588	\$399,993
(b) Deferred tax benefits not recognised in the statement of financial position	\$61,433	\$55,357	\$79,596	\$73,813

Where a net deferred tax benefit arises in any year and is not covered by an existing deferred tax liability, the deferred tax benefit is not recognised as an asset.

## 3. SHARE CAPITAL

3,000,000 ordinary shares	\$4,500,000	\$4,500,000	\$4,500,000	\$4,500,000
---------------------------	-------------	-------------	-------------	-------------

On 27 October 1999 the members of the Society approved the demutualisation of the Society. During November and December 1999, 1.5 million ordinary shares were issued at a price of \$1.00 per share and on 15 August 2001 a further 1.5 million ordinary shares were issued at a price of \$2.00 per share.

Each share entitles the owner to one vote, provided that the maximum number of votes which may be exercised by any single member and Associated Person (taken together) shall not exceed in aggregate 5% of the total number of votes able to be exercised on the relevant resolution. There is no predetermined dividend rate and there are no conversion rights. They share equally in dividends and on winding up.

All shares have been allotted and all shares are fully paid.

## 4. PROPERTY REVALUATION RESERVE

Opening Balance	171,943	84,812	-	-
Revaluation during the year	-	87,131	-	-
Closing Balance	\$171,943	\$171,943	\$0	\$0

# NOTES TO THE FINANCIAL STATEMENTS

## 5. RETAINED EARNINGS

	Consolidated		Society	
	2005	2004	2005	2004
Opening Balance	5,162,731	4,824,442	5,341,354	5,019,864
Net Surplus for the year	911,217	773,291	894,035	756,492
Dividends paid	(420,000)	(435,002)	(420,000)	(435,002)
Closing Balance	<u>\$5,653,948</u>	<u>\$5,162,731</u>	<u>\$5,815,389</u>	<u>\$5,341,354</u>

## 6. PROPERTY, PLANT & EQUIPMENT

Consolidated	Cost or Valuation	Accumulated Depreciation	2005 Book Value	2004 Book Value
Land- at valuation	105,000	-	105,000	105,000
Buildings- at valuation	345,000	11,543	333,457	341,153
Fixtures and Fittings	149,762	133,868	15,894	19,822
Office Equipment & Furniture	1,143,245	681,924	461,321	514,307
Motor Vehicle	23,500	12,928	10,572	15,272
	<u>\$1,766,507</u>	<u>\$840,263</u>	<u>\$926,244</u>	<u>\$995,554</u>

Society	Cost	Accumulated Depreciation	2005 Book Value	2004 Book Value
Office Equipment & Furniture	1,143,245	681,924	461,321	514,307
Motor Vehicle	23,500	12,928	10,572	15,272
	<u>\$1,166,745</u>	<u>\$694,852</u>	<u>\$471,893</u>	<u>\$529,579</u>

Depreciation:	Consolidated		Society	
	2005	2004	2005	2004
Buildings	7,696	7,074	-	-
Fixtures and Fittings	3,928	3,928	-	-
Office Equipment & Furniture	142,223	93,501	142,223	93,501
Motor Vehicle	4,700	4,700	4,700	4,700
	<u>\$158,547</u>	<u>\$109,203</u>	<u>\$146,923</u>	<u>\$98,201</u>

Land and Buildings at 69/71 and 75/77 Tancred Street shown at valuation were valued at net current value as at 31 August 2003 by Cunneen McLeod Valuation Limited, independent Registered Valuers.

At 31 March 1996 Colin McLeod and Associates Ltd revalued fixtures and fittings to \$17,422. All subsequent additions have been accounted for at cost. The book value relating to the revalued fixtures and fittings at 31 March 2005 is \$346 (31 March 2004: \$692).

## 7. INVESTMENTS

The market value of Public Securities and Corporate Bonds exclusive of accrued interest is \$5,164,000 and book value \$5,011,525 (31 March 2004 \$5,139,655 and book value \$5,032,906).

# NOTES TO THE FINANCIAL STATEMENTS

## 8. ADVANCES

	Consolidated		Society	
	2005	2004	2005	2004
Secured by Mortgages	108,505,060	91,792,607	108,517,106	91,792,607
Secured by Personal Loans	161,788	122,746	161,788	122,746
Unsecured Overdrafts	37,534	19,856	25,488	19,856
	<u>108,704,382</u>	<u>91,935,209</u>	<u>108,704,382</u>	<u>91,935,209</u>
less Provision for Doubtful Debts (Note 9)	(400,000)	(300,000)	(400,000)	(300,000)
Total Advances	<u>108,304,382</u>	<u>91,635,209</u>	<u>108,304,382</u>	<u>91,635,209</u>

## 9. PROVISION FOR DOUBTFUL DEBTS

	Consolidated		Society	
	2005	2004	2005	2004
	Performing Assets	Performing Assets	Performing Assets	Performing Assets
Balances at Beginning of Year				
- General	300,000	200,000	300,000	200,000
- Specific	-	-	-	-
	<u>300,000</u>	<u>200,000</u>	<u>300,000</u>	<u>200,000</u>
Additional Amounts Provided				
- General	100,000	100,000	100,000	100,000
- Specific	-	-	-	-
	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Net Change in Provisions for Year	100,000	100,000	100,000	100,000
Balance at end of Year				
- General	400,000	300,000	400,000	300,000
- Specific	-	-	-	-
	<u>400,000</u>	<u>300,000</u>	<u>400,000</u>	<u>300,000</u>

There are no non-accrual assets (2004:Nil)

## 10. ASSET QUALITY

Movements in pre-provision balances of non-accrual and past due assets:

	Consolidated and Society			
	2005	2005	2004	2004
	Non Accrual Assets	Past Due Assets	Non Accrual Assets	Past Due Assets
Pre-Provision Opening Balance	-	1,272,212	-	1,099,659
Transfer In	-	-	-	862,265
Transfer Out	-	(1,272,212)	-	(689,712)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,272,212</u>
Pre-Provision Closing Balance	-	-	-	1,272,212
Less Specific Provisions	-	-	-	-
Closing Balance (Net of Provisions)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,272,212</u>

## 11. SHORT TERM DEPOSITS

Short term deposits consist of deposits with registered trading banks in New Zealand and a NZACU Bond and are for maturities of less than one year.

# NOTES TO THE FINANCIAL STATEMENTS

## 12. DEPOSITS

	2005		2004	
	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
(a) Non Current:				
Term deposits due:				
Between 1-2 years	1,284,809	6.27%	1,077,792	5.60%
2 years and later	2,661,551	6.86%	3,248,649	6.68%
	<u>\$3,946,360</u>		<u>\$4,326,441</u>	
(b) Current:				
Term deposits due:				
Within 1 year	83,352,625	6.87%	70,407,791	5.73%
At call deposits	25,979,905	5.48%	29,895,151	4.56%
Total Consolidated	109,332,530		100,302,942	
At call deposits held by Loan Properties Limited	59,576	4.00%	30,367	3.50%
Total Society	<u>\$109,392,106</u>		<u>\$100,333,309</u>	

Call and term deposits are obtained for the Society through retail funding from investors predominantly in the South Island of New Zealand.

All deposits are unsecured.

## 13. RECONCILIATION OF NET SURPLUS FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated		Society	
	2005	2004	2005	2004
Net Surplus for the year	911,217	773,291	894,035	756,492
Non Cash Items				
Depreciation	158,547	109,203	146,923	98,201
Government Stock & Public Securities Amortisation	21,382	21,142	21,382	21,142
Increase in Provision for Doubtful Debts	100,000	100,000	100,000	100,000
Items Classified as Investing				
Accounts Payable	12,374	-	12,374	-
Movements in Working Capital				
Accounts Payable	92,784	54,204	92,682	54,204
Employee Entitlements	5,462	(13,967)	5,462	(13,967)
Accrued Interest Payable	146,485	30,618	146,485	30,618
Accrued Interest Receivable	(65,229)	(18,854)	(65,229)	(18,854)
Accounts Receivable	11,749	117,802	11,749	117,802
GST Payable	(156)	1,193	-	-
Taxation Refund Due	13,056	(9,723)	12,597	(10,441)
Net Cash Flows from Operating Activities	<u>1,407,671</u>	<u>1,164,909</u>	<u>1,378,460</u>	<u>1,135,197</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 14. LIQUIDITY PROFILE

Monetary assets receivable matched against liabilities payable as at 31 March 2005

	Total	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
<b>MONETARY ASSETS:</b>						
Public Securities & Rated Corporate Bonds	5,011,525	5,011,525	-	-	-	-
Advances	108,304,382	108,304,382	-	-	-	-
Accounts Receivable	7,139	7,139	-	-	-	-
Cash and Bank	184,745	184,745	-	-	-	-
Short Term Deposits	9,957,379	9,957,379	-	-	-	-
Accrued Interest	260,367	260,367	-	-	-	-
Taxation Refund Due	28,215	28,215	-	-	-	-
	<u>\$123,753,752</u>	<u>\$123,753,752</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

	Total	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
<b>LIABILITIES</b>						
Deposits	113,278,890	92,138,563	17,193,967	1,284,809	2,661,551	-
Accrued Interest	705,728	705,728	-	-	-	-
Accounts Payable	369,487	369,487	-	-	-	-
	<u>\$114,354,105</u>	<u>\$93,213,778</u>	<u>\$17,193,967</u>	<u>\$1,284,809</u>	<u>\$2,661,551</u>	<u>\$0</u>

Monetary assets receivable matched against liabilities payable as at 31 March 2004.

	Total	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
<b>MONETARY ASSETS:</b>						
Public Securities & Rated Corporate Bonds	5,032,906	5,032,906	-	-	-	-
Advances	91,635,209	91,635,209	-	-	-	-
Accounts Receivable	18,888	18,888	-	-	-	-
Cash and Bank	848,535	848,535	-	-	-	-
Short Term Deposits	16,527,196	16,527,196	-	-	-	-
Accrued Interest	195,138	195,138	-	-	-	-
Taxation Refund Due	41,271	41,271	-	-	-	-
	<u>\$114,299,143</u>	<u>\$114,299,143</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

	Total	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
<b>LIABILITIES:</b>						
Deposits	104,629,383	88,699,985	11,602,957	1,077,792	1,077,792	-
Accrued Interest	559,243	559,243	-	-	-	-
Accounts Payable	271,397	271,397	-	-	-	-
	<u>\$105,460,023</u>	<u>\$89,530,625</u>	<u>\$11,602,957</u>	<u>\$1,077,792</u>	<u>\$1,077,792</u>	<u>\$0</u>

# NOTES TO THE FINANCIAL STATEMENTS

Of the advances receivable as at 31 March 2005:

- (1) There were no advances with arrears in excess of three months (2004: \$1,272,212 or 1.11%).
- (2) The aggregate of the six largest advances as at 31 March 2005 is \$16,303,080 representing 13.17% of total monetary assets (2004: \$13,192,619 representing 11.54%).

## 15. FINANCIAL INSTRUMENTS

The Society is party to financial instruments as part of its normal day to day operations. The main financial instruments are cash and bank investments, advances, receivables, payables and deposits. The Society has unrecognised financial instruments of undrawn credit facilities and interest rate swap arrangements.

### Management Policies

#### Credit

All prospective mortgagors are subject to lending criteria established by the Board of Directors. These include maximum loan to security value ratios; a demonstrated debt servicing ability and all advances are secured by first mortgage and/or general security agreement or specific security agreement. All approvals are by Management, Finance Committee or the Board of Directors depending on the size of the advance.

#### Interest Rates

The Society's normal lending terms allow it to reset interest rates from time to time at its discretion. Interest rates on at call depositor's funds can be reset immediately. Interest rates on term deposits are fixed until their respective maturity dates.

### Management Of Liquidity

The Society's liquidity position is set out in the Liquidity Profile included in these statements. The Society monitors its liquidity position on an ongoing basis and endeavours to maintain a mix of call and term deposits, which, together with funds received from mortgage repayments ensure that funds are available as necessary to meet all commitments as they fall due.

The Society has a balance of call funds of approximately \$4,000,000 on a daily basis. The Society has a facility of a committed Money Market Line of up to \$8,000,000 from the ANZ Banking Group (New Zealand) Limited. This facility is unsecured.

### Fair Value of Financial Instruments

The fair value of the financial instruments as at 31 March 2005 are the carrying values as disclosed in the statement of financial position with the exception of fixed rate advances, public securities and rated corporate bonds and interest rate swaps. The market values of public securities and rated corporate bonds are disclosed in note 7.

The Society has entered into interest rate contracts to fix a portion of interest costs. The notional amount of the interest rate swaps outstanding at 31 March 2005 is \$2,100,000. The unrecognised loss on the interest rate swaps outstanding at 31 March 2005 is \$31,936.

For fixed rate advances the cost of making a reasonable reliable estimate of the fair value is considered to be excessive in relation to the perceived benefit to users. At 31 March 2005 the carrying value of fixed rate mortgage advances with repricing dates beyond one year was \$27,928,564 (2004: \$14,225,735).

## 16. CREDIT RISK

Maximum exposures to credit risk are the disclosed carrying values of lending and investment assets. All advances have been lent for use in New Zealand, predominantly concentrated in the South Island. Concentrations of credit risk can arise where the Society is exposed to risk in activities or industries of a similar nature. An analysis of advances by type of lending is as follows:-

# NOTES TO THE FINANCIAL STATEMENTS

## 16. CREDIT RISK (Cont.)

	Consolidated and Society	
	2005	2004
Residential	46,001,642	36,385,471
Farming	31,570,183	30,956,158
Commercial	30,933,235	24,450,978
Chattel Security	161,788	122,746
Unsecured	37,534	19,856
	<u>\$108,704,382</u>	<u>\$91,935,209</u>

Number of individual lending and investment counter parties with balances:

Percentage of Equity	2005		2004	
	Advances	Short Term Deposits	Advances	Short Term Deposits
10 - 20%	7	4	8	3
20 - 30%	5	-	5	-
30 - 40%	2	-	-	1

The Society has entered into interest rate swap contracts to fix a portion of interest costs. The terms of these fixed interest rates are between 4 and 5 years.

## 17. INTEREST RATE RISK

Interest rate risk is that the value of the financial instruments will fluctuate due to changes in market interest rates. Normal mortgage lending terms allow the Society to reset interest rates at one months notice for changes in funding costs.

At 31 March 2005 there were fixed rate loans totalling \$49,773,153 (2004: \$24,847,952).

The following schedule details the Society's interest rate repricing profile.

### INTEREST RATE REPRICING SCHEDULE AS AT 31 MARCH 2005

	Weighted Average Int. Rate	Total	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
<b>ASSETS:</b>							
Public Securities & Rated Corporate Bonds	7.26%	5,011,524	1,004,352	3,006,394	1,000,778	-	-
Advances	8.80%	108,304,382	68,997,856	11,377,962	21,768,995	6,159,569	-
Cash and Bank	-	184,745	184,745	-	-	-	-
Short Term Deposits	6.58%	9,957,379	9,957,379	-	-	-	-
		<u>\$123,485,030</u>	<u>\$80,144,332</u>	<u>\$14,384,356</u>	<u>\$22,769,773</u>	<u>\$6,159,569</u>	<u>\$0</u>



# NOTES TO THE FINANCIAL STATEMENTS

## 17. INTEREST RATE RISK (Cont.)

	Weighted Average Int. Rate	Total	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
<b>LIABILITIES:</b>							
Deposits	6.55%	113,278,890	92,138,563	17,193,967	1,284,809	2,661,551	-
		<u>\$113,278,890</u>	<u>\$92,138,563</u>	<u>\$17,193,967</u>	<u>\$1,284,809</u>	<u>\$2,661,551</u>	<u>\$0</u>

## INTEREST RATE REPRICING SCHEDULE AS AT 31 MARCH 2004

	Weighted Average Int. Rate	Total	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
<b>ASSETS:</b>							
Rated Corporate Bonds	7.15%	5,032,906	-	1,021,759	3,009,980	1,001,167	-
Advances	7.81%	91,635,209	72,707,301	4,702,173	9,032,153	5,193,582	-
Cash and Bank	-	848,535	848,535	-	-	-	-
Short Term Deposits	5.19%	16,527,196	16,527,196	-	-	-	-
		<u>\$114,043,846</u>	<u>\$90,083,032</u>	<u>\$5,723,932</u>	<u>\$12,042,133</u>	<u>\$6,194,749</u>	<u>\$0</u>

	Weighted Average Int. Rate	Total	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
<b>LIABILITIES:</b>							
Deposits	5.41%	104,629,383	88,699,985	11,602,957	1,077,792	3,248,649	-
		<u>\$104,629,383</u>	<u>\$88,699,985</u>	<u>\$11,602,957</u>	<u>\$1,077,792</u>	<u>\$3,248,649</u>	<u>\$0</u>

## 18. IMPUTATION CREDIT ACCOUNT

	Consolidated		Society	
	2005	2004	2005	2004
Balance Brought Forward	998,179	798,289	973,089	776,908
Taxation Paid	443,491	413,960	438,991	410,435
Resident Withholding Taxation	657	184	-	-
	<u>1,442,327</u>	<u>1,212,433</u>	<u>1,412,080</u>	<u>1,187,343</u>
<b>Less</b>				
Taxation Refunds	(48)	-	-	-
Imputation Credits on Dividends Paid	(206,866)	(214,254)	(206,866)	(214,254)
Total Balance Available to Shareholders as at 31 March 2005	<u>\$1,235,413</u>	<u>\$998,179</u>	<u>\$1,205,214</u>	<u>\$973,089</u>

With the issue of shares in December 1999, the Society is now able to attach imputation credits to dividends paid on these shares. There was insufficient continuity of shareholding during the share issue to enable imputation credits being retained that previously could be accumulated. Therefore the imputation credit account only reflects imputation credits available since the share issue.

# NOTES TO THE FINANCIAL STATEMENTS

## 19. RELATED PARTY TRANSACTIONS

Loan Properties Limited is wholly owned by the Society and owns land and buildings which are leased to the Society. The following transactions occurred:-

	2005	2004
Rent paid to Loan Properties Limited	39,375	39,375
Interest paid to Loan Properties Limited	1,684	450

The following were owed to Loan Properties Limited by the Society:

Deposits	59,576	30,367
----------	--------	--------

Loan and Building Society has made advances to the General Manager and associated entities. Balances at 31 March 2005 total \$340,719. These advances are made on normal commercial terms.

Loan and Building Society has received deposits from the General Manager and associated entities. Deposits at 31 March 2005 total \$31,029. These deposits are made on the same terms as members of the public.

The General Manager and associated entities hold 5928 shares in the Society at 31 March 2005.

Directors who are solicitors or accountants are able to operate Trust Accounts for clients with the Society.

The following Trust Accounts are operated where a director of the Society is involved as a director or partner of the professional services firm:

Brophy Knight Limited Trust Account  
Nicoll Cooney & Co Trust Account  
Leech & Partners Limited Trust Account

Acceptance of these deposits falls within the definition of Related Party in NZAX Listing Rule B4.3.

In some instances the amounts deposited with the Society exceed the threshold of 10% of the average market capitalisation of the Society and therefore fall within the definition of material transaction pursuant to NZAX Listing Rule B4.2.

The Society has obtained a waiver from NZAX Listing Rule B4.1. in order that such deposits can be accepted in the ordinary course of its business as a building society.

The waiver is granted for a period of 2 years until 2 June 2006 when application can be made for renewal.

Deposits through Trust Accounts operated where a director of the Society is involved as a director or partner of a professional service firm are received on exactly the same terms and conditions as deposits received from members of the public.

The total of deposits in each Trust Account as at 31 March 2005 are:

	2005	2004
Brophy Knight Limited Trust Account	\$1,702,553	\$507,367
Nicoll Cooney & Co Trust Account	\$5,368,462	\$1,000,500
Leech & Partners Limited Trust Account	\$1,593,916	\$143,422

## 20. DIRECTORS TRANSACTIONS

### Services:

During the period the Society purchased legal, accounting, valuation, share registry and consultancy services totalling \$66,958 on normal commercial terms from the respective director or firms they represent (2004: \$63,337).

# NOTES TO THE FINANCIAL STATEMENTS

Amounts owing to/by the Directors:

	<b>Consolidated and Society</b>	
	<b>2005</b>	<b>2004</b>
Deposits with the Society		
- Non Current	-	1,012,673
- Current	2,522,575	4,909

The deposits with the Society are made by them on the same terms as members of the public.

Advances made to directors are under the same lending criteria and rates as members of the public.

## 21. CONTINGENT LIABILITIES

There are no contingent liabilities at 31 March 2005 (2004: Nil).

## 22. LENDING COMMITMENTS

Commitments at 31 March 2005 in respect of advances approved but still awaiting settlement amounted to \$9,770,050 (2004: \$1,506,900).

## 23. CAPITAL COMMITMENTS

At 31 March 2005 there were no capital commitments (2004: \$65,250).

## 24. LEASE COMMITMENTS

Lease commitments under non-cancelable operating leases:

	<b>Consolidated</b>		<b>Society</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Less than One Year	-	3,476	-	42,851
Between 1 and 2 Years	-	-	-	-
Total Operating Lease Commitments	<u>\$0</u>	<u>3,476</u>	<u>\$0</u>	<u>42,851</u>

## 25. SIGNIFICANT EVENTS AFTER BALANCE DATE

The directors have declared a final dividend of 8 cents per share, fully imputed for taxation purposes. There are no other significant events after balance date.

## 26. MAJOR TRANSACTIONS

The Society has obtained a waiver from NZAX Listing Rule 9.1.1(b) of Appendix 1 whereby a NZAX Issuer shall not enter into a transaction where the gross value of the transaction is in excess of 50% of the lesser of the Average Market Capitalisation or the Gross Value of Assets of the NZAX Issuer.

No instances have arisen during the financial year where this waiver has been relied upon.

## 27. BUSINESS SEGMENTS

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

## 28. CONCENTRATIONS OF FUNDING

Funding consists of deposits received. The geographical funding concentration is as follows:

	<b>2005</b>	<b>2004</b>
Canterbury Region	108,103,980	100,221,955
Other South Island Regions	2,883,821	2,850,665
North Island Regions	1,469,792	1,258,406
Outside New Zealand	821,297	298,357
	<u>\$113,278,890</u>	<u>\$104,629,383</u>

## TO THE SHAREHOLDERS OF LOAN AND BUILDING SOCIETY

We have audited the financial statements on pages 11 to 26. The financial statements provide information about the past financial performance and financial position of Loan and Building Society and group as at 31 March 2005. This information is stated in accordance with the accounting policies set out on pages 15 to 17.

### Board of Directors' Responsibilities

The Board of Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Loan and Building Society and group as at 31 March 2005 and of the results of their operations and cash flows for the year ended on that date.

### Auditors' Responsibilities

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

### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing;

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

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

Other than in our capacity as auditor we have no relationship with or interests in Loan and Building Society and its subsidiary.

### Unqualified Opinion

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

### In our opinion:

- proper accounting records have been kept Loan and Building Society as far as appears from our examination of those records; and
- the financial statements on pages 11 to 26:
  - comply with generally accepted accounting practice in New Zealand;
  - give a true and fair view of the financial position of Loan and Building Society and group as at 31 March 2005 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 24 May 2005 and our unqualified opinion is expressed as at that date.



Chartered Accountants  
Christchurch, New Zealand.

# SUMMARY OF FINANCIAL STATEMENTS

## SUMMARY OF FINANCIAL STATEMENTS

For the years ended 31 March

	2005	2004	2003	2002	2001
<b>TOTAL REVENUE</b>	10,090,470	8,037,283	7,439,874	6,807,022	5,930,586
<b>DIRECT COST OF FUNDS</b>					
Interest Paid to Depositors	6,736,120	5,064,404	4,631,906	4,382,422	4,182,309
Other Interest	-	-	3,239	17,657	5,002
Government Stock & Public Securities Amortisation	21,382	21,142	27,754	59,672	88,883
	<u>6,757,502</u>	<u>5,085,546</u>	<u>4,662,899</u>	<u>4,459,751</u>	<u>4,276,194</u>
<b>GROSS CONTRIBUTION FROM ACTIVITIES</b>	3,332,968	2,951,737	2,776,975	2,347,271	1,654,392
<b>DEDUCT OVERHEAD EXPENSES</b>					
Salaries	504,537	488,327	454,921	367,933	302,094
Audit Fees	57,364	68,661	34,037	30,909	29,703
Interest	-	-	-	21	537
Other Overhead Expenses	1,045,146	922,833	723,287	558,301	392,425
Directors' Fees	99,000	85,003	77,000	60,550	62,034
Share Issue Expenses	-	-	-	13,567	-
Depreciation	158,547	109,203	51,515	48,055	50,419
Provision for Doubtful Debts	100,000	100,000	100,000	100,000	-
	<u>1,964,594</u>	<u>1,774,027</u>	<u>1,440,760</u>	<u>1,179,336</u>	<u>837,212</u>
<b>NET SURPLUS BEFORE TAXATION</b>	1,368,374	1,177,710	1,336,215	1,167,935	817,180
Less Taxation	457,157	404,419	468,345	419,080	268,303
<b>NET SURPLUS FOR THE YEAR</b>	<u>911,217</u>	<u>773,291</u>	<u>867,870</u>	<u>748,855</u>	<u>548,877</u>
<b>DIVIDENDS PAID</b>	420,000	435,002	405,002	367,503	75,000
<b>NET SURPLUS RETAINED FOR THE YEAR</b>	<u>491,217</u>	<u>338,289</u>	<u>462,868</u>	<u>381,352</u>	<u>473,877</u>
<b>RATE OF DIVIDEND (CENTS PER SHARE)</b>	14.0	14.5	13.5	18.5	5.0
<b>TOTAL TANGIBLE ASSETS</b>	124,679,996	115,294,697	102,112,498	86,827,870	76,263,256
<b>TOTAL ASSETS</b>	124,679,996	115,294,697	102,112,498	86,827,870	76,263,256
<b>TOTAL LIABILITIES</b>	114,354,105	105,460,023	92,703,244	77,881,484	70,648,222
<b>SOCIETY'S TOTAL EQUITY</b>	<u>10,325,891</u>	<u>9,834,674</u>	<u>9,409,254</u>	<u>8,946,386</u>	<u>5,615,034</u>

The Summary of Financial Statements for the years ended 31 March 2001 to 31 March 2005 has been taken from audited financial accounts.

These financial statements do not include any amounts derived by using the equity method of accounting.

# SECURITY HOLDERS

## SECURITY HOLDERS

As at 31 May 2005

### 1. TOP 20 SECURITY HOLDERS

#### AS AT 31 MAY 2005

	Securities Held	%
Sinclair Long Term Holdings Limited	247916	8.26%
Robin Leslie Ford	88935	2.96%
Gillian Rosemunde Archbold & Elizabeth Kaye Armstrong & Donald George Church	87137	2.90%
Russell Stuart McLay	79374	2.65%
Custodial Services Limited	54066	1.80%
Laurence Killoh Cooney & Merle Rae Cooney & Geoffrey Seaward Cantrell	46105	1.54%
Laurence Killoh Cooney & Merle Rae Cooney & Geoffrey Seaward Cantrell	46105	1.54%
Ashburton UFS Dispensary	31986	1.07%
Vernon George Ellis & Phyllis Margaret Ellis	29210	0.97%
Gordon Frederick Webster	25493	0.85%
Valerie Joy Webster	25493	0.85%
New Zealand Central Securities Depository Limited	23295	0.78%
Russel Thomas Grieve	23000	0.77%
Gary Richard Leech & Anne Marie Leech & Laurence Killoh Cooney	21000	0.70%
Robin Lloyd Corbett	20962	0.70%
Floris Beryl Lucy Whitelaw	20038	0.67%
Marjorie Frances Binnie	20000	0.67%
Clifford Permain Sparrow & Laurence Killoh Cooney	19274	0.64%
E K Armstrong Limited	16732	0.56%
Gillian Rosemunde Archbold	16731	0.56%

### 2. SPREAD OF SECURITY HOLDERS AS AT 31 MARCH 2005

Size of Security Holders	Number of Holders held	Total Securities	%
1 - 10,000	1,365	1,834,816	61.16%
10,001 - 50,000	33	607,756	20.26%
50,001 - 100,000	4	309,512	10.32%
100,001 - 350,000	1	247,916	8.26%
350,000 and over	0	0	0.00%
Totals	1,403	3,000,000	100.00%

### 3. DIRECTORS' INTERESTS

#### Shares:

The holdings of each director and/or their associates at balance date are:

	Beneficially held	Non Beneficially held	Held by Associated Persons
G S Brown	16,604	17,910	47,978
C C Fleming	10,526	2,076	-
L K Cooney	94,210	50,806	10,242
G R Leech	21,000	7,338	2,644
R A Bonifant	-	-	-

During the period directors acquired or disposed of shares as follows:

GS Brown acquired 5000 shares  
 C C Fleming acquired 5000 shares  
 L K Cooney acquired 14910 shares  
 G R Leech acquired 2354 shares

# CORPORATE DIRECTORY

## **DIRECTORS**

George Stanley Brown (Chairman) CA, ACIS, ACIM  
Mitcham Road, 2 R D Ashburton  
Chartered Accountant

Laurence Killoh Cooney (Vice Chairman) LLB, Notary Public  
124 Wills Street, Ashburton  
Solicitor

Colin Cordery Fleming  
4 R D, Ashburton  
Farmer

Gary Richard Leech B.Com (Accounting and Economics) FCA  
16 Lane Street, Ashburton  
Chartered Accountant

Roger Anthony Bonifant, M.Ag.Sc, M.Sc, CNZM  
Avoca  
Wakanui Road, 7 RD, Ashburton  
Director

## **GENERAL MANAGER**

Thomas John Moore AFNZIM  
31 Davidson Street, Ashburton

## **SOLICITOR**

Buddle Findlay  
P O Box 322, Christchurch

## **BANKERS**

ANZ Banking Group (New Zealand) Limited  
East Street, Ashburton

## **AUDITORS**

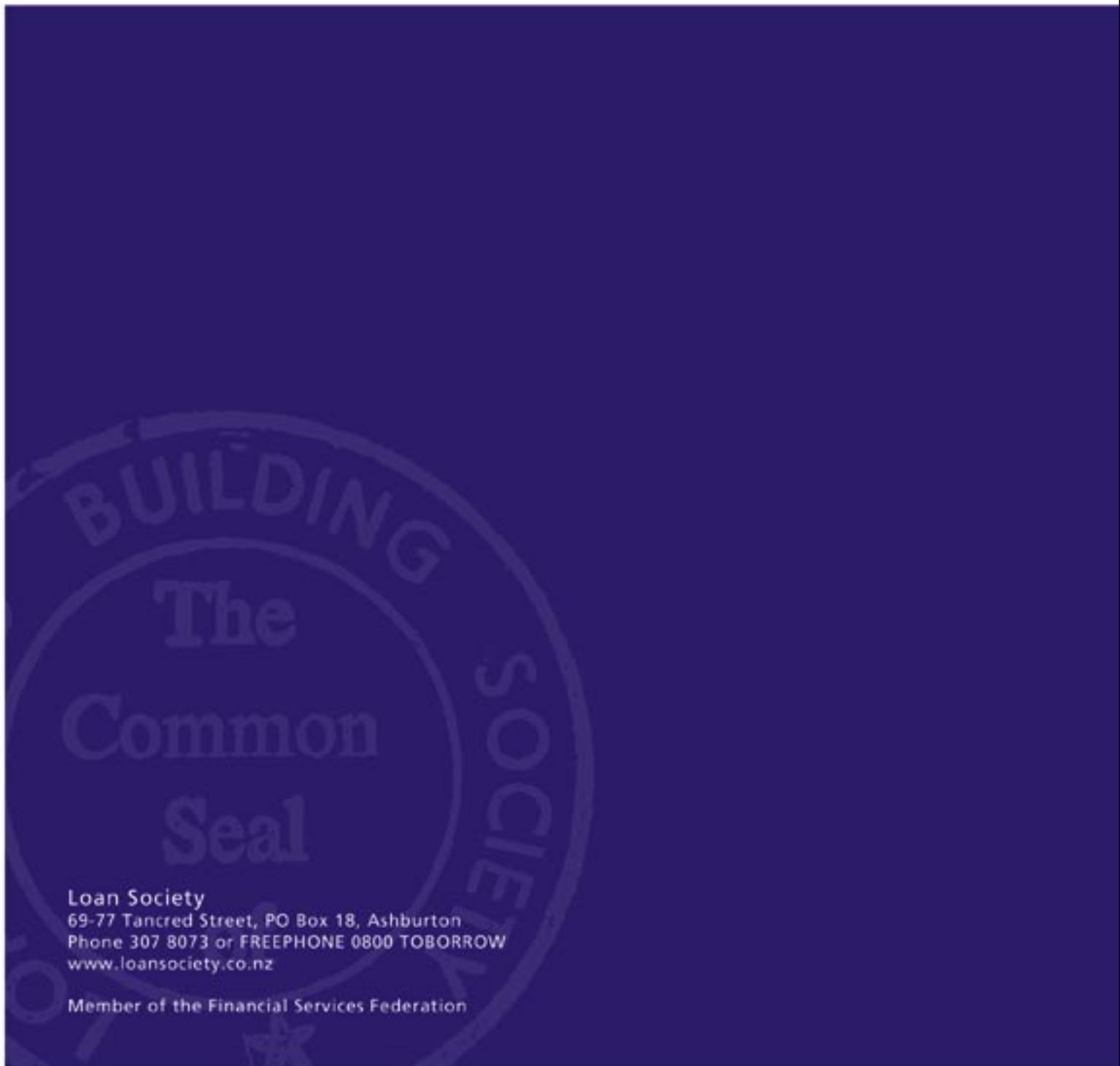
Deloitte  
P O Box 248, Christchurch

## **TRUSTEES**

Trustees Executors Limited  
Level 1, 50-64 Customhouse Quay, Wellington

## **SHARE REGISTRAR**

B K Registries Limited  
P O Box 384, Ashburton



**Loan Society**

69-77 Tancred Street, PO Box 18, Ashburton  
Phone 307 8073 or FREEPHONE 0800 TOBORROW  
[www.loansociety.co.nz](http://www.loansociety.co.nz)

Member of the Financial Services Federation

