



BDO Spicers
Chartered Accountants & Advisers



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30 September 2005

The Directors
SMC Building Society
387 Colombo Street
Christchurch

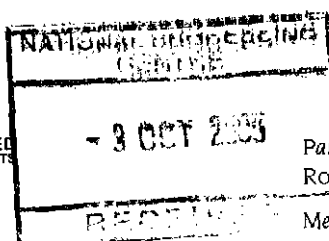
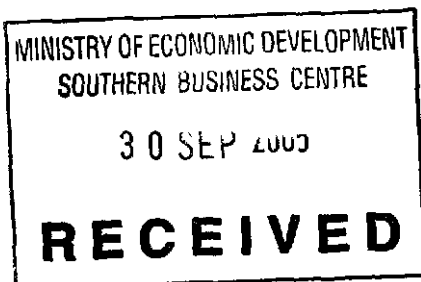
Dear Sirs

We hereby give consent to the filing with your Directors' Certificate and Financial Statements for the six months ending 30 June 2005, our audit report dated 20 September 2005 in its present form.

We also confirm that we have not, before delivery of a copy of the Directors' Certificate and Financial Statements for registration, withdrawn our written consent to the issue thereof.

BDO Spicers

BDO SPICERS
Christchurch
New Zealand



CHARTERED
ACCOUNTANTS

Partners

Ron Brooking ■ Stephen Tubbs ■ John Hooper ■ Julie Millar ■ Warren Johnstone

Member Firms in Bay of Islands ■ Auckland ■ Hamilton ■ Rotorua ■ Wellington ■ Invercargill
Member of BDO International

SMC Building Society

Directors' Certificate

Certificate as to Financial Position
(Section 37A(IA)Securities Act 1978)

We hereby certify that, in the opinion of all the Directors of
SMC Building Society after due enquiry by them:

- (1) The financial position shown in The Statement of Financial Position contained or referred to in the registered Prospectus of SMC Building Society dated the 29th day of April 2005 has not materially and adversely changed during the period from the date of that balance sheet to the date of this Certificate; and
- (2) The registered Prospectus is not, at the date of this Certificate, false or misleading in a material particular by reason of failing to refer, or give proper emphasis, to adverse circumstances.

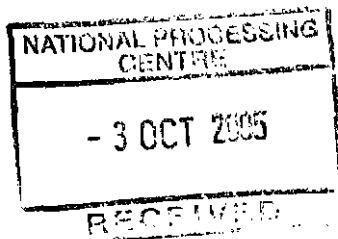
Attached to this Certificate are financial statements for the six month period from the date of The Statement of Financial Position referred to above and prepared in accordance with the Securities Regulations 1983 as if they were required to be contained or referred to in a registered prospectus for the securities issued by SMC Building Society.

Signature of Director:.....

Date of Signing:..... 30/09/05

Signature of Director:.....

Date of Signing:..... 30.09.05





SMC Building Society

ACCOUNTS FOR THE SIX MONTHS ENDED

30TH JUNE 2005

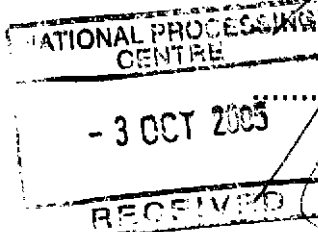
SMC BUILDING SOCIETY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE SIX MONTHS ENDED 30TH JUNE 2005

		6 Months 30 Jun 2005	12 Months 31 Dec 2004
Income			
Gross Margin	(Note 7)	534,906	1,064,150
Other Income	(Note 8)	171,094	343,291
Total Income		706,000	1,407,441
Less Expenses			
Administration		588,130	1,238,586
Depreciation		63,956	121,691
Total Expenses		652,086	1,360,277
Surplus Before Tax		53,914	47,164
Tax Payable (Note 18)		(19,882)	(9,128)
Tax Paid Surplus		34,032	38,036
Less Non-taxable expenses/income (Note 9)		32,416	(6,069)
Tax Paid Surplus (Loss)		1,616	44,105

STATEMENT OF FINANCIAL POSITION FOR THE SIX MONTHS ENDED 30TH JUNE 2005

		2005	2004
Reserves	(Note 11)	770,726	878,862
Foundation Shares		1,213,214	1,229,502
New Shares		3,137,492	3,160,408
		5,121,432	5,268,772
Represented by:			
Currents Assets			
Cash and Bank		551,884	431,956
Sundry Debtors, Accrued Interest		235,295	184,224
Bank Investments	(Note 6)	4,742,961	5,399,631
Fixed Assets	(Note 12)	1,895,438	1,941,633
Members Advances	(Note 10 & 15)	33,758,622	32,626,610
Total Assets		41,184,200	40,584,054
Liabilities			
Sundry Creditors		627,935	563,416
Call Shares		9,369,619	9,602,640
Term Shares		26,065,214	25,149,226
Call Deposits		-	-
Term Deposits		-	-
Total Liabilities		36,062,768	35,315,282
Net Assets		5,121,432	5,268,772



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SMC BUILDING SOCIETY

STATEMENT OF MOVEMENTS IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE 2005

	6 Months 30 Jun 2005	12 Months 31 Dec 2004
Equity at the start of the year	5,268,772	5,073,224
Net surplus/deficit for the year	1,616	44,105
Dividend paid on New Shares	(79,252)	(158,541)
Dividend paid on Foundation Shares	(30,500)	(61,481)
Revaluation Reserve	-	385,267
Share Redemptions	(39,204)	(13,802)
Equity at end of the period	<u>5,121,432</u>	<u>5,268,772</u>

STATEMENT OF CASHFLOWS FOR THE SIX MONTHS ENDED 30TH JUNE 2005

	6 Months 30 Jun 2005	12 Months 31 Dec 2004
Cash Flows from Operating Activities		
Cash was provided from:		
Interest Income	1,340,273	2,404,903
Other Income	286,924	597,552
Cash was applied to:		
Administration/Staffing Expenses	(622,384)	(1,267,617)
Interest Paid	(918,642)	(1,452,390)
Taxation Paid	(5,651)	(36,213)
Net Cash Flows from Operating Activities (Note 13)	<u>80,520</u>	<u>246,235</u>
Cash Flows from Investing Activities		
Advances Movements	(1,132,012)	(2,845,304)
Bank Investments Movements	655,172	(1,399,631)
Fixed Assets Purchase	(17,761)	(20,752)
Net Cash Flows from Investing Activities	<u>(494,601)</u>	<u>(4,265,687)</u>
Cash Flows from Financing Activities		
Call & Term Share Movements	682,965	4,453,240
New & Foundation Shares Redemption	(39,204)	(13,802)
Dividend Paid	(109,752)	(220,024)
Net Cash Flows from Financing Activities	<u>534,009</u>	<u>4,219,414</u>
Net Increase/Decrease in Cash	119,928	199,962
Add opening cash brought forward	431,956	231,994
Ending Cash Balance	<u>551,884</u>	<u>431,956</u>

SMC BUILDING SOCIETY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE 2005

1 STATEMENT OF ACCOUNTING POLICIES

(i) Reporting Entity

These are the financial statements of SMC Building Society (SMC), which is registered under the Building Societies Act 1965, since 2nd April 2002. SMC was formerly known as The Sydenham Money Club and registered under the Friendly Societies and Credit Unions Act 1982 (FS & CU Act), until 1st April 2002. SMC is an issuer under the Financial Reporting Act 1993.

(ii) Basis of Reporting

The financial statements have been prepared in accordance with the requirements of the Building Societies Act 1965, relevant securities legislation, the Financial Reporting Act 1993 and generally accepted accounting practice.

(iii) Measurement System

These Financial Statements are prepared on the basis of Historical Cost with the exception of certain items for which specific accounting policies are identified.

(iv) Specific Accounting Policies

The following specific accounting policies, which materially affect the measurement of financial performance and financial position, have been applied:

* General and Capital Reserves

On conversion to a Building Society the Sydenham Money Club's reserves were issued as Foundation Shares to Qualifying Members. The new capital adequacy requirements are detailed in the Trust Deed between the Independent Trustee, Perpetual Trust Ltd, and SMC. All requirements of the Trust Deed were complied with at 30th June 2005.

* Financial Instruments

SMC has the following financial assets and financial liabilities:

Cash on hand, bank investments, sundry debtors, advances, shareholder funds, investments, sundry creditors, other provisions, and provision for dividends. The fair value of these financial assets and liabilities is equivalent to the carrying amounts in the Statement of Financial Position. SMC does not carry any off balance sheet risk. Additional disclosure is included in Note 3.

* Bank Investments

Bank Investments are stated at the lower of cost and net realisable value. Interest income is recognised in the Statement of Financial Performance on an accruals basis. Where in the opinion of the directors there has been a permanent diminution in the value of deposits this has been recognised in the current period.

* Advances

Advances are stated at the lower of cost and net realisable value and include principal and accrued interest. Advances are made in accordance with the lending policies of SMC; secured by first mortgage on land and buildings, or lien over borrowers' shares and/or investments. Interest on mortgage advances is calculated according to the mortgage document on which the mortgage is based. The "true and fair view" required under the Financial Reporting Act 1993 and the Securities Regulations 1983 requires organisations to disclose an appropriate provision for doubtful debts. This provision has been deducted from the total of advances.

* Investments

Investments are stated at the lower of cost or maturity value. Call shares were converted from a dividend basis to a daily interest basis from 2 April 2002.

* Non Accrual, Restructured, Real Estate, Enforced Security and Past Due Assets

These are advances, which are recognised in accordance with FRS 33 (Impaired Assets). The gross amounts of these assets and corresponding provisions for bad and doubtful loans have been brought to account in the financial statements (Note 14). Interest income from these loans is not accrued. It is brought to account as and when instalments are received.

* **Fixed Assets**

Fixed assets (except land) are stated at cost less aggregate depreciation or net realisable value. Land and Buildings are re-valued to market value every second year by an independent, registered valuer.

The cost of purchased fixed assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended use.

* **Depreciation**

The assets of SMC Building Society have been depreciated on the Straight Line method since 2nd April 2002:

Buildings using 3.00% of the Revalued Market Value; Computer Software and Hardware at 30.00%, except Printers at 24.00%; Office Equipment at 24.00%, with the exception of Signage, 7.80% and 15.00%; Office Furniture at 10.00%.

From 1st January 2005 all new assets purchased will be depreciated at the following rates:

Buildings using 3.00% of the Revalued Market Value; Computer Software and Hardware at 36.00%, except Printers at 28.80%; Office Equipment at 28.80%, with the exception of Signage, 7.80% and 15.00%; Office Furniture at 12.00%.

* **Accounts Receivable**

Receivables are valued at anticipated realisable value. Bad debts are written off during the period in which they are identified.

* **Goods & Services Tax**

SMC provides financial services. As such it cannot recover GST incurred on expenditure relating to financial services. All amounts are GST inclusive except for those matters dealing with rental properties, which are GST exclusive.

* **Dividends Payable**

The Board declared a dividend at their February 2005 meeting of 2.5 cents per Foundation Share and New Share. This dividend was paid on the 2nd March 2005.

The Board will consider an interim dividend during August 2005 and the dividend will be paid that month.

* **Operating Revenue**

Operating revenue represents revenue earned from the bank investments and Member advances and from sundry gains on the disposal of assets. SMC recognises interest revenue on advances in the Statement of Financial Performance as it is accrued, unless the advance is more than 90 days overdue, in which case interest is only recognised to the first default date. Each repayment is allocated first to interest, up to the date of repayment and the balance to reduction of principal.

* **Taxation**

SMC is required to pay income tax as required by The Income Tax Act 1994. The income tax expense is charged to the Statement of Financial Performance, with adjustments made for timing differences. A deferred tax asset or the effect of losses carried forward that exceed the deferred tax liability is recognized in the financial statements only where virtual certainty that the benefit of timing differences, or losses will be utilized.

* **Statement of Cash Flows**

The following are the definitions of the terms used in the Statement of Cash Flows:

- (a) Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.
- (b) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and of investments. Investments can include securities not falling within the definition of cash.
- (c) Financing activities are those activities, which result in changes in the size and composition of the capital structure of the organisation. This includes both equity and debt not falling within the definition of cash.
- (d) Operating activities include all transactions and other events that are not investing or financing activities.

(v) **Changes in Accounting Policies**

All policies for the period covered in these financials have been applied on a basis consistent with those used in the previous period, with the exception of newly purchased assets which are depreciated at an increased rate of depreciation. See note 1 Statement of Accounting Policies, Depreciation, above.

2 STATEMENT OF FINANCIAL POSITION DISCLOSURE

There are no securities that are secured by a charge over any assets of SMC, which would rank equally with, or ahead of the securities offered. The net group balance is 'in funds' at 30th June 2005 therefore there are no outstanding balances with the Bank at that date. Amounts available are fully referenced under Note 6(iv).

3 FINANCIAL INSTRUMENTS

(i) **Maximum Credit Risk**

The nature of SMC's activities as a financial intermediary necessitates dealing in financial instruments that contain an inherent element of credit risk. Credit exposure means the amount of the maximum loss that could result as a result of a counterparty failing to discharge its obligations, without taking into account the value of collateral, guarantees, indemnities, other support arrangements and any potential recoveries.

* **Advances/Collateral Held**

All prospective borrowers are subject to certain lending criteria. Loan approval authority is held by the directors, CEO and Sales Manager. Collateral is held for the advances to members in accordance with the lending policy. In terms of lending activity, credit is extended within predetermined loan to security valuation ratios, which vary depending on the class of the security asset, and within established and proven repayment income ratios. Additionally some advances are insured with an independent third party insurer. All advances are secured by registered securities, with the exception of some fluctuating overdrafts which may be approved on an unsecured basis. Once established, loan performance is monitored constantly. All lending is made within New Zealand.

* **Accounts Receivable**

Accounts receivable comprises amounts payable for services provided and there is no perceived credit risk associated with this asset.

* **Bank Investments**

SMC's management policies comply with the Building Societies Act 1965 and are determined by the directors. Short-term investments are with and will continue to be with one or more major banking institutions.

(ii) Liquidity Risk

SMC's liquidity management policy ensures that liquid assets are available to enable investment withdrawals and to satisfy the advances requirements of borrowers. If SMC is unable to meet demands for funds for any reason, then SMC will cease lending until all current demand for withdrawal of investments has been met.

(iii) Concentration of Risk

Financial instruments, which potentially subject the organisation to concentrations of credit risk, consist of cash and short-term investments and receivables.

*** Bank Investments**

SMC places its cash and short-term investments with high credit quality financial institutions and sovereign bodies and limits the amount of credit exposure to any one financial institution.

*** Advances/Geographical Concentration**

Concentrations of credit risk with respect to advances are limited due to the large number of parties included in the SMC's borrower base and are limited predominately to the Canterbury region.

*** Funding/Geographical Concentration**

Concentrations of funding are limited predominately to the Canterbury region.

(iv) Interest Rate Risk

SMC faces interest risk due to the 'gap' between its interest receivables and payables. A \$10 million Interest Rates Swap Facility is in place with BNZ to facilitate management of this risk. The Directors' interest rate risk management policy includes offering fixed mortgage interest rate periods and purchasing Bonds and derivatives that reduce the gap. The Directors' are advised by Bancorp Financial Services Limited in this matter.

*** Advances**

The organisation's standard loan agreement provides for adjustments to the interest rate of all floating rate advances with one month's written notice to the borrowers. Fixed rate advances are reviewed at the end of each fixed rate period.

*** Investments**

SMC can change call and term share rates at any time, however the new rate does not apply to current term shares until the fixed term expires.

*** Shares**

On the 2nd April 2002 the reserves of SMC were issued as Foundation Shares to Qualifying Members. New Shares were also issued to Qualifying Members on application.

The value of the Foundation Shares was \$1 on their issue. The terms of issue of the Foundation Shares are that they are redeemable for cash three years after the date of issue at the directors' discretion and they are entitled to such distributions as the Board determines from time to time. There are other non-financial terms of issue.

The terms of issue of the New Shares are that they are redeemable for cash at any time at the directors' discretion and they are entitled to such distributions as the Board determines from time to time. There are other non-financial terms of issue.

Dividend rates payable on Foundation Shares and New Shares are provided for after the profit for the period is known.

*** Counterparties**

The numbers of individual counterparties and / or groups of closely related counterparties to which the organisation has a credit exposure (net of specific provisions), which equal or exceed 10% of equity were:

Band	30 th June 2005
10 – 20%	7
20 – 30%	0
30 – 40%	1
40 – 50%	0
Over 50%	0

(v) Fair Values**Financial Assets***** Cash and Bank Balances**

The carrying amount is equal to the fair value.

*** Receivables**

The carrying amount of receivables takes into account the likelihood of collecting the amounts owed to the organisation. The directors believe these amounts reflect their fair value.

*** Bank Investments**

Investments are disclosed on the basis of the face value at the time of purchase. Any variance between current market value and cost price is not material.

*** Advances**

As described in the accounting policy statement, advances are carried at estimated net realisable value, after providing for estimated bad debts. The directors believe this reflects the fair value of the advances.

Financial Liabilities*** Foundation Shares and New Shares**

Shares are accepted on the basis of a fixed value of \$1 per share.

*** Members' Investments**

Investments are disclosed on the basis of the face value at the time of investment.

*** Other Liabilities**

Accounts payable and sundry payables are carried at fair value.

4 RELATED PARTIES*** Directors**

There are no amounts owing from the Directors of the organisation (31 Dec 2004, Nil).

Amounts owing to Directors of SMC are \$59,395.49 at 30 June 2005 (31 Dec 2004, \$61,930.29).

All transactions entered into with directors (including shares, investments or advances), were conducted under the same conditions as any other member. In addition, the following amounts were paid to, or are expected to be paid to, directors:

	6 Months
	30 Jun 2005
Directors' Remuneration	31,270
Directors' Expenses Paid	4,767

*** Canterbury Building Society Limited**

SMC Building Society and Ashburton Building Society are equal joint owners of Canterbury Building Society Limited, incorporated on 27th February 2004. Richard Calvert, Chairman of SMC Building Society is one of two Directors in Canterbury Building Society Limited. Canterbury Building Society Limited is not trading.

5 REMUNERATION OF AUDITOR

Amounts that were due, or are expected to be due to, the auditors for:

	6 Months
	30 Jun 2005
Auditing the Financial Statements	12,000
Other Services - Taxation Advice	2,495

BDO Spicers are the only auditors used by SMC.

6 SPECIAL PROVISIONS RELATING TO FINANCIAL INSTITUTIONS

(i) Statement matching monetary assets to liabilities payable

	0 - 6 Months	6 - 12 Months	12- 24 Months	24 to 60 Months	Over 60 Months
Accounts Receivable					
Advances	2,730,921	1,723,356	3,389,004	9,172,963	16,742,378
Sundry Debtors and Accrued Income	235,295				
Bank Investments	4,742,961				
Cash at Bank	462,305				
Cash on Hand	89,579				
Restructured Assets	-				
Total	8,261,061	1,723,356	3,389,004	9,172,963	16,742,378

	0 - 6 Months	6 - 12 Months	12- 24 Months	24 to 60 Months	Over 60 Months
Liabilities Payable					
Sundry Current Creditors	627,935				
Term Shares	18,504,297	7,057,710	335,571	167,636	
Call Shares	9,369,619				
Total	28,501,851	7,057,710	335,571	167,636	-

- (ii) The proportion of advances with repayments arrears in excess of three months are 0.00%
(31 December 2004 – 00%)
- (iii) The proportion of advances owed in aggregate by the Members who owe the ten largest amounts, as a proportion of Total Tangible Assets are 14.90%.
(31 December 2004 – 11.01%)
- (iv) SMC has unused credit facilities totaling \$2,250,000.00 with the Bank of New Zealand. These comprise an overdraft arrangement for \$250,000.00 and an arranged standby credit facility of \$2,000,000.00. SMC also has a \$10,000,000 Interest Rate Swap Facility. These facilities are unsecured. On 28th October 2003 a \$1,000,000 Interest Rate Swap transaction was entered into, which provides for interest rate payments and receipts, commencing quarterly from 28th January 2005, for a period of 12 months.
The standby arrangement interest rates are 11.20%.
(31 December 2004 – 10.95%)
- (v) From September 2003 SMC Building Society has operated a BSB account numbering system. This clearing facility has been made available to us through Westpac Bank via the New Zealand Association of Credit Unions, our FACTS computer system provider. This clearing account is kept at a minimum balance by SMC and reported under current assets in the statement of financial position.

(vi) As at 30th June 2005 the effective interest rate for mortgages is 8.21%; the effective interest rate for members funds is 5.09%.

(31 December 2005 – 7.92%; 4.81%)

7 INTEREST INCOME

	6 Months	12 Months
	30 Jun 2005	31 Dec 2004
Interest revenue	1,495,884	2,656,737
Term Shares - Interest Paid	(811,988)	(1,328,282)
Call Shares - Interest Paid	(148,990)	(264,305)
Gross Margin	534,906	1,064,150

Term shares and call shares are unsecured and redeemable on demand or at maturity.
All investments, both shares and deposits, attract interest at current market rates.

8 OTHER INCOME

	6 Months	12 Months
	30 Jun 2005	31 Dec 2004
Lending and Credit Facility Fees	22,490	56,529
Other Revenue	90,498	166,273
Rentals	58,106	120,489
Other Income	171,094	343,291

9 NON TAXABLE EXPENSES

	6 Months	12 Months
	30 Jun 2005	31 Dec 2004
Special project expenses	36,547	-
Restructured Asset recovery	4,131	6,069
Non-taxable expenses/income	32,416	(6,069)

10 MEMBERS ADVANCES

	6 Months	12 Months
	30 Jun 2005	31 Dec 2004
Current Loans	33,815,469	32,685,836
Less: Provision for Doubtful Loans	(56,847)	(59,226)
Member's Advance	33,758,622	32,626,610

Amount Provided in the General Reserve
Percentage of Gross Loans

0.17% 0.18%

11 RESERVES

	6 Months	12 Months
	30 Jun 2005	31 Dec 2004
Retained Earnings		
Opening Balance	380,704	428,556
Tax Paid Surplus (Deficit) for the Year	1,616	44,105
Less: Payment of Dividend from Reserves	(109,752)	(220,022)
Transfer from: Foundation Shares Reserve	-	128,065
Total Retained Earnings	272,568	380,704
Foundation Share Reserve		
Opening Balance	-	128,170
Transfer to: Foundation Shares	-	(105)
Transfer to: General Reserves	-	(128,065)
Total Foundation Reserve	-	-
Revaluation Reserve		
Opening Balance	498,158	112,891
Add (Deduct) Current Year Revaluation	-	385,267
Total Revaluation Reserve	498,158	498,158
Reserves	770,726	878,862

The Foundation Share Reserve was created on conversion to the Building Society to hold the unallocated Foundation Shares that members were entitled to uplift in the two years following conversion. On expiry of the two years, on 2nd April 2004, the entitlement lapsed and the unallocated Foundation Shares were cancelled and carried forward into the Retained Earnings Reserve.

12 FIXED ASSETS

For the half year to 30th June 2005

Assets	Cost	Accumulated Depreciation	Net Book Value 2005
Land	765,000	-	765,000
Buildings	1,072,807	32,112	1,040,695
Furniture, Fittings and Equipment	754,038	664,295	89,743
Total	2,591,845	696,407	1,895,438

Depreciation expensed:

Buildings \$16,092: Office Furniture & Equipment \$5,449: Computer Equipment \$42,415

Land and Buildings

Latest Rating Valuation (1 August 2004)

\$2,400,000

Land and Buildings were re-valued to Market Value of \$1,833,000.00 as assessed by Telfer Young (Canterbury) Ltd valuation at 30 June 2004.

For the year to 31st December 2004

Assets	Cost	Accumulated Depreciation	Net Book Value 2004
Land	765,000	-	765,000
Buildings	1,068,000	16,020	1,051,980
Furniture, Fittings and Equipment	741,084	616,431	124,653
Total	2,574,084	632,451	1,941,633

Depreciation expensed:

Buildings \$28,740: Office Furniture & Equipment \$8,856: Computer Equipment \$84,095.

13 RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	6 Months 30 Jun 2005	12 Months 31 Dec 2004
Tax Paid Surplus Before Distribution	1,616	44,105
Add Non Cash Items:		
Depreciation	63,956	121,691
Capitalised Call Account Interest	-	-
Provision for Doubtful Debts	1,500	6,000
Bad Debts Written Off/Recovered	-	(643)
Profit (Loss) on Sale of Bonds	-	-
Loss on Sale of Asset	-	-
Add (less) Movements in Other Working Capital Items:		
(Increase) Decrease in Sundry Debtors	(51,071)	(151,074)
Increase (Decrease) in Sundry Creditors	64,519	143,068
Add (less) Movements in Other Working Capital Items Not Related to Operating Activities:		
Debtors Not Working Capital		82,838
Creditors Not Working Capital	-	250
Net Cash Inflows from Operating Activities	80,520	246,235

14 CATEGORIES OF LOANS TO MEMBERS

30 June 2005 (6 Months)

	Gross Amount	Provision for Losses	Net Amount
Restructured Assets	3,737	3,737	-
Past Due Assets	-	-	-
Other Loan Assets with Interest Accrued	33,758,622		33,758,622
Total Members' Advances	33,762,359	3,737	33,758,622

31 December 2004 (12 Months)

	Gross Amount	Provision for Losses	Net Amount
Restructured Assets	7,616	7,616	-
Past Due Assets	-	-	-
Other Loan Assets with Interest Accrued	32,626,610	-	32,626,610
Total Members' Advances	32,634,226	7,616	32,626,610

	6 Months 30 Jun 2005	12 Months 31 Dec 2004
Restructured Assets*		
Balance at Beginning of Period	7,616	13,473
Add New Restructured Assets		-
Add Interest on Restructured Assets	252	812
Less Restructured Assets Recovered	(4,131)	(6,669)
Balance at the End of the Period	3,737	7,616

* Restructured Assets are those loans to members for which SMC Building Society will not be able to collect all amounts owing in accordance with the terms of the contract with those members.

	6 Months 30 Jun 2005	12 Months 31 Dec 2004
Past Due Assets*		
Balance at Beginning of Period	-	248,942
Add New Past Due Assets	-	-
Less Recovered Past Due Assets	-	(248,942)
Balance at the End of the Period	-	-

	6 Months 30 Jun 2005	12 Months 31 Dec 2004
Movements of Provisions for Past Due Assets*		
Balance at Beginning of Period	-	10,261
Add New Provision for Past Due Assets	-	-
Less Recovered Provisions for Past Due Assets	-	(10,261)
Balance at the End of the Period	-	-

* Past Due Assets are those loans to members (not being non-accrual, restructured, real estate or enforced security assets) for which instalments have not been received in accordance with the terms of the contract with those members for a period of 90 days.

	6 Months	12 Months
	30 Jun 2005	31 Dec 2004
Movements of Provisions for Doubtful Debt		
Balance at Beginning of Period	51,610	46,253
Add New Provision for Doubtful Debt	1,500	6,000
Add Bad Debts Written Off	-	(643)
Balance at the End of the Period	53,110	51,610

15 **ADVANCES COMMITMENT**

A commitment existed at balance date in relation to approved advances held pending the completion of documentation, or for release by progress payments, for \$884,795.

(31 December 2004 - \$2,029,300)

SMC has non-cancellable operating leases with suppliers at 30th June 2005.

	2005	2004
Year One	53,526	34,832
Year Two	39,688	10,727
Year Three	22,250	-
Year Four	9,570	-
Year Five	893	-

16 **CAPITAL COMMITMENTS**

There were capital commitments of \$7,190 computer software and \$23,959 computer hardware to replace the Microsoft File Server and \$9,852 for security camera upgrade at 30th June 2005.

(31 December 2004 – Nil)

17 **CONTINGENCIES**

There are no contingent liabilities or assets at 30th June 2005.

(31 December 2004 – Nil)

18 **SUBSEQUENT EVENTS**

There are no events subsequent to balance date that requires adjustment of or disclosure in these Financial Statements.

(31 December 2004 – Nil)

19 **TAXATION**

SMC Building Society has been a taxable entity since registration under the Building Societies Act 1965 on the 2nd April 2002.

	6 Months	12 Months
	30 Jun 2005	31 Dec 2004
Net Operating Surplus (Loss) Before Taxation	53,914	47,164
Taxation at 33%	17,792	15,564
Plus/(Less) Tax Affected Permanent Differences Trading	266	2,980
Plus/(Less) Tax Affected Timing Differences	1,824	(9,416)
Taxation for the Period Payable	19,882	9,128

20 DEFERRED TAX

Since conversion to a Building Society the SMC Building Society has not previously been charging depreciation at the maximum IRD rates available. To maximize the tax advantages for the Building Society the directors have now applied the maximum rates. This has resulted in deferred tax being accounted for the first time in 2004. All new assets purchased will be depreciated at the maximum IRD rates. Deferred taxation at 30th June 2005 is \$67,696.

(31 December 2004 – \$60,113)

21 IMPUTATION CREDIT ACCOUNT

	2006	2005
Opening Balance	90,344	13,001
Add Tax Paid	18,700	77,343
Less Imputation Credits Attached to Dividend Paid	-	-
Closing Balance Available to Shareholders	109,044	90,344

22 ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

New Zealand is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 01 January 2007. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The Building Society's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

The directors are of the opinion that the key differences in the Building Society's accounting policies which will arise from the adoption of IFRS are:

Under current New Zealand GAAP financial assets and financial liabilities are recognised at cost, fair value, or at net market value. On adoption of NZ-IAS, the entity will be required to classify these financial instruments into various specific categories. The classification of the instrument will affect the instrument's subsequent measurement – at amortised cost using the effective interest rate method, fair value with movements recognised through equity or fair value recognised through profit and loss. The Building Society is evaluating the different options available, but has not made any determination at reporting date of the accounting to be adopted, and consequently, the impact of the change on the Financial Statements cannot yet be quantified.

TO THE MEMBERS OF SMC BUILDING SOCIETY

We have audited the financial statements of SMC Building Society for the six months ended 30 June 2005 on pages 1 to 14. The financial statements provide information about the past financial performance, and cash flows of SMC Building Society and its financial position as at 30 June 2005. This information is stated in accordance with the accounting policies set out on pages 3 to 5.

Director's Responsibilities

The Directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice and give a true and fair view of the financial position of SMC Building Society as at 30 June 2005 and of the results of its operations and cash flows for the six months ended on that date.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to the members of SMC Building Society.

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 Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to SMC Building Society's circumstances and are 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 report is 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 auditors and providing general tax advice we have no relationship with or interests in SMC Building Society.

Unqualified Opinion

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

In our opinion:

- Proper accounting records have been kept by SMC Building Society as far as appears from our examination of those records; and
- the financial statements on pages 1 to 14
 - comply with generally accepted accounting practice;
 - give a true and fair view of the financial position of SMC Building Society as at 30 June 2005 and of the results of its operations and cash flows for the six months ended on that date.

Our audit was completed on 20 September 2005 and our unqualified opinion is expressed as at that date.

BDO Spicers

BDO SPICERS

Christchurch