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Annual Report 2010



CBS Canterbury

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CBS Canterbury would like to acknowledge the photography of John McCombe in this Annual Report.



Notice is hereby given that the 135th Annual General Meeting of Shareholders of Canterbury Building Society (CBS Canterbury) will be held at 5.30pm on Tuesday 20th July 2010 in the Bradford Room, Ashburton Events Centre, Wills Street, Ashburton.

Business

1. Minutes

To Receive the Minutes of the 134th Annual General Meeting held on 22nd July 2009 as previously approved by the Directors on 18th August 2009.

2. Financial Statements And Directors Report

To Receive the Annual Report for the year ended 31 March 2010.

3. Election of Directors

To elect two directors. G.R. Leech and G.S. Brown retire by rotation, and in accordance with the Society's constitution offer themselves for re-election.

4. Directors' Remuneration

To fix the remuneration of Directors at \$250,000 (plus GST if any) for the financial year commencing 1st April 2010. This represents a nil increase on the total directors' fee as previously approved by the shareholders.

5. Auditor

To record the re-appointment of Deloitte as the Society's Auditors.

6. General Business

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

By Order of the Board of Directors



Bryan G Inch
Chief Executive Officer

Proxies

Any Shareholder who is entitled to attend and vote at the Annual Meeting, may appoint a proxy to attend and vote instead of him or her. Such proxy need not be a Shareholder of the Company. The Chairman of the Company is prepared to act as proxy.

To appoint a proxy you should complete and sign the enclosed Proxy Form and return it by delivery, mail, e-mail or fax to the share registrar of the Company:

By Delivery:

CBS Canterbury
C/- Link Market Services Limited
138 Tancred Street
Ashburton

By Mail:

CBS Canterbury
C/- Link Market Services Limited
PO Box 384
Ashburton 7740

By Email:

Email to Lmsenquiries@linkmarketservices.com

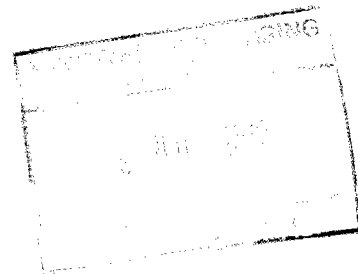
(please put the words "CBS Proxy Form" in the subject line for easy identification)

By Facsimile: +64 3 308 1311

The completed Proxy Form must be received by Link Market Services Limited on behalf of the Company no later than 5.30pm (New Zealand time) on Sunday 18 July 2010. Voting entitlements of the meeting will be determined as at this time and accordingly registered shareholders at that time will be the only persons entitled to vote at the Meeting and only the shares in those persons names at that time may be voted at the Meeting.

Voting

All resolutions will be voted by show of hands. In the event that a poll is called, voting papers will be distributed at the Annual Meeting.



Building our business + our region + our opportunity + your wealth

CBS Canterbury has been on an exciting journey over the past decade and 2010 has marked significant progress on our path to reposition the business as 'like the bank of Canterbury.'

At year end the business is poised for further growth, with new strategic partnerships which will deliver us a larger regional presence and customer base through the combination of organic growth and sector consolidation.

This position has not just happened. It is the result of a ten year vision to be a leader in the non-bank sector and our dogged commitment to a strategy to achieve the most "bank-like" business model in that sector in New Zealand.

The recent announcement of an agreement with Pyne Gould Corporation and Southern Cross Building Society to potentially merge to create a New Zealand owned bank head-quartered in Christchurch, is a significant step towards making this vision real.

CBS Canterbury would have a cornerstone position in the new banking business and continue to support Canterbury as our home market, alongside extending our national reach.

Whatever the decision, CBS Canterbury will always retain its strong values as an organisation being easy to do business with, doing what we say we will, respecting our clients and being a rewarding place to work. These values would be brought into the proposed banking business.

We have also embarked on a significant partnership with Vbase, another key Canterbury player, as naming rights sponsor of the premier sports and entertainment centre in Christchurch - now known as the CBS Canterbury Arena. This provides a tremendous opportunity to participate more in our community, to demonstrate our support for Cantabrians and the local economy, as well as increasing awareness of who we are.

Alongside all the operational challenges of the past year and our strategic focus, we have not lost sight of who our customers are and what they need. We have listened to what they have said and delivered to their expectations.

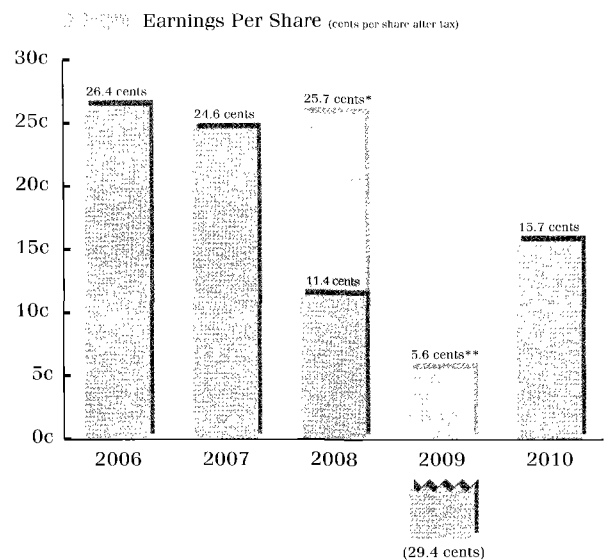
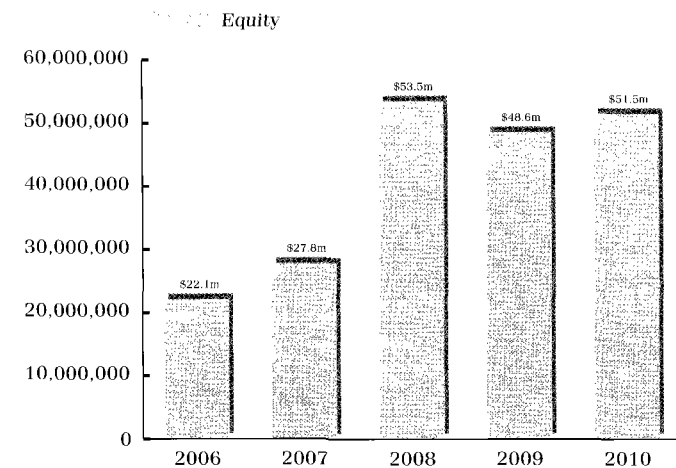
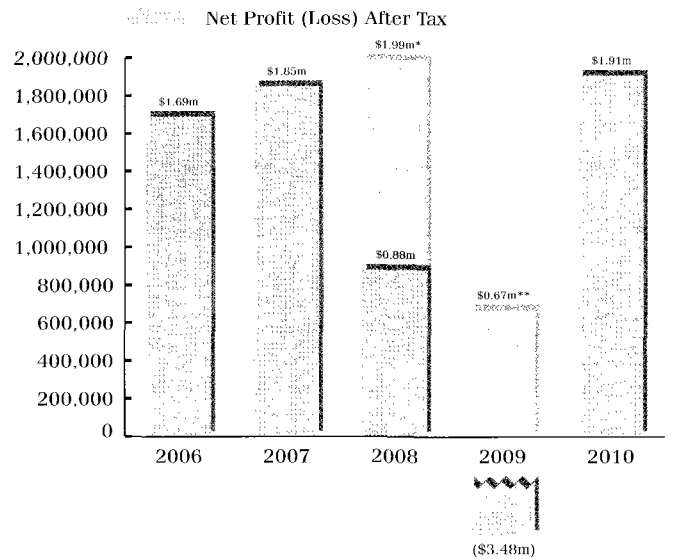
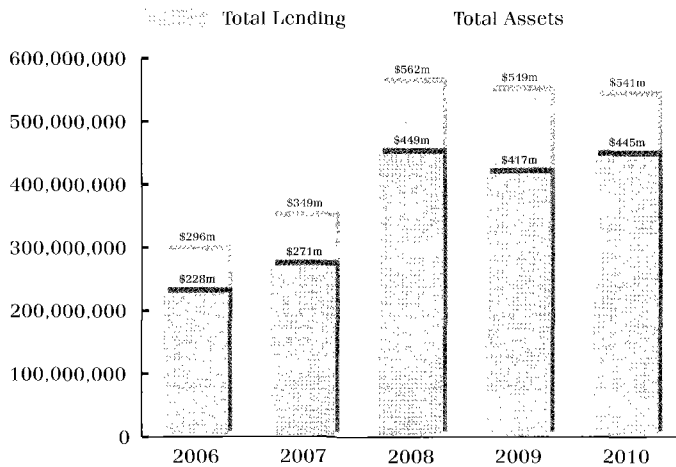
The CBS Canterbury story reflects consistent values and principles, strong leadership and a connection with our community. These same ideals will take CBS Canterbury forward into 2011.

It's simply about building our business + our region + our opportunity + your wealth.

Highlights of the year

- + Achieved after tax profit of \$1.91m
- + Total Lending up 6.7% to \$445m
- + A 1:40 (one for forty) fully imputed bonus share issue announced
- + Application for extended Crown Retail Deposit Guarantee Scheme approved June 2010
- + Received a BB+ (stable) credit rating from Standard & Poor's
- + Memorandum of Understanding signed with PGC / Marac, and Southern Cross Building Society on June 1 2010 to engage in potential merger talks
- + CBS Canterbury Arena named in partnership with Vbase June 18 2010

Historical Results Summary



NET PROFIT -

- * 2008 reflects adjusted net profit (after operating profit of \$3.2m less tax and prior to one off special preference share dividend of \$1.1m)
- ** 2009 reflects adjusted net profit (after operating profit of \$0.75m less tax and prior to goodwill impairment of \$4.15m).

EARNINGS PER ORDINARY SHARE -

- * 2008 reflects adjusted Earnings Per Ordinary Share prior to one off special preference share dividend of \$1.1m.
- ** 2009 reflects adjusted Earnings Per Ordinary Share prior to goodwill impairment.



Chairman's Report

As New Zealand slowly but surely emerges from recessionary conditions, CBS Canterbury can reflect on the strong business foundations laid during past decades. From foundation 135 years ago, CBS Canterbury has continued to build on the values and sound financial performance that have seen it grow and prosper through a wide range of economic climates, industry change, and societal evolution. It has weathered this latest 'storm' very well indeed!

In recent years, the vision to demutualise, to list on the NZAX, to initiate industry consolidation and to develop CBS Canterbury into one of the most "bank-like" non-banks in New Zealand, has given us the strength and confidence to continue to investigate new opportunities in a changed operating environment.

The 2010 year has been a year of two halves. During the year under review, the recessionary economic situation saw reduced residential and commercial market activity and presented a challenging environment. During the first half, however, we achieved a break even result rather than the loss predicted at the 2009 AGM. The second half was significantly better with a respectable operating profit. While we needed to be risk averse to achieve quality growth, the overall result for the year lived up to our expectations but not to our aspirations. There is no doubt, however, that our traditional and primary focus on the first mortgage lending market is the most competitive and has the lowest profit margin than most other forms of lending.

I am pleased to present the following summary of results for the year:

- + Net Profit after Tax \$1.91m (2009 loss \$3.48m)
- + Increase to Shareholders Funds of \$2.42m (2009 loss \$3.96m).
[Includes valuation increase of \$0.535m to Bonds, held as part of liquidity, that were written down in 2009.]
- + Lending growth increased by 6.7% to \$4.26m
- + Equity increased by 6.1% to \$51.55m
- + Net Tangible Assets/share increased 7.3% to \$3.41

While the necessary focus for management in the first part of the year was about proactive credit management and achieving quality growth, the second half of the year was about taking stock and having a stronger emphasis on building our business + our region + our opportunities + shareholder wealth.

Government regulations meant we had to secure a credit rating during what was probably the most challenging of times so it was significant that, in November 2009, CBS Canterbury achieved a solid BB+ (stable) credit rating from Standard & Poor's Ratings Agency.

In fact, operating in Canterbury was identified by Standard & Poor's as one of the Society's strengths and the agency commented: "CBS has a sound regional franchise, organic growth opportunities in the Ashburton-Christchurch corridor and a sound financial profile."

Becoming best-in-class for the non-bank sector was a considerable achievement, especially given this was the first time CBS Canterbury had ever been formally rated.

Strategic Positioning

In the last quarter of the year under review, the Board has made considerable effort to establish CBS Canterbury in a preferred position for profitable and sustainable growth.

From this, a number of initiatives have evolved for enhancing CBS Canterbury's brand, increasing our footprint, growing our business and relationships and, in particular, establishing strategic external partnerships.

One such strategic partnership is with Vbase, the wholly owned subsidiary of Christchurch City Council (through CCH Holdings Ltd). Vbase, based in Christchurch, is one of Australasia's largest venue management companies and manages four of New Zealand's premier venues, including Christchurch Convention Centre, Christchurch Town Hall for Performing Arts, AMI Stadium, and from the 18th June 2010, the CBS Canterbury Arena. The naming right sponsorship for the sports

and entertainment Arena is the cornerstone of a positive and mutually beneficial relationship with Vbase.

Strategic Outlook

We believe greater scale, increased capital and funding options, greater diversity of revenue, a wider product offering, and increased distribution channels will be needed to maximise shareholder value going forward.

This will be achieved through organic growth initiatives and through consolidation with others who have complementary offerings.

On 1 June 2010 we announced the signing of a Memorandum of Understanding with Pyne Gould Corporation and Southern Cross Building Society to consider a merger that would create a New Zealand owned bank, head-quartered in Christchurch and focused on providing a full range of banking services to customers in the wider South Island and nationally.

Board, management, and staff share the vision of a banking institution emerging from consolidation that underpins our core values, would serve 'heartland' New Zealand very well and also address the capital and revenue diversification mentioned in previous communications.

We hope to be in a position to give more details of the progress of these deliberations at our 2010 AGM.

As a Board we are committed to adding strong value to our shareholders by continuing to grow our Canterbury home market and utilising the strengths of our business to offer comprehensive banking services as a building society and eventually a bank to an even wider client base.

Directors

The year end was marked by the retirement of two senior directors, Mr Don Church and Mr Laurence Cooney, both who have given so much to banking and the Building Society sector over the last 40 to 50 years. Their wealth of experience was invaluable in dealing with the continuing recessionary environment and merger with LBS.

Don Church's contribution has been second to none, including being Board chairman for an outstanding 24 years! I wish both Don and Laurence the very best in their retirement and thank them personally, and on behalf of you all, for their commitment and long service to CBS Canterbury and the financial services sector.

Staff

On behalf of the Board, my sincere thanks to the management team and all staff of CBS Canterbury. We have had a challenging period bedding in a merger in the face of the headwinds emanating from the global financial crisis. CBS Canterbury owes its strong position today to this committed and dedicated team.

Thank you

Importantly, I want to acknowledge the continued ongoing support of our local community, customers and shareholders, as CBS Canterbury looks to increase its presence within Canterbury and potentially beyond. Our people can be very proud of what the Society has achieved and for

what we can now bring to further industry development.

We can never say "thank you" too often - so thank you again for your support over the past year.



G R Leech
Chairman of Directors

CEO's Report

The year under review has seen our continued focus on credit quality and methodically growing our lending through advances to quality clients. Whilst an operational focus of necessity dominated much of the 2010 year, activity in the last quarter reflected our acknowledgement that we needed to adopt strategic steps towards repositioning the business, with more brand awareness and understanding in our chosen market.

Prudent management during the period has cleared the way for us to now focus on this repositioning. This task, combined with other initiatives to enhance the CBS Canterbury profile in our local and regional communities, are two very clear priorities for the year ahead.

Profitability

The first half result was significantly impacted by continued hedging costs for fixed rate loans, due to distortions in financial markets. This six month result was better than budget and consistent with the issues highlighted at last year's AGM.

The full year result also benefited from a taxation refund following transactions related to the Loan & Building Society merger and difficult trading conditions.

Although below desired levels for the longer term, the result is still very respectable given market conditions and performance of other financial organisations in the current market. It is particularly pleasing to report significant improvements in Operating Profit and Net Profit after Tax, loan impairments, and past due advances. In addition, deposit reinvestment rates and client support have remained exceptionally strong.

The positive result for the period was aided by the continued focus on asset quality and it was pleasing to achieve significant improvements from the results of 2009. Impairment losses for the period were down 82.5% to \$0.59m (\$3.36m) and advances 90 days past due (excluding impaired loans) \$0.39m (\$0.53m) or only 0.09% of total advances. This is exceptionally low by industry standards and rewarding given the dedicated focus over the recent period.

Lending

The increase in total lending for the period, particularly in the area of residential mortgages, was very pleasing given the number of first home buyers and new customers who joined CBS Canterbury in what was a very sluggish market.

Our primary focus remains first mortgage property lending, particularly residential, but also lowly geared and well managed commercial and farming properties. We have taken a precautionary approach to ensure we achieve high quality low risk lending assets.

Funding

The funding of our lending activities continues to be 100% from retail deposits via our four Canterbury branches.

This market has become increasingly challenging during the recessionary and changing regulatory period. We are incredibly grateful to our very loyal depositors as we again enjoyed a very high 89% (90%) reinvestment rate in this area.

Management deliberately managed liquidity down to 22% (29%) at the end of the period, having been successful in securing the Crown Retail Guarantee during the prior year, plus having the comfort of a standby funding line banking facility. Liquidity is currently being managed within a 20% to 25% target range, well above the Trust Deed minimum level of 15% required.

During the period under review, investors have been comforted by the Crown Retail Guarantee. The current scheme matures on 12 October

2010, however, since balance date, the business has been successful in gaining the Extended Crown Retail Deposit Guarantee through to December 2011. Whilst this guarantee does provide additional comfort for some investors, it is important all investors' decisions are understanding of the underlying tangible asset security for their investment.

At balance date, CBS Canterbury has an un-drawn bank funding line of \$30m. This standby facility has been carried (un-drawn) through the recessionary period, however investigations are currently underway to determine alternative facilities that may better complement our business and growth opportunities.

Community

With a strong regional niche banking emphasis, our commitment to community partnerships has continued during the year, with financial assistance maintained for the many diverse groups and organisations that are the fabric of our province.

As we head towards the 135th Annual General Meeting, the announcement that CBS Canterbury has partnered with Vbase in Christchurch to become the naming rights sponsor of what we like to think of as 'the people's arena' aptly demonstrates our widening regional community focus. We are confident the South Island's largest indoor sports and entertainment facility, now known as the CBS Canterbury Arena, will increase brand awareness and understanding of our business.

Strategic Positioning

In the last quarter of the year under review, the management team made considerable effort to place CBS Canterbury in a preferred position for sustainable and profitable growth. We believe we have survived the recessionary period well and have successfully completed two mergers. Recently we went to the market to research customers - potential, current and past - and received exceptional feedback. From this we have reviewed some of our business activities, the roles our teams are performing and the way we present ourselves in the Canterbury market.

This has been a very positive exercise for our staff and our customers and will see CBS Canterbury developing a much greater footprint in Canterbury.

Staff and Directors

In closing, my thanks to the support of both staff and directors through what has been a challenging period. The passion and commitment of the whole team, combined with the current dynamics of the industry, truly makes CBS Canterbury a stimulating place to work.

I am confident we can collectively take CBS Canterbury ahead - growing our business, creating a greater footprint within our region, maximising our opportunities and increasing shareholder and customer wealth.



A handwritten signature in black ink, appearing to read 'B. Inch', written over a light background.

Bryan Inch
Chief Executive Officer



Merger Proposal to Create a New Bank

The 1 June 2010 joint announcement by CBS Canterbury, Pyne Gould Corporation and Southern Cross Building Society was the culmination of several months' discussions between all parties during the past quarter.

CBS Canterbury, along with the two other well-established and compatible financial businesses have agreed to pursue a potential merger to create a New Zealand owned bank, head-quartered in Christchurch, and focused on providing a full range of banking services, not only within our Canterbury home market but to customers in the wider South Island and nationally.

We firmly believe a New Zealand owned, South Island based bank would meet a need felt strongly by individuals, small to medium business, and farming customers throughout the country. The proposal encompasses significant opportunity for growth and value creation for the benefit of CBS Canterbury shareholders and would give CBS Canterbury greater relevance within the banking sector both in Canterbury and nationally.

The proposal is currently being analysed by the Board and management, which will in due course decide whether to commit to an implementation agreement with the other parties. *If this occurs, the proposal will ultimately be dependent on approval by all our shareholders, along with other stakeholders, and the relevant regulatory bodies with whom we are working closely and who have expressed their support in principle for partnerships as a means of consolidating the financial services sector. It is likely final decisions will not be made before December 2010.*

The CBS Canterbury board and management are fully in support of the concept, subject to confirmation through the process outlined above. If the merger does occur, it will define the future of CBS Canterbury, as part of a new group dedicated to servicing the banking and financial needs of 'heartland' New Zealand. CBS Canterbury would have a cornerstone banking position in the new business and Canterbury would continue to be our home market. Quite simply, we bank on working for Cantabrians in the long term.

We are fully aware the achievement of a banking licence is a significant hurdle and is crucial to the concept being explored. However, we are confident the scale and financial resources created by the new partnership would be sufficient to enable this requirement to be met. As Chairman Gary Leech commented in last year's Annual Report "Quite frankly we aspire to become Canterbury's bank!"

In the meantime, it is business as usual for CBS Canterbury. We have always maintained a strong emphasis on delivering exceptional experiences for our customers and the existence of this merger proposal will not affect the standard of service provided to any of our customers, nor the status of any accounts with us.

The partnership proposal would create a New Zealand owned banking entity with significant market advantages and capabilities:

- + Bringing together three established and compatible businesses with a long and proud heritage of providing banking services to New Zealanders
- + A starting asset base of approximately \$2.2 billion, providing the critical mass likely to be required to obtain a banking licence
- + The scale to capitalise on real growth opportunities to drive shareholder value
- + The only New Zealand owned and stock exchange listed bank
- + Headquarters in the South Island with extensive national reach
- + A full service 'bank offering' to customers in 'heartland' New Zealand



Opening the Door to the CBS Canterbury Arena

In June 2010, CBS Canterbury announced a significant new partnership with Vbase, another leading Canterbury business, becoming the naming rights sponsor of the South Island's largest indoor sports and entertainment facility in Christchurch - the CBS Canterbury Arena.

This is an exciting development reflecting CBS Canterbury's commitment to the city, the Canterbury region and Cantabrians. Chief Executive Bryan Inch says it is also compatible with our desire to enhance our community profile, increase our regional footprint and add value to the local economy, given our predominantly local ownership and 96% Cantabrian customer base.

"The CBS Canterbury Arena is one of the region's key entertainment venues and we are delighted to have the opportunity to be so closely associated with the facility," he says. "We have ultimate confidence in the ability of Vbase to stage exceptional events and to provide an outstanding experience for everyone visiting the Arena for whatever event."

"According to recent figures we estimate around one quarter of a million people will make the CBS Canterbury Arena a destination over the next year."

CBS Canterbury's choice of new strategic partner is a well considered one. Both parties view their value fit as being just as important as the specific financial imperative.

Vbase as an organisation shares very similar values to CBS Canterbury, including:

- + A commitment to playing a key role in Christchurch and the wider Canterbury region
- + A focus on building its business, brand reputation and profile
- + A passion for providing exceptional experiences to clients
- + Having the right people on the team
- + Being a fun and safe place to work.

CBS Canterbury and Vbase are partners for the long-term. Bryan says it's about building a strong relationship and continuing to do business together.

"Our sponsorship of this great Arena and our strategic partnership with Vbase is a massive step forward for CBS Canterbury. It will give us a more meaningful footprint on the Canterbury landscape and increase public awareness of who we are."

It is about doing the right thing for our community, our shareholders and our people.

Our business + our region + our opportunity + your wealth.

Facts and Figures

- + Facility built in 1998
- + Venue is 4,000 square metres
- + Maximum seating of 8,888 for concerts and shows
- + Maximum seating of 7,250 for sports events such as netball and basketball
- + 18 hosting suites with a maximum capacity of 240
- + Banquet seating for 2,500
- + 3,000 car parks
- + Approximately 80 events are held in the facility annually (some of these are multi-performance events)
- + Over 250,000 ticketed guests hosted annually

Key Events coming up 2010/2011

- International Netball
 - Silver Ferns v Jamaica
- International Artists
 - Yusuf (Cat Stevens)
 - The Pixies
 - Andre Rieu
 - Jack Johnson
 - Leonard Cohen
- International Rodeo



Directors' Report

The Directors present the Annual Report, together with the financial statements of the Canterbury Building Society ("CBS Canterbury") and its subsidiaries, for the period ended 31 March 2010.

Principal Activities

CBS Canterbury provides financial and banking services to individuals, groups and organisations, rural and commercial businesses. The primary activity is first mortgage lending secured against residential, commercial and farming properties, funded by public investment in a range of savings products.

The Society operates under the brand identity of CBS Canterbury. The registered entity is the Canterbury Building Society, which is listed on the New Zealand Alternative Exchange ("NZAX") under the issuers code CBS. The Society is a Non Standard NZAX Issuer due to a voting cap on Ordinary Shares of one vote per share up to a maximum of 10% of the total ordinary share vote.

Capital

Issued capital as at 31 March 2010 was \$44.29m represented by 12,216,658 ordinary shares.

Distribution

No interim dividend was paid during the period under review. In lieu of a final dividend, the Directors approved a fully imputed taxable bonus issue of 305,416 ordinary shares to be paid in the ratio of 1 for every 40 shares held on 23 July 2010. The issue is equivalent to a 7.5 cents per share fully imputed dividend based on a share price of \$3.00 per share at the time of announcement on 14 June 2010.

Crown Retail Deposit Guarantee

CBS Canterbury received approval of The Treasury on 31 May 2010 to participate in the Extended Retail Deposit Guarantee Scheme. The extended scheme will end on 31 December 2011.

Directors

Messrs G.R. Leech and G.S. Brown retire by rotation in accordance with the Society's constitution and being eligible offer themselves for re-election.

Directors' Share Dealings

Pursuant to Section 148 of the Companies Act 1993 in relation to dealings by Directors in relevant interests in the Society's ordinary shares, appropriate disclosures have been made to the Board and entered into the Society's Interests' Register during the year ended 31 March 2010. Movements in Directors' shareholdings are shown in the table on page 17.

Directors' Remuneration

Directors' remuneration and other benefits required to be disclosed pursuant to Section 211(1) of the Companies Act 1993 for the year ended 31 March 2010 were as follows:

G.R. Leech (Chairman)	\$50,000
G.R. Kennedy (Deputy Chairman)	\$36,500
R.W. Ashford	\$26,000
R.A. Bonifant	\$30,500
R. Bradford	\$26,000
G.S. Brown	\$27,500
D.G. Church	\$27,500
L.K. Cooney	\$26,000
Total	\$250,000

Disclosure of Interests by Directors

In accordance with Section 140(2) of the Companies Act 1993 the Directors named below have made general disclosure of interest, by a general notice disclosed to the Board and entered into the Society's Interests' Register. General notices of interest were given by these Directors for the following entities during the year ended 31 March 2010:

R.A. Bonifant

Trustee: Hawkesbury Community Living Trust, Northburn Trust, Glenarary Trust.

G.S. Brown

Director: Natural Dairy Products 2007 Ltd, Ashburton Golf Club Inc, GPGD Ltd,

D.G. Church

Director: Camrose Estates Ltd, Trustee:, Ashburton Community Water Trust,

L.K. Cooney

Director: Nico [No.30] Ltd, Nico [No.59] Ltd

G.R. Kennedy

Director: B K Trustees (2009) Ltd, B K Riversdale Trustees Ltd, Cates Grain & Seed Ltd, River Walks Ltd, Shooting Star Properties Ltd. Trustee: Tomorrow Skies Charitable Trust. Committee Member: Lake Hood Extension Project.

G.R. Leech

Director: Londale Development Ltd, Turf Equipment NZ (2008) Ltd.

For previous disclosures of interest, please refer to prior year Annual Reports.



Directors' Report Continued

Directors' Interests

Directors' shareholdings in CBS Canterbury as at 31 March 2010.

Shares held as at:	31-Mar-10	31-Mar-09
R.W. Ashford	76,464	76,464
- Held by associated Persons	47,191	47,191
R.A. Bonifant	0	0
- Held by Associated Persons	5,638	5,638
R. Bradford	97,201	89,049
- Held by Associated Persons	8,142	8,142
G.S. Brown	24,961	24,961
- Non-Beneficial	13,730	13,730
D.G. Church	425,625	424,350
- Held by Associated Persons	47,984	57,981
L.K. Cooney	143,228	141,628
- Non-Beneficial	624	624
G.R. Kennedy	88,874	88,874
- Held by Associated Persons	781	781
- Non-Beneficial	655,486	663,421
G.R. Leech	35,841	27,841
- Non-Beneficial	4,025	4,025

Use of Company Information

The Board received no notices from Directors during the year requesting to use information received in their capacity as directors of CBS Canterbury, which would not otherwise have been available to them.

Fond Farewells

Don Church

First elected to the Board in 1971 Don has been a director of CBS Canterbury for 39 years. He was Chairman for one of the longest periods of any Board Chairman from 1978 until 2002. Don lists demutualisation, computerisation, the two mergers with SMC Building Society and Loan & Building Society, and the expansion into the wider Canterbury market as key milestones and highlights. His loyalty, experience, knowledge and counsel have made him a highly respected board member not only within CBS Canterbury, but also the wider community where his networks and business understanding were invaluable.



Indemnity and Insurance

CBS Canterbury has facilitated indemnities and insurance cover for the Directors and Chief Executive Officer of CBS Canterbury which, except for some specific matters which are expressly excluded, indemnify and insure Directors and the Chief Executive Officer against monetary losses as a result of actions undertaken by them in the course of their duties. Specifically excluded are certain matters such as the incurring of penalties and fines, which may be imposed for breaches of law.

Auditors

Deloitte were appointed as auditors for the year ended 31 March 2010.

Directors' Approval of Financial Statements

For the year ended 31 March 2010.

Authorisation for issue:

The Board of Directors are pleased to present the Financial Statements for the year ended 31 March 2010 set out on pages 20 to 61 and have authorised their issue.

The 2010 Annual Report is signed for, and on behalf of the Board of Directors as at 11 June 2010.

G R Leech
Chairman

G R Kennedy
Deputy Chairman

Laurence Cooney

With a significant involvement previously in banking governance, Laurence came to the Loan & Building Society as a director in 2002. Was deputy chairman before joining the merged board with CBS Canterbury in 2008. Laurence's considerable legal experience and wider banking sector knowledge have made him a very valuable member of the Board. He was especially supportive of the building society's role within its community, and he had great passion for the building society principles and the way it could deliver its banking services, through personal service and local ownership.



Corporate Governance

Ethical Standards

CBS Canterbury seeks to develop and maintain a strong corporate culture in which honesty, integrity and fairness are values represented by our directors, management and employees. These values are reflected in our compliance with laws and regulations, relations with customers and shareholders, and our employment practices.

Company Administration

The business is incorporated under the Buildings Societies Act 1965 and its financial statements are prepared and audited in accordance with the Financial Reporting Act 1993. CBS Canterbury operates under a Debt Securities Trust Deed, which is administered by Trustees Executors Limited.

Role of the Board

The Board oversees the Society's business affairs and is committed to protecting and enhancing the value of the Society's assets in the best interests of the shareholders, subject to legislative compliance. It is responsible for the direction and control of the Society's activities and its strategic development. This responsibility includes ensuring systems and processes are in place so that the business of the Society is conducted honestly, ethically and responsibly. It ensures the business is properly staffed. Directors are required to minimise any potential conflicts of interest. The Board makes decisions related to dividends, the raising of new capital, major capital expenditure, divestments and acquisitions, the approval of the corporate business plan, the annual budgets and annual financial statements. It has oversight of the provision of information to shareholders.

Directors

Policy for the appointment, retirement and removal of Directors is set out in the Society's Constitution. The Board currently comprises six Directors. All are independent directors selected to ensure that a broad range of skills, knowledge and experience are available. The day to day management of the Society is delegated to the Chief Executive Officer, who is accountable to the Board.

Board Committees

The following Standing Committees have allocated duties and responsibilities.

Audit & Risk Management Committee

The audit & Risk Management Committee is Messrs G.S. Brown (Chairman), R. Bradford and G.R. Leech. Two members of the committee are chartered accountants. It meets periodically with management to review the financial statements and accounting policies, the effectiveness of management information and other systems of internal control, and management of business risks. It ensures that the Society has an appropriate internal control environment in place to manage the key risks identified. It delegates authority to the CEO. The Directors acknowledge that they are responsible for the Society's systems of internal financial control. However, internal financial controls implemented by management can provide only reasonable and not absolute assurance against material misstatement or loss. The committee also meets with Society's external auditors throughout the year. Risk management and internal controls operated satisfactorily in the year under review.

The Credit Committee reviews the policies related to the Society's lending and provides oversight of this activity. The members are Messrs R. Bonifant (Chairman), G.S. Brown, and G.R. Kennedy. During the year under review Mr D.G. Church was also a member of this committee, retiring from the Board on 31 March 2010.

The Remuneration Committee is Messrs G.R. Kennedy and G.R. Leech. The committee ensures that directors and senior executives are fairly rewarded for their individual contributions to the Society's overall performance. It seeks external advice as required.

Marketing Committee

Marketing of the Society's products and its business relationships are monitored by the Board liaison Mr R.W. Ashford. Mr R. Bradford is the Board liaison for matters related to the Society's properties and plant.

Shareholder Relations

The Board has kept shareholders informed of major company developments through the interim and annual reports and commentary presented at the annual general meeting. The reports are also posted on the Society's website. Material information is otherwise communicated to the market under the NZX "continuous disclosure" regime. The Board welcomes full participation by shareholders at the Annual meeting, details of which are set out in the Notice of Meeting.

For the Year Ended 31 March 2010

	Notes	Consolidated		Society	
		12 Months 31-Mar-10	12 Months 31-Mar-09	12 Months 31-Mar-10	12 Months 31-Mar-09
Income from:					
Interest on Lending Activities	2	26,383,746	42,033,404	26,383,746	42,033,404
Income from Investments & Cash Equivalents	2	4,022,609	8,959,803	4,022,609	8,959,803
Other Income	2	2,362,104	695,860	2,362,104	695,860
		<u>32,768,459</u>	<u>51,689,067</u>	<u>32,768,459</u>	<u>51,689,067</u>
Less Finance Charges					
Interest on Deposits	2	22,371,790	39,793,767	22,371,790	39,793,767
		<u>22,371,790</u>	<u>39,793,767</u>	<u>22,371,790</u>	<u>39,793,767</u>
Gross Contribution from Activities		10,396,669	11,895,300	10,396,669	11,895,300
Deduct Overhead Expenses:					
Amortisation of Intangibles	13	391,963	194,192	391,963	194,192
Auditor	15	173,979	223,024	173,979	223,024
Bank Fees Paid		790,626	891,167	790,626	891,167
Depreciation	12	307,629	302,199	307,629	302,199
Directors Fees		259,687	259,687	259,687	259,687
Loss on Disposal of Assets		15,597	21,553	15,597	21,553
Marketing Expenses		360,615	552,622	360,615	552,622
Property Expenses		191,182	271,272	191,182	271,272
Rent and Lease Payments		180,331	171,201	180,331	171,201
Salaries		4,141,438	3,801,264	4,141,438	3,801,264
Impairment Losses on Advances	10	588,616	3,363,415	588,616	3,363,415
Gain on settlement of Advances Acquired	10	-	(953,360)	-	(953,360)
Other Operating Expenses		1,796,930	2,048,119	1,796,930	2,057,926
		<u>9,198,593</u>	<u>11,146,355</u>	<u>9,198,593</u>	<u>11,156,162</u>
Net Operating Profit Before Goodwill Impairment		1,198,076	748,945	1,198,076	739,138
Impairment of Goodwill	13	-	4,148,483	-	4,148,483
Net Profit / (Loss) Before Tax		<u>1,198,076</u>	<u>(3,399,538)</u>	<u>1,198,076</u>	<u>(3,409,345)</u>
Taxation	4	(711,469)	81,712	(711,469)	81,712
Profit (Loss) For The Year		<u>\$1,909,545</u>	<u>(\$3,481,250)</u>	<u>\$1,909,545</u>	<u>(\$3,491,057)</u>
Attributable to:					
Owners of the Society		\$1,909,545	(\$3,481,250)	\$1,909,545	(\$3,491,057)
Earnings Per Share					
Basic and Diluted Earnings per Share (cents)	6	<u>15.7</u>	<u>(29.4)</u>	<u>15.7</u>	<u>(29.4)</u>

The notes on pages 25-61 form part of and are to be read in conjunction with these financial statements.

	Notes	Consolidated		Society	
		12 Months 31-Mar-10	12 Months 31-Mar-09	12 Months 31-Mar-10	12 Months 31-Mar-09
Profit/(Loss) before tax		1,909,545	(3,481,250)	1,909,545	(3,491,057)
Income tax expense					
Available for sale financial assets					
Net Gain/(Loss) arising on revaluation of available for sale financial assets during the period	17	535,478	(493,831)	535,478	(493,831)
Reclassification adjustments relating to available for sale financial assets disposed of in the period	17	53,143	(4,646)	53,143	(4,646)
Gain arising on revaluation of properties	17	143,718	(137,902)	143,718	(137,902)
Income tax relating to components of other comprehensive income	4	(219,701)	160,913	(219,701)	160,913
		<u>\$2,422,183</u>	<u>(\$3,956,716)</u>	<u>\$2,422,183</u>	<u>(\$3,966,523)</u>
Total Comprehensive Income (Expense) attributable to: Owners of the Society		\$2,422,183	(\$3,956,716)	\$2,422,183	(\$3,966,523)

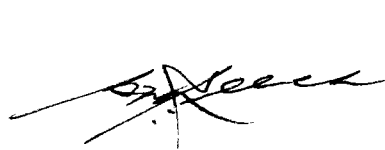
The notes on pages 25-61 form part of and are to be read in conjunction with these financial statements.

As At 31 March 2010

	Notes	Consolidated		Society	
		12 Months	12 Months	12 Months	12 Months
		31-Mar-10	31-Mar-09	31-Mar-10	31-Mar-09
Share Capital	16	44,288,129	43,752,145	44,288,129	43,752,145
Available for Sale Reserve	17	(135,409)	(547,444)	(135,409)	(547,444)
Property Revaluation Reserve	17	1,528,571	1,427,968	1,528,571	1,427,968
Realised Capital Gains Reserve	17	287,115	287,115	287,115	287,115
Retained Earnings	17	5,583,493	3,673,948	5,583,493	3,673,948
		<u>\$51,551,899</u>	<u>\$48,593,732</u>	<u>\$51,551,899</u>	<u>\$48,593,732</u>
Represented By:					
Assets					
Cash and Cash Equivalents	20	44,308,968	93,615,259	44,308,968	93,615,259
Trade and Other Receivables		120,230	89,790	120,230	89,790
Taxation Refund Due	4	1,247,553	560,492	1,247,553	560,492
Short Term Deposits	7	27,000,000	5,300,000	27,000,000	5,300,000
Investments	8	7,917,868	17,131,356	7,917,868	17,131,356
Advances	10	445,262,091	417,423,939	445,262,091	417,423,939
Property, Plant & Equipment	12	5,049,530	5,070,130	5,049,530	5,070,130
Deferred Tax	4	13,603	208,895	13,603	208,895
Derivative Financial Assets	9	27,908	127,572	27,908	127,572
Intangibles	13	9,897,295	10,122,445	9,897,295	10,122,445
Total Assets		<u>540,845,046</u>	<u>549,649,878</u>	<u>540,845,046</u>	<u>549,649,878</u>
Liabilities					
Trade and Other Payables		384,438	549,539	384,438	549,539
Employee Entitlements		347,697	317,861	347,697	317,861
Withholding Tax		670,966	736,872	670,966	736,872
Derivative Financial Liabilities	9	1,628,387	6,300,648	1,628,387	6,300,648
Deposits	14	486,261,659	493,151,226	486,261,659	493,151,226
Total Liabilities		<u>489,293,147</u>	<u>501,056,146</u>	<u>489,293,147</u>	<u>501,056,146</u>
NET ASSETS		<u>\$51,551,899</u>	<u>\$48,593,732</u>	<u>\$51,551,899</u>	<u>\$48,593,732</u>

The financial statements on pages 20 to 61 were authorised for issue by the Board on 11 June 2010.

For and on behalf of the Board of Canterbury Building Society.



G R Leech
Chairman



G R Kennedy
Deputy Chairman

The notes on pages 25-61 form part of and are to be read in conjunction with these financial statements.

For The Year Ended 31 March 2010

CONTRIBUTORS	Notes	Share Capital	Available for Sale Reserve	Property Revaluation Reserve	Realised Capital Gains Reserve	Retained Earnings	TOTAL
Balance at 1 April 2009		42,576,993	(198,510)	1,554,500	287,115	9,270,180	53,490,278
Payment of Dividends	17	-	-	-	-	(2,114,982)	(2,114,982)
Profit or Loss for the period	17	-	-	-	-	(3,481,250)	(3,481,250)
Other Comprehensive Income for the period	17	-	(348,934)	(126,532)	-	-	(475,466)
Total Comprehensive Income for the period		-	(348,934)	(126,532)	-	(3,481,250)	(3,956,716)
Issue of Shares	16	1,175,152	-	-	-	-	1,175,152
Balance at 31 March 2010		43,752,145	(547,444)	1,427,968	287,115	3,673,948	48,593,732
Payment of Dividends	17	-	-	-	-	-	-
Profit or Loss for the period	17	-	-	-	-	1,909,545	1,909,545
Net Gain/(Loss) arising on revaluation of available for sale financial assets during the period	17	-	535,478	-	-	-	535,478
Reclassification adjustments relating to available for sale financial assets disposed of in the period	17	-	53,143	-	-	-	53,143
Gain arising on revaluation of properties	17	-	-	143,718	-	-	143,718
Income tax relating to components of other comprehensive income	4	-	(176,586)	(43,115)	-	-	(219,701)
Total Comprehensive Income for the period		-	412,035	100,603	-	1,909,545	2,422,183
Issue of Shares	16	535,984	-	-	-	-	535,984
Balance at 31 March 2011		44,288,129	(135,409)	1,528,571	287,115	5,583,493	51,551,899

CONTRIBUTORS	Notes	Share Capital	Available for Sale Reserve	Property Revaluation Reserve	Realised Capital Gains Reserve	Retained Earnings	TOTAL
Balance at 1 April 2010		42,576,993	(198,510)	1,554,500	287,115	9,279,987	53,500,085
Payment of Dividends	17	-	-	-	-	(2,114,982)	(2,114,982)
Profit or Loss for the period	17	-	-	-	-	(3,491,057)	(3,491,057)
Other Comprehensive Income for the period	17	-	(348,934)	(126,532)	-	-	(475,466)
Total Comprehensive Income for the period		-	(348,934)	(126,532)	-	(3,491,057)	(3,966,523)
Issue of Shares	16	1,175,152	-	-	-	-	1,175,152
Balance at 31 March 2011		43,752,145	(547,444)	1,427,968	287,115	3,673,948	48,593,732
Payment of Dividends		-	-	-	-	-	-
Profit or Loss for the period		-	-	-	-	1,909,545	1,909,545
Net Gain/(Loss) arising on revaluation of available for sale financial assets during the period	17	-	535,478	-	-	-	535,478
Reclassification adjustments relating to available for sale financial assets disposed of in the period	17	-	53,143	-	-	-	53,143
Gain arising on revaluation of properties	17	-	-	143,718	-	-	143,718
Income tax relating to components of other comprehensive income	4	-	(176,586)	(43,115)	-	-	(219,701)
Total Comprehensive Income for the period		-	412,035	100,603	-	1,909,545	2,422,183
Issue of Shares	16	535,984	-	-	-	-	535,984
Balance at 31 March 2012		44,288,129	(135,409)	1,528,571	287,115	5,583,493	51,551,899

The notes on pages 25-61 form part of and are to be read in conjunction with these financial statements.

For The Year Ended 31 March 2010

	Notes	Consolidated		Society	
		12 Months	12 Months	12 Months	12 Months
		31-Mar-10	31-Mar-09	31-Mar-10	31-Mar-09
Cash Flows From Operating Activities:					
Cash was provided from:					
Interest on Lending Activities		26,290,266	41,472,524	26,290,266	41,472,524
Income from Investments		3,887,301	8,633,418	3,887,301	8,633,418
Cash on Settlement of Advances in Excess of Value		-	953,360	-	953,360
Sundry Income		1,314,694	996,269	1,314,694	996,269
		<u>31,492,261</u>	<u>52,055,571</u>	<u>31,492,261</u>	<u>52,055,571</u>
Cash was disbursed to:					
Finance Charges		25,558,064	38,847,626	25,558,064	38,847,626
Overhead Expenses		8,012,296	7,416,069	8,012,296	7,316,068
Taxation Paid		-	688,947	-	730,176
		<u>33,570,360</u>	<u>46,952,642</u>	<u>33,570,360</u>	<u>46,893,870</u>
Net Cash Flows (used in) / from Operating Activities before changes in Operating Asscls		(2,078,099)	5,102,929	(2,078,099)	5,161,701
Increase in Loans and Receivables: Advances		(188,855,309)	(134,757,030)	(188,855,309)	(134,757,030)
Decrease in Loans and Receivables: Repayments		156,948,636	168,033,205	156,948,636	168,033,205
Deposits received less withdrawals		(3,769,199)	(13,681,674)	(3,769,199)	(13,681,674)
Net Cash Flows (used in) / from Operating Activities	20	<u>(37,753,971)</u>	<u>24,697,430</u>	<u>(37,753,971)</u>	<u>24,756,202</u>
Cash Flows From Investing Activities:					
Cash was provided from:					
Investments Matured/Sold		9,937,417	1,964,379	9,937,417	1,964,379
Property, Plant & Equipment Sold		13,487	36,750	13,487	36,750
		<u>9,950,904</u>	<u>2,001,129</u>	<u>9,950,904</u>	<u>2,001,129</u>
Cash was disbursed to:					
Purchase of Investments		-	11,101,827	-	11,101,827
Short Term Deposits		21,700,000	(5,000,000)	21,700,000	(5,000,000)
Payments on behalf of Loan Properties Ltd		-	-	-	58,772
Intangibles Purchased		166,813	518,719	166,813	518,719
Property, Plant & Equipment Purchased		172,395	856,640	172,395	856,640
		<u>22,039,208</u>	<u>7,477,186</u>	<u>22,039,208</u>	<u>7,535,958</u>
Net Cash Flow (used in) / from Investing Activities		<u>(12,088,304)</u>	<u>(5,476,057)</u>	<u>(12,088,304)</u>	<u>(5,534,829)</u>
Cash Flows From Financing Activities:					
Cash was provided from:					
Shares Issued		535,984	-	535,984	-
		<u>535,984</u>	<u>-</u>	<u>535,984</u>	<u>-</u>
Cash was disbursed to:					
Dividends Paid		-	939,830	-	939,830
		<u>-</u>	<u>939,830</u>	<u>-</u>	<u>939,830</u>
Net Cash Flows from / (used in) Financing Activities		<u>535,984</u>	<u>(939,830)</u>	<u>535,984</u>	<u>(939,830)</u>
Net (Decrease) / Increase in Cash Held		<u>(49,306,291)</u>	<u>18,281,543</u>	<u>(49,306,291)</u>	<u>18,281,543</u>
Add Opening Cash Brought Forward		93,615,259	75,333,716	93,615,259	75,333,716
Closing Cash Carried Forward	20	<u>\$44,308,968</u>	<u>\$93,615,259</u>	<u>\$44,308,968</u>	<u>\$93,615,259</u>

The notes on pages 25-61 form part of and are to be read in conjunction with these financial statements.

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments and land and buildings. The reporting currency is New Zealand dollars.

For the year ended 31 July 2011

1. STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

Canterbury Building Society (the Society) is a profit-oriented Building Society registered in New Zealand under the Building Societies Act 1965. The Group consists of the Society and its wholly owned subsidiary Loan Properties Limited. This was acquired on 1 February 2008 when the Society acquired Loan & Building Society.

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 Society is a Non Standard NZAX Issuer due to a voting cap on Ordinary Shares of one vote per share up to a maximum of 10% of the total ordinary share vote. The 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.

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable reporting standards as appropriate for profit-oriented entities. For this purpose the Society has designated itself as profit-oriented. These financial statements also comply with the International Financial Reporting Standards (IFRS).

In accordance with Clause 52 of the Securities Regulations 2009 which came into force on 1 October 2009, the Directors have elected for the Securities Regulations 1983 to apply to these financial statements.

BASIS OF PREPARATION

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments and land and buildings. The reporting currency is New Zealand dollars.

Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring the substance of the underlying transactions or other events is reported.

PRINCIPAL ACTIVITIES

The Society's principal activities during the period were:

- Receiving deposits for investments
- Providing cheque account, call account, Eftpos and internet facilities
- Making advances generally on first mortgage security, general security agreements or specific security agreements.

ADDRESS OF REGISTERED OFFICE

224 East Street, Ashburton

USE OF ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

Notes to the Financial Statements (continued)

Note 8 Investments

Where available, quoted market prices are used as a measure of fair value. Where quoted market prices do not exist, fair values are estimated using present value or other market accepted valuation techniques, using methods and assumptions that are based on observable market conditions and risks existing at balance date.

Note 9 Derivative Financial Instruments

The Society chose to adopt Fair Value Hedge Accounting from 1 April 2008 to cover its exposure to interest rate risk on fixed rate loans.

A hedging instrument is a designated derivative whose fair value or cash flows are expected to offset the changes in the fair value or cash flows of the designated hedged item. Loans are grouped into portfolios having the same fixed rate maturity date and similar base interest rate. An interest rate swap is entered into to match the maturity date of the portfolio of loans. Judgement is required by management in selecting and designating hedging relationships and assessing hedge effectiveness.

NZ IAS 39 does not specify a single method for assessing hedge effectiveness prospectively or retrospectively. Hedge ineffectiveness can arise for a number of reasons, and whilst a hedge may pass the effectiveness test under NZ IAS 39 it may not be perfectly effective, thus creating volatility within the income statement through recognition of this ineffectiveness.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into. The carrying value of a derivative is remeasured to its fair value at each balance sheet date. The derivatives held at balance date have been valued using a discounted cash flow model using the applicable yield curve derived from observable market interest rates.

Note 10 Advances

Provisions for impairment in customer loans and advances are raised by management to cover incurred losses arising from past events. Losses for impaired loans are recognised when there is objective evidence that impairment of a loan or portfolio of loans has occurred. The amount of the impairment is recognised as an expense in the income statement.

The calculation of impairment provisions includes consideration of all expected cash flows associated with the loan. This includes any expected cash flows from the realisation of security along with interest and any costs incurred such as legal and administrative costs.

At each balance date the Society reviews individually significant loans for evidence of impairment. All relevant information, including the economic situation, solvency of the customer, current security values and future cash flows are taken into account in determining individual provisions.

In determining whether or not a collective provision is required, management estimate on the basis of historical loss experience for assets with similar credit risk characteristics. Historical loss experience is then adjusted for the impact of current observable data.

Note 12 Property, Plant and Equipment

Property, Plant and Equipment are carried at cost less accumulated depreciation and impairment, with the exception of Land and Buildings which are carried at market value. At each reporting date the carrying amounts are reviewed for indications of impairment with consideration as to the saleability and value in use of the assets. If any such indication exists the recoverable amount is estimated and compared against the carrying amount. Where the carrying amount exceeds the recoverable amount the difference is charged to the income statement, unless the asset is revalued, in which case the charge is recognised in other comprehensive income and accumulated as a separate component of equity in the Property Revaluation Reserve.

Note 13 Intangible Assets

The carrying amount of Goodwill is subject to an impairment test to ensure that the current carrying value does not exceed its recoverable amount at balance sheet date. Any excess of carrying value over recoverable amount is taken to the income statement as an impairment write-down. Goodwill is allocated to cash-generating units for the purpose of impairment testing, which is the lowest level at which goodwill is monitored by management. The cash-generating unit to which current goodwill has been allocated for impairment testing is the Society as a whole.

When testing for the possible impairment of Goodwill at balance date, management used a value in use model. Value in use is the present value of expected cash flows from the cash generating unit. The model used relied on the following inputs:

NZ IAS 1 Presentation of Financial Statements (revised 2007). This has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

(a) Budgets / Forecasts. The value in use model has been based on internal budgets and forecasts undertaken by management updated for known events as at balance date.

(b) Cost of Capital. In determining the weighted average cost of capital, management has considered the rates applicable to other similar financial institutions throughout Australasia. A pre tax weighted average cost of capital rate of 17.9% has been used in the value in use model.

(c) Terminal Growth Rate. The value in use model relies on growth calculations used in internal budgets / forecasts through until March 2013. Thereafter, the value in use model assumes a terminal growth rate of 2.5% per annum.

The value in use model was tested for sensitivity and it was shown that any movement in the above assumptions can result in a material difference to the level of impairment. An increase in the pre tax weighted average cost of capital to above 20%, or a terminal growth rate of less than 1%, or any combination thereof, would result in impairment.

Computer software is capitalised and amortised over its useful life (not exceeding three years). At each balance date management reviews the carrying value of software and if the recoverable amount is shown to be less than the carrying amount, an impairment charge is taken to the income statement immediately.

ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The Society has adopted all new standards and interpretations as issued by the Financial Reporting Standards Board (except those listed below). Those standards with a disclosure impact in these financial statements are as follows:

STANDARD

- NZ IAS 1 Presentation of Financial Statements (revised 2007)
This has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
- NZ IFRS 7 Financial Instruments: Disclosures (amendments to)
The amendments to NZ IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Society has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet adopted: The impact of initial application of the following standards is unknown.

STANDARD	Effective for Annual reporting periods beginning on or after	Expected to be the initially applied in year ending
NZ IFRIC 17 Distributions of Non-Cash Assets to Owners	1 July 2009	31 March 2011
NZ IFRS 9 Financial Instruments	1 January 2013	31 March 2014

REPORTING PERIOD

The Financial Statements are for the twelve months ended 31 March 2010.

SPECIFIC ACCOUNTING POLICIES

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

Notes to the Financial Statements (continued)

CONSOLIDATION OF SUBSIDIARIES

Subsidiaries are those entities that are controlled by the Society. Control exists when the Society has the power, directly or indirectly, to govern the financial and operating policies of entities so as to obtain benefits from its activities.

The consolidated financial statements are prepared by combining the financial statements of the Society and its subsidiary. All inter-company transactions, balances and unrealised profits are eliminated on consolidation.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Society obtains control and until such time as it ceases to control the subsidiary.

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.

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

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

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents 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.

DERIVATIVE FINANCIAL INSTRUMENTS

The Society has entered into interest rate swap agreements to manage its exposure to interest rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into. The carrying value of a derivative is remeasured to its fair value at each balance sheet date. Derivatives are carried as assets when the fair value is positive and liabilities when the fair value is negative.

The method of recognising the resulting fair value gain or loss on a derivative depends on whether the derivative is designated as a hedging instrument. The Society currently designates all derivatives as hedges of movements in fair value of recognised assets when they qualify for hedge accounting. Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit and loss immediately together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the income statement relating to the hedged item.

Hedge accounting is discontinued when the Society revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss on an effective yield basis over the remaining period to maturity of the hedged item.

For Floating Rate Advances the carrying amount in the balance sheet is considered a reasonable estimate of fair value, after making allowances for impaired loans.

Notes to the Financial Statements (continued)

The Fixed Rate Advances fair value is estimated using discounted cash flow models based on the interest rate repricing of the Advances. Interest

EMPLOYEE BENEFITS

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Society in respect of services provided by employees up to the reporting date.

DEFINED CONTRIBUTION PLANS

Contributions to defined contribution superannuation plans are expensed when incurred.

FAIR VALUE ESTIMATES

For Financial Instruments not presented in the balance sheet at their fair value, fair value is estimated as follows:

Cash & Cash Equivalents, Short Term Deposits and Other Financial Assets

These assets are short term in nature and therefore the carrying amount is equivalent to their fair value.

Advances

For Floating Rate Advances the carrying amount in the balance sheet is considered a reasonable estimate of fair value, after making allowances for impaired loans.

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

Deposits

For variable rate Deposits the carrying amount in the balance sheet is considered a reasonable estimate of fair value.

For Term Deposits fair value is estimated using discounted cash flow models based on the maturity of the instruments. The discount rates applied in this calculation are based on current market interest rates for Deposits with similar maturity profiles.

Other Financial Liabilities

These liabilities are generally short term in nature and therefore the carrying amount is equivalent to their fair value.

FINANCIAL ASSETS

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Fair value is determined by a market valuation based on market interest rates at reporting date.

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

Under NZ IAS 39 Financial Instruments: Recognition and Measurement financial assets are required to be classified as:

- at fair value through profit or loss;
- available for sale;
- held to maturity; or
- loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Notes to the Financial Statements (continued)

Available for Sale Financial Assets

Shares in listed companies, Public Securities and Corporate Bonds are not loans and receivables and are therefore classified as being available for sale and are stated at fair value less impairment. Gains and losses relating to impairment on monetary items and interest under the effective interest method are recognised in profit and loss. Other gains and losses arising from changes in fair value are recognised directly in the available for sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available for sale revaluation reserve is included in profit or loss for the period.

Loans and Receivables:

Advances, Trade and Other Receivables and other financial assets are recorded at amortised cost less impairment and adjusted for effective portion of fair value interest rate hedges.

FINANCIAL LIABILITIES

Financial liabilities are measured at amortised cost. Financial Liabilities include Trade and Other Payables, all forms of deposits, including transactional and savings accounts, term deposits and wholesale funding.

FINANCIAL INSTRUMENTS ISSUED BY THE SOCIETY

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and Dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

GST

The Income Statement, Balance Sheet and Statement of Cash Flows have been prepared so that the components that relate to the operation of the Building Society are stated on a GST inclusive basis as it is a financial institution and GST exempt.

IMPAIRMENT OF ASSETS

At each reporting date, the Society reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Society estimates the recoverable amount of the cash-generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

- Non Financial Assets

The carrying amounts of the Society's non financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication exists then the asset's recoverable amount is estimated.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

- Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual instruments that are considered significant are subject to this approach.

Investments:

Investments that are not individually significant and investments for which, based on the individual assessment, it is determined that no objective evidence of impairment exists, are collectively assessed for impairment in groups with similar risk characteristics.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets in the Income Statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans and Receivables:

Loans and Receivables are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated and provision is made for the difference between the carrying amount and the recoverable amount. The recoverable amounts of Advances measured at amortised cost are calculated as the present value of the expected future cash flows discounted at the instruments original effective interest rate for fixed rate Advances and the current effective interest rate for variable rate Advances. Short term balances are not discounted.

Impaired Assets:

Impaired assets consist of assets acquired through enforcement of security and restructured items.

- assets acquired through enforcement of security, are assets acquired (primarily real estate) through the enforcement of security or where the Society has assumed ownership of an asset in settlement of all or part of a debt.
- restructured items, are defined as items in which the original contractual terms have been formerly modified to provide for concessions of interest or principal for reasons related to the financial difficulties of the customer.

Past Due Assets:

- past due assets are any assets that have not been operated by the counterparty within its contractual terms, and which are not restructured assets or assets acquired through enforcement of security.

Notes to the Financial Statements (continued)

Specific provisions are made for Advances which are considered doubtful and are presented net of the specific provisions. Specific allowances are made against the carrying amount of Advances that are identified as being impaired based on regular reviews of outstanding balances, to reduce these Advances to their recoverable amounts. Collective allowances are maintained to reduce the carrying amount of portfolios or similar Advances to their estimated recoverable amounts at balance date. These allowances relate to incurred losses not yet specifically identified in the portfolio. The expected future cash flows for the portfolios of similar assets are estimated based on previous experience and considering the credit rating of the underlying members and late payments of interest and penalties. Increases in the specific and collective allowances are recognised in the Income Statement. When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off directly to the Income Statement.

CBS Canterbury identify loans and overdrafts at risk as part of the regular monitoring of lending facilities. Lending facilities considered to be at risk are reviewed to establish the current realisable value of the facilities, and the ability of the Borrower to repay the outstanding balance.

To determine the current realisable value of the lending facilities CBS Canterbury establish the current market value of the security, how long it will take to obtain full repayment of the lending facilities, and any other material issues that would affect the repayment of the lending facility.

INCOME TAX

- Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

- Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the consolidated entity is able to control reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Society intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax or current tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

INTANGIBLE ASSETS

Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Computer Software

Acquired computer software is capitalised on the basis of costs incurred to acquire. These costs are amortised using the straight line method over their useful lives (not exceeding three years).

Some costs associated with developing identifiable and unique software products controlled by the Society, including employee costs and other directly attributable costs, are capitalised and treated as Intangible Assets. These assets are amortised using the straight line method over their useful lives (not exceeding three years).

Lease Assignment

The assignment of lease is recognised at cost less amortisation and impairment. Amortisation is charged on a straight line basis over the estimated useful life of 9 years.

LEASED ASSETS

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

PAYABLES

Trade and Other Payables are recognised when the Society becomes obliged to make future payments resulting from the purchase of goods and services.

PROPERTY, PLANT & EQUIPMENT

Land and buildings are measured at fair value. Fair value is determined on the basis of an annual independent valuation prepared by external valuation experts, based on discounted cash flows or capitalisation of net income (as appropriate). The fair values are recognised in the financial statements of the consolidated entity, and are reviewed at the end of each annual reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values.

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

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to the Capital Gains Reserve. Upon disposal any revaluation reserve relating to any particular asset being sold is transferred to the Capital Gains Reserve.

Other items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land.

Notes to the Financial Statements (continued)

Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following rates are used in the calculation of depreciation:

Buildings	1.0 - 16.2%
Floor Coverings	30.0 - 36.0%
Fixtures & Fittings	5.5 - 36.0%
Office Equipment & Furniture	6.0 - 80.4%
Computer Equipment	16.2 - 48.0%
Motor Vehicles	21.0 - 25.2%

REVENUE RECOGNITION

Rendering of services

The Society receives fees for a variety of services. The income from fees is recognised in the accounting period in which the services are rendered apart from loan application fees that are recognised as part of the amortised cost of the loan using the effective interest method.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholders' rights to receive payments have been established. Interest revenue is recognised on the effective interest method for financial instruments recognised at amortised cost and those categorised as available for sale.

CHANGES IN ACCOUNTING POLICIES

There have been no changes to accounting policies in the year ended 31 March 2010. All policies have been applied on a basis consistent with those used in the previous year.

STANDARDS ADOPTED EARLY

The Society has elected to adopt NZ IFRS 3 (as revised in 2008) Business Combinations, NZ IAS 27 (as revised in 2008) Consolidated and Separate Financial Statements and amendments to other standards associated with these standards in advance of their effective date, being periods commencing on or after 1 July 2009.

The impact in the current period of adopting these standards early is as follows:

- *Deferred tax in respect of the recognition of tax losses arising from a previous business combination have been recognised in the income statement. Under the previous NZ IFRS 3 and NZ IAS 12 these would have resulted in an adjustment to goodwill acquired.*
- Early adoption of NZ IAS 27 had no impact on these financial statements.



Notes to the Financial Statements (continued)

4. TAXATION

(a) Income Tax Recognised in Profit	Consolidated		Society	
	12 Months 31-Mar-10	12 Months 31-Mar-09	12 Months 31-Mar-10	12 Months 31-Mar-09
Income Tax Expense Comprises:				
Current Tax Expense	367,031	227,299	367,031	227,299
Prior Period Adjustment	(584,271)	-	(584,271)	-
Deferred Tax Expense Relating to the Origination and Reversal of Temporary Differences	(24,408)	(145,587)	(24,408)	(145,587)
Imputation Credits Utilised in Current Year	(10,766)	-	(10,766)	-
Loan & Building Society Tax Losses	(459,055)	-	(459,055)	-
Total Income Tax Expense Recognised in Profit	(\$711,469)	\$81,712	(\$711,469)	\$81,712

The prima facie income tax expense on pre tax accounting profit reconciles to the income tax expense in the financial statements as follows:	Consolidated		Society	
	12 Months 31-Mar-10	12 Months 31-Mar-09	12 Months 31-Mar-10	12 Months 31-Mar-09
Net Profit / (Loss) Before Tax	1,198,076	(3,399,538)	1,198,076	(3,409,345)
Taxation thereon @ 30%	359,423	(1,019,861)	359,423	(1,022,804)
Non-Assessable Income	-	-	-	-
Non-Assessable Expenses	19,189	2,615	19,189	5,558
Impairment of Goodwill	-	1,244,545	-	1,244,545
Prior Period Adjustment	(584,271)	(59,077)	(584,271)	(59,077)
Imputation Credits	(46,755)	(86,510)	(46,755)	(86,510)
Deferred Tax Expense Relating to the Origination and Reversal of Temporary Differences	-	-	-	-
Loan & Building Society Tax Losses	(459,055)	-	(459,055)	-
Total Income Tax Expense Recognised in Profit	(\$711,469)	\$81,712	(\$711,469)	\$81,712

The tax rate used on the above reconciliation is the corporate tax rate of 30% payable by New Zealand companies under New Zealand tax law. Refer to Note 26 regarding the tax rate change occurring from 1 April 2011.

The tax losses recognised in the current period arose through the acquisition of Loan and Building Society on 1 February 2008. These tax losses were previously reversed through Goodwill on Acquisition in the 31 March 2009 financial statements due to uncertainty surrounding its recoverability through Canterbury Building Society.

(b) Recognised Deferred Tax Assets and Liabilities

March 2010 - Consolidated and Society	Opening Balance	Charged to Income	Charged to Equity	Closing Balance
Property, Plant & Equipment	(296,755)	9,751	(43,115)	(330,119)
Available for Sale Assets	239,787	-	(176,586)	63,201
Loan Application Fees	78,477	(57,942)	-	20,535
Other Financial Liabilities	135,921	(135,921)	-	-
Bad Debt Provisioning	-	175,334	-	175,334
Current Year Imputation Credits Converted to Losses	-	35,988	-	35,988
Other	51,465	(2,801)	-	48,664
	\$208,895	\$24,409	(\$219,701)	\$13,603

The tax losses recognised in the current period relate to the acquisition of Loan and Building Society on 1 February 2008. The total tax effect of losses brought forward from Loan and Building Society were \$588,026. These tax losses were not previously recognised in the financial statements due to uncertainty surrounding their availability of offset to Canterbury Building Society.

	Opening Balance	Charged to Income	Charged to Equity	Closing Balance
Property, Plant & Equipment	(318,217)	10,092	11,370	(296,755)
Available for Sale Assets	90,244	-	149,543	239,787
Loan Application Fees	50,753	27,724	-	78,477
Other Financial Liabilities	30,757	105,164	-	135,921
Other	48,858	2,607	-	51,465
	<u>(\$97,605)</u>	<u>\$145,587</u>	<u>\$160,913</u>	<u>\$208,895</u>

Although the Society incurred a loss for the financial year ended 31 March 2009, this was due to the assessed impairment of Goodwill and subsequent write off. Based on forecasts prepared by management future profitability will allow the Society to utilise the deferred tax asset in subsequent periods.

(c) Taxation Refund Due	Consolidated		Society	
	12 Months 31-Mar-10	12 Months 31-Mar-09	12 Months 31-Mar-10	12 Months 31-Mar-09
Taxation Payable (Refund Due) from last year	(560,492)	(560,492)	(560,492)	(560,492)
Tax Losses Applied to prior year tax return	(314,018)	-	(314,018)	-
Prior Period Adjustment	86,013	-	86,013	-
Tax Refund obtainable through the acquisition of Loan & Building Society	(459,056)	-	(459,056)	-
Taxation Payable (Refund Due)	<u>(\$1,247,553)</u>	<u>(\$560,492)</u>	<u>(\$1,247,553)</u>	<u>(\$560,492)</u>

	Consolidated & Society	
	12 Months 31-Mar-10	12 Months 31-Mar-09
Balance Brought Forward	3,189,356	4,288,680
Taxation Paid	-	-
Imputation Credits on Dividends Received	-	-
	<u>3,189,356</u>	<u>4,288,680</u>
Taxation Refunds	-	(57,617)
Imputation Credits on Dividends Paid	-	(1,041,707)
Balance Available to Shareholders as at the end of the Period	<u>\$3,189,356</u>	<u>\$3,189,356</u>

The imputation credits shown above relate to tax paid prior to 1 April 2008 and are able to be attached to dividends at the rate of 33% until 31 March 2010.

From 1 April 2010 the above imputation credits can only be passed to shareholders at the rate of 30%.

Notes to the Financial Statements (continued)

	Consolidated & Society	
	12 Months	12 Months
	31-Mar-10	31-Mar-09
Imputation Credit Account to 31 March 2010 - credits available @ 30%		
Balance Brought Forward	860,023	-
Taxation Paid	-	773,513
Imputation Credits on Dividends Received	46,755	86,510
	906,778	860,023
Less		
Taxation Refunds	-	-
Imputation Credits on Dividends Paid	-	-
Balance Available to Shareholders as at the end of the Period	\$906,778	\$860,023

The imputation credits shown above relate to tax paid from 1 April 2008 and are able to be attached to dividends at the rate of 30%. From 1 April 2011 the company tax rate reduces to 28% and the effect of this change is unknown as at reporting date.

At balance date the imputation credits available to the shareholders of the Society were:

	Consolidated & Society	
	12 Months	12 Months
	31-Mar-10	31-Mar-09
Through direct shareholding in the Society	4,096,134	4,049,379
Through indirect interest in the Subsidiary	-	-
	\$4,096,134	\$4,049,379

6. EARNINGS PER SHARE

	Consolidated	
	12 Months	12 Months
	31-Mar-10	31-Mar-09
Basic and diluted earnings per share		
Earnings per Share (cents)	15.7	(29.4)

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	Consolidated	
	12 Months	12 Months
	31-Mar-10	31-Mar-09
Earnings	\$1,909,545	(\$3,481,250)
Weighted average number of ordinary share	12,145,699	11,829,970

The weighted average number of ordinary shares for the purposes of diluted earnings per share equals the weighted average number of ordinary shares used to calculate basic earnings per share.

There were no instruments that could potentially dilute basic earnings per share.

There were no ordinary share transactions or potential ordinary share transactions, after balance sheet date.

The weighted average number of ordinary shares for the year ended 31 March 2009 has been adjusted for the issue of 175,000 shares made in August 2009. The resulting earnings per share has increased to (29.3) cents from (29.4) cents previously stated.

Short term deposits consist of deposits held with Westpac Banking Corporation NZ Limited, Bank of New Zealand Limited and KiwiBank Limited having a maturity greater than three months but less than one year.

	Consolidated & Society	
	12 Months 31-Mar-10	12 Months 31-Mar-09
Public Securities and Corporate Bonds	5,193,868	14,761,356
Shares in Listed Companies	2,724,000	2,370,000
	<u>\$7,917,868</u>	<u>\$17,131,356</u>

All investments are valued by our external investment brokers and based on market quoted prices as at 31 March 2010.

GBS Canterbury uses interest rate swaps to cover its exposure to interest rate risk resulting from potential changes in the fair value of fixed rate mortgage loans due to changes in interest rates.

The Society adopted fair value hedge accounting from 1 April 2008. The application of fair value hedge accounting results in the fair value adjustment on the hedged item attributable to the hedged risk being recognised in the income statement at the same time the hedging instrument impacts the income statement.

The table below shows the gain or loss on fair value hedges by hedging instrument and hedge item attributable to the hedged risk:

	Consolidated & Society	
	12 Months 31-Mar-10	12 Months 31-Mar-09
Gain or (loss) arising from fair value hedges:		
- hedged item	(3,570,828)	5,223,275
- hedging instrument	4,469,103	(5,677,042)
Net ineffectiveness on qualifying fair value hedges	<u>898,275</u>	<u>(453,767)</u>

Derivatives not qualifying for hedge accounting treatment are classified as Fair Value through Profit or Loss.

The following tables provide an overview of the Society's interest rate swaps. Notional principal amounts measure the amount of the underlying financial instrument and represent the volume of outstanding transactions. The financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates relative to their terms. The notional principal amounts and fair values of interest rate swaps held are as follows:

Notes to the Financial Statements (continued)

As at 31 March 2010	Consolidated & Society		
	Notional Amount	Fair Value Assets	Fair Value Liabilities
<i>At Fair Value through Profit or Loss</i>			
Interest rate swaps held as at 31 March 2010	10,535,722	-	143,493
<i>Designated as Fair Value Hedges</i>			
Interest rate swaps held as at 31 March 2010	125,463,028	27,839	1,484,825
Total Derivative Financial Instruments	<u>\$135,998,750</u>	<u>\$27,839</u>	<u>\$1,628,318</u>

Included in the notional amount of interest rate swaps shown as Fair Value through Profit & Loss as at 31 March 2010 was one instrument for \$8,000,000 which was part of a hedge relationship that ended on 31 March 2010. This instrument has subsequently matured in April 2010.

As at 31 March 2009	Consolidated & Society		
	Notional Amount	Fair Value Assets	Fair Value Liabilities
<i>At Fair Value through Profit or Loss</i>			
Interest rate swaps held as at 31 March 2009	3,671,136	-	175,335
<i>Designated as Fair Value Hedges</i>			
Interest rate swaps held as at 31 March 2009	142,653,864	127,572	6,125,313
Total Derivative Financial Instruments	<u>\$146,325,000</u>	<u>\$127,572</u>	<u>\$6,300,648</u>

10. ADVANCES

	Consolidated & Society	
	12 Months	12 Months
	31-Mar-10	31-Mar-09
Secured by Mortgages	444,937,119	416,983,430
Secured by Personal Loans	796,615	119,398
Unsecured Overdrafts	112,802	321,111
Total Gross Advances	445,846,536	417,423,939
Less: Provisions for Impairment Loss	(584,445)	-
Total Advances	<u>\$445,262,091</u>	<u>\$417,423,939</u>

Provisions for Impairment Loss	Consolidated & Society	
	12 Months 31-Mar-10	12 Months 31-Mar-09
Opening Balance	-	-
Charged to the Income Statement	35,000	-
Closing Balance	35,000	-
Opening Balance	-	-
Charged to the Income Statement	-	-
- New Provisions	549,445	-
- Amounts Recovered	-	-
Write Offs Against Individually Assessed Provisions	-	-
Closing Balance	549,445	-
Movement in Collective Provision	35,000	-
Movement in Individually Assessed Provisions	549,445	-
Bad Debts Written Off	21,928	3,366,436
Bad Debts Recovered	(17,757)	(3,021)
Total Impairment Losses Charged to the Income Statement	\$588,616	\$3,363,415

	Consolidated and Society				
	Restructured Advances	Real Estate Assets Acquired through the Enforcement of Security	Other Assets Acquired Through the Enforcement of Security	Other Impaired Advances	Past Due Advances
Opening Balance	4,222,770	-	-	1,180,730	2,274,999
Additions	-	-	-	1,060,220	2,289,115
Allowance For Impairment Loss	-	-	-	(549,445)	-
Amounts Written Off	-	-	-	-	-
Deletions	(4,222,770)	-	-	(1,180,730)	(2,012,724)
Closing Balance	-	-	-	\$510,775	\$2,551,390
Opening Balance	5,274,201	-	-	-	2,989,193
Additions	2,388,655	-	-	4,083,273	2,274,999
Allowance For Impairment Loss	-	-	-	-	-
Amounts Written Off	-	-	-	(2,446,971)	-
Deletions	(3,440,086)	-	-	(455,572)	(2,989,193)
Closing Balance	\$4,222,770	-	-	\$1,180,730	\$2,274,999

Notes to the Financial Statements (continued)

The factors the Society considered in determining impairment are noted under Specific Accounting Policies - Impairment of Assets.

The collateral held by the Society as security for advances are first mortgages on properties. The Restructured Advances included above are all fully-secured by first mortgages on properties. As at 31 March 2009 the estimated fair value of the collateral held in relation to Restructured Advances was \$8,125,000. No doubtful debt provisioning was considered necessary on any of the restructured advances.

As at 31 March 2010 the estimated fair value of the collateral held in relation to Other Impaired Advances was \$981,610. The balance of Other Impaired Advances as at 31 March 2009 of \$1,180,730 was assessed based on actual sales that settled post 31 March 2009, or current market value. As at 31 March 2010 the estimated fair value of the collateral held in relation to Past Due Advances was \$3,831,178.

Analysis of Past Due but not Impaired Advances	Consolidated & Society	
	12 Months	12 Months
	31-Mar-10	31-Mar-09
Not more than three months	2,158,686	1,743,565
More than three months and not more than six months	388,850	525,637
More than six months and not more than one year	-	5,797
More than one year	3,854	-
	<u>\$2,551,390</u>	<u>\$2,274,999</u>

Of the total value of advances past due as at 31 March 2010, advances totalling \$956,723 have since been cleared.

12. PROPERTY, PLANT & EQUIPMENT

Consolidated & Society	Land	Buildings	Fixtures & Fittings	Floor Coverings	Computer Equipment	Office Equipment & Furniture	Motor Vehicles	Total
<i>As at 1 April 2008</i>								
Cost or Revaluation	1,200,000	2,910,000	595,657	92,462	578,531	392,347	200,490	5,969,487
Accumulated Depreciation	-	-	(385,670)	(86,231)	(523,882)	(185,927)	(75,883)	(1,257,593)
Net Book Value	<u>\$1,200,000</u>	<u>\$2,910,000</u>	<u>\$209,987</u>	<u>\$6,231</u>	<u>\$54,649</u>	<u>\$206,420</u>	<u>\$124,607</u>	<u>\$4,711,894</u>
<i>Year ended 31 March 2009</i>								
Opening book value	1,200,000	2,910,000	209,987	6,231	54,649	206,420	124,607	4,711,894
Additions	-	578,312	83,596	20,606	50,924	64,941	58,261	856,640
Disposals	-	-	-	-	-	-	(58,303)	(58,303)
Acquisitions through Business Combinations	-	-	-	-	-	-	-	-
Net Revaluation Increments/Decrements	(100,000)	(37,902)	-	-	-	-	-	(137,902)
Depreciation	-	(130,410)	(39,420)	(4,801)	(51,345)	(46,282)	(29,941)	(302,199)
Closing Net Book Value	<u>\$1,100,000</u>	<u>\$3,320,000</u>	<u>\$254,163</u>	<u>\$22,036</u>	<u>\$54,228</u>	<u>\$225,079</u>	<u>\$94,624</u>	<u>\$5,070,130</u>
<i>As at 31 March 2009</i>								
Cost or Revaluation	1,100,000	3,320,000	679,253	113,068	629,455	457,288	200,448	6,499,512
Accumulated Depreciation	-	-	(425,090)	(91,032)	(575,227)	(232,209)	(105,824)	(1,429,382)
Net Book Value	<u>\$1,100,000</u>	<u>\$3,320,000</u>	<u>\$254,163</u>	<u>\$22,036</u>	<u>\$54,228</u>	<u>\$225,079</u>	<u>\$94,624</u>	<u>\$5,070,130</u>
<i>Year ended 31 March 2010</i>								
Opening book value	1,100,000	3,320,000	254,163	22,036	54,228	225,079	94,624	5,070,130
Additions	-	28,307	5,996	-	94,470	11,405	32,217	172,395
Disposals	-	-	-	-	-	(29,084)	-	(29,084)
Net Revaluation Increments/Decrements	-	143,718	-	-	-	-	-	143,718
Depreciation	-	(122,025)	(41,839)	(9,713)	(56,424)	(39,074)	(38,554)	(307,629)
Closing Net Book Value	<u>\$1,100,000</u>	<u>\$3,370,000</u>	<u>\$218,320</u>	<u>\$12,323</u>	<u>\$92,274</u>	<u>\$168,326</u>	<u>\$88,287</u>	<u>\$5,049,530</u>
<i>Year ended 31 March 2010</i>								
Cost or Revaluation	1,100,000	3,370,000	685,249	113,068	723,925	428,693	232,665	6,653,600
Accumulated Depreciation	-	-	(466,929)	(100,745)	(631,651)	(260,367)	(144,378)	(1,604,070)
Net Book Value	<u>\$1,100,000</u>	<u>\$3,370,000</u>	<u>\$218,320</u>	<u>\$12,323</u>	<u>\$92,274</u>	<u>\$168,326</u>	<u>\$88,287</u>	<u>\$5,049,530</u>

The land and buildings of CBS Canterbury were valued by Colliers Valuation Christchurch, independent registered valuers, as at 31 March 2010. These are valued on the basis of market value for existing use. A rental capitalisation valuation methodology has been used in determining this value. The rental capitalisation rate adopted for the valuation of the properties as at 31 March 2010 was between 7.75% and 9.00% (31 March 2009 8.25% and 9.00%).

Historical Cost Summary

The carrying amount of each revalued class of property, plant and equipment that would have been recognised had the assets been carried under the cost model is as follows.

	Consolidated & Society		Consolidated & Society	
	31-Mar-10	31-Mar-10	31-Mar-09	31-Mar-09
	Land	Buildings	Land	Buildings
Historical Cost	430,444	3,539,045	430,444	3,510,738
Accumulated Depreciation	-	(1,312,867)	-	(1,223,345)
	<u>\$430,444</u>	<u>\$2,226,178</u>	<u>\$430,444</u>	<u>\$2,287,393</u>

	Consolidated & Society	
	31-Mar-10	31-Mar-09
Goodwill	9,524,361	9,524,361
External Application Software	134,707	364,979
Internally Generated Application Software	198,413	187,603
Other	39,814	45,502
	<u>9,897,295</u>	<u>10,122,445</u>
Opening Balance	9,524,361	13,672,844
Additions	-	-
Goodwill on Acquisition	-	-
Impairment of Goodwill	-	(4,148,483)
Closing Balance	<u>9,524,361</u>	<u>9,524,361</u>
External Application Software	364,979	222,367
Software Additions	16,292	323,143
Amortisation Expense	(246,564)	(180,531)
Closing Balance	<u>134,707</u>	<u>364,979</u>
<i>Historical Cost Summary</i>		
Historical Cost	566,751	550,459
Accumulated Amortisation	(432,044)	(185,480)
	<u>134,707</u>	<u>364,979</u>
Internally Generated Application Software		
Opening Balance	187,603	-
Software Additions	150,521	195,576
Amortisation Expense	(139,711)	(7,973)
Closing Balance	<u>198,413</u>	<u>187,603</u>

Notes to the Financial Statements (continued)

	Consolidated & Society	
	31-Mar-10	31-Mar-09
Historical Cost Summary		
Historical Cost	346,097	195,576
Accumulated Amortisation	(147,684)	(7,973)
	198,413	187,603
Other		
Opening Balance	45,502	51,190
Additions	-	-
Accumulated Expense	-	-
Amortisation Expense	(5,688)	(5,688)
Closing Balance	39,814	45,502
TOTAL INTANGIBLES	\$9,897,295	\$10,122,445

Goodwill - impairment assessment

The assets, liabilities and operations of SMC Building Society (purchased on 1 April 2006) and Loan and Building Society (purchased on 1 February 2008) have been fully integrated into those of the Society and are not managed or reported on as a separate business. Goodwill has therefore been allocated for impairment testing purposes to the cash-generating unit representing the CBS business as a whole.

During the year ended 31 March 2010 the Society assessed the recoverable amount of goodwill, and determined that goodwill was not impaired (31 March 2009 \$4,148,483).

The recoverable amount of the cash-generating unit was assessed as its value in use. For the year ended 31 March 2010 the value in use model included the key assumptions of retail deposits continuing to be obtained at a significant premium to the 90 day rate and growth in lending in the 2011 year and thereafter nominal. The cash flows were based on detailed forecasts for the years 2011, 2012 and 2013 with a terminal growth rate of 2.5% per annum. A pre-tax discount factor of 17.9% per annum was applied in the value in use model. The value in use model was tested for sensitivity to the assumptions made. This resulted in the Directors concluding that there was no impairment of Goodwill.

For the year ended 31 March 2009 the value in use model included the key assumptions of retail deposits continuing to be obtained at a significant premium to the 90 day rate and growth in lending in the 2010 year and thereafter nominal. The cash flows were based on detailed forecasts for the years 2010, 2011 and 2012 with a terminal growth rate of 3% per annum. A pre-tax discount factor of 14.6% per annum was applied in the value in use model. The value in use model was tested for sensitivity to the assumptions made. This resulted in the Directors concluding it was appropriate to write off \$4,148,483 of Goodwill.

The main factors contributing to the impairment of the cash-generating unit were due to hedging for interest rate risk, lending margins, reduction in lending, and carrying surplus liquidity.

Computer Software

No impairment losses have been recognised against the carrying amount of Computer Software for the year ended 31 March 2010 (31 March 2009: Nil)

14. DEPOSITS

	Consolidated & Society		Consolidated & Society	
	31-Mar-10 Amount	31-Mar-10 Weighted Average Interest Rate	31-Mar-09 Amount	31-Mar-09 Weighted Average Interest Rate
(a) Non Current:				
Term deposits due:				
Between 1-2 years	10,987,768	5.52%	12,999,832	6.39%
2 years and later	301,469	5.13%	2,215,672	7.16%
Total	<u>\$11,289,237</u>		<u>\$15,215,504</u>	
(b) Current:				
Term deposits due within 1 year	363,709,100	5.04%	360,922,230	6.38%
At call deposits	<u>111,263,322</u>	3.60%	<u>117,013,492</u>	3.53%
Total	<u>\$474,972,422</u>		<u>\$477,935,722</u>	
Total Deposits	<u>\$486,261,659</u>		<u>\$493,151,226</u>	

Call and term deposits are obtained for the Society through retail funding from investors principally in the Canterbury region.

On 12 November 2008 CBS Canterbury received confirmation from New Zealand Treasury of its acceptance as an Approved Institution under the Government Deposit Guarantee Scheme. The guarantee shall be in force for a period of 2 years from the announcement of the scheme on 12 October 2008.

The maximum liability of the Crown to each creditor (not being a Nominated Beneficiary) under the Crown Guarantee is one million New Zealand dollars (NZD \$1,000,000). For this purpose amounts owed to creditors by the Society under any Debt Security will be aggregated with other amounts owed to the same creditor by the Society that are supported by the Crown Guarantee.

On 19 November 2009 Standard & Poor's Rating Services assigned a "BB+ / B; Stable Outlook" rating to Canterbury Building Society. As the Society did not hold a credit rating until 19 November 2009 it was liable to pay to the Crown at the end of each month a fee equivalent to one twelfth of 3.0% (three hundred basis points) of the amount (if any) by which the Guaranteed Amount on the last day of the previous month exceeds the Guaranteed Amount on the Announcement Date. From 19 November 2009 the fee payable reduced to 1.0% (one hundred basis points).

At no time during the year ending 31 March 2010 has the Guaranteed Amount at the end of each month exceeded the Guaranteed Amount on the Announcement Date, and therefore no fee has been payable by the Society to the Crown (31 March 2009: Nil)

For further information on the scheme and a copy of the Crown Deed of Guarantee between CBS Canterbury and the Crown, please refer to www.treasury.govt.nz.

15. EMPLOYMENT

	Consolidated & Society	
	12 Months 31-Mar-10	12 Months 31-Mar-09
Auditing Services	111,357	112,668
Other Services	62,622	110,356
	<u>\$173,979</u>	<u>\$223,024</u>

Auditing Services for the year ended 31 March 2010 and 31 March 2009 represent the full year audit fees. Other Services relate to assistance provided in relation to independent testing around the migration of our banking software and taxation consultancy. These services do not conflict with the independence of Deloitte as Auditor.

16. SHARE CAPITAL

	Consolidated & Society		Consolidated & Society	
	31-Mar-10	31-Mar-10	31-Mar-09	31-Mar-09
Ordinary Shares	\$	Shares	\$	Shares
Opening Balance	43,752,145	12,041,658	42,576,993	11,747,870
Issue of ordinary shares - 19 December 2008	-	-	1,175,152	293,788
Issue of ordinary shares - 27 August 2009	535,984	175,000	-	-
Closing Balance	\$44,288,129	12,216,658	\$43,752,145	12,041,658

All shares are fully paid and each share entitles the owner to one vote, provided that the maximum number of votes which may be exercised shall not exceed 10% of the total ordinary shares. There is no predetermined dividend rate and there are no conversion rights. The ordinary shares rank equally in dividends and on winding up. There is no Par Value associated with these shares.

Under the terms of the Crown Deposit Guarantee Deed, the Society is restricted whereby the aggregate amount of dividends paid in any financial year cannot not exceed the profit for the previous financial year of the Society.

On 19 December 2008 CBS Canterbury issued 293,788 ordinary shares fully paid in lieu of an interim dividend in the ratio of 1 for 40 shares held. The issue price for these shares was \$4.00 per share based on the NZX market price on 1 December 2008.

On 27 August 2009 CBS Canterbury issued 175,000 ordinary shares fully paid to the employees listed under Note 22. The issue price for these shares was \$3.06 per share based on the volume weighted average price of the shares as traded on the NZAX in the 20 trading days prior to the issue date.

17. RESERVES

a. Available For Sale Reserve	Consolidated & Society	
	12 Months 31-Mar-10	12 Months 31-Mar-09
Opening Balance	(547,444)	(198,510)
Valuation gain (loss) recognised	535,478	(493,831)
Deferred tax arising on revaluation	(160,643)	148,149
Cumulative loss (gain) transferred to the Income Statement on sale of financial assets	53,143	(4,646)
Deferred tax associated with the sale of financial assets	(15,943)	1,394
Movement for the period	412,035	(348,934)
Closing Balance	(\$135,409)	(\$547,444)

The Available For Sale Revaluation Reserve arises on the revaluation of available for sale financial assets. Where a revalued financial asset is sold, that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in profit or loss.

b. Property Revaluation Reserve	Consolidated & Society	
	12 Months	12 Months
	31-Mar-10	31-Mar-09
Opening Balance	1,427,968	1,554,500
Revaluation during the year	143,718	(137,902)
Deferred tax (liability) asset arising on revaluation	(43,115)	11,370
Closing Balance	\$1,528,571	\$1,427,968
Comprising:		
Land	669,556	669,556
Buildings	859,015	758,412
	<u>\$1,528,571</u>	<u>\$1,427,968</u>

The Property Revaluation Reserve arises on the revaluation of land and buildings. Where revalued land or buildings are sold, that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to Realised Capital Gains Reserve.

c. Realised Capital Gains Reserve	Consolidated & Society	
	12 Months	12 Months
	31-Mar-10	31-Mar-09
Opening and closing balance	287,115	287,115
	<u>\$287,115</u>	<u>\$287,115</u>

The Realised Capital Gains Reserve arises on the sale of land and buildings. Where land or buildings are sold, the portion of the Revaluation Reserve which relates to that asset is realised and transferred to this reserve.

d. Retained Earnings	Consolidated & Society		Consolidated & Society	
	12 Months	12 Months	12 Months	12 Months
	31-Mar-10	31-Mar-09	31-Mar-10	31-Mar-09
Opening Balance	3,673,948	3,673,948	9,270,180	9,279,987
Net Surplus (Deficit) for the period	1,909,545	1,909,545	(3,481,250)	(3,491,057)
Dividends paid	-	-	(2,114,982)	(2,114,982)
Closing Balance	<u>\$5,583,493</u>	<u>\$5,583,493</u>	<u>\$3,673,948</u>	<u>\$3,673,948</u>
Rate of Dividend (cents per share)	-	-	18.0	18.0

Retained Earnings is the accumulated profits carried forward by CBS Canterbury after allowing for any dividends paid to shareholders.

	Consolidated & Society		Consolidated & Society	
	12 Months	12 Months	12 Months	12 Months
	31-Mar-10	31-Mar-09	31-Mar-09	31-Mar-09
	Cents per share	Total	Cents per share	Total
Ordinary Shares - Final Dividend 2008	-	-	8.0	939,830
Ordinary Shares - Interim Dividend Bonus Issue	-	-	10.0	1,175,152

Notes to the Financial Statements (continued)

19. 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 cash equivalents, investments, advances, receivables, payables and deposits. The Society has unrecognised financial instruments of undrawn credit facilities. The Society also has financial derivatives in the form of interest rate swaps.

FINANCIAL RISK MANAGEMENT POLICIES

i) Credit Risk

Credit Risk is the risk that a counterparty will default on its contractual obligation resulting in a financial loss to the Society. The Society has comprehensive, clearly defined credit policies for the approval and management of all credit risk including risk to banks and related counterparties. All prospective mortgagors are subject to lending criteria established by the Board of Directors. These include maximum loan to security value ratios and demonstrated debt servicing ability. Advances are secured by first mortgage except for a few advances that are either secured by a general security agreement, specific security agreement or unsecured (refer to Note 10 for details). All approvals are by Management, Credit Committee or the Board of Directors depending on the size of the advance.

ii) Liquidity Risk

Liquidity Risk is the risk that an entity will encounter difficulty in raising funds at short notice to meet its commitments. The Society's liquidity position is set out in the Liquidity Profile included in this note. 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 ensures that funds are available as necessary to meet all commitments as they fall due.

iii) Interest Rate Risk

Interest Rate Risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Society's normal lending terms on floating rate lending allows it to reset interest rates from time to time at its discretion. The Society also has *lending at fixed rates of interest where the interest is fixed for periods of between one year and three years. Interest rate swap agreements have been entered into to hedge exposure to changes in interest rates on at least 80% of the fixed rates advances beyond 18 months.* Interest rates on at call depositor's funds can be reset immediately. Interest rates on term deposits are fixed until their respective maturity dates.

iv) Market Risk

Potential sources of Market Risk are a change in the market value of investments due to interest rate changes and a change in the margin between the average interest rate received by the Society on advances and the average interest rate paid by the Society on deposits.

Investments are generally held to maturity but can be traded before maturity should the directors determine this is in the Society's best interests. Investments would only normally be traded before maturity at a profit otherwise they would be held to maturity. No other assets of the Society are traded.

The margin between the average interest rate received by the Society and the average interest rate paid by the Society is expected to remain constant whenever there is a change in interest rates. There may however be a timing lag whenever any of these interest rates change which can affect profitability of the Society due to the timing notification of changes of interest rates.

v) Currency Risk

The Society operates only in New Zealand and therefore is not exposed to any currency risk.

QUANTITATIVE RISK EXPOSURE DISCLOSURES

i) Credit Risk

Maximum exposures to credit risk are the disclosed carrying values of advances, investments, cash, trade and other receivables and financial assets. All advances have been lent for use in New Zealand, predominantly concentrated in the Canterbury Region of the South Island. Concentrations of credit risk can arise where the Society is exposed to risk in activities or industries of a similar nature. The Society has determined that the most significant risk is in respect of advances. An analysis of advances by type of lending is as follows:

	Consolidated & Society	
	31-Mar-10	31-Mar-09
Residential	243,519,021	188,205,255
Residential - Development	21,027,009	31,418,151
Commercial	139,570,878	149,794,443
Commercial - Development	10,296,243	12,508,796
Farming	29,082,768	30,644,403
Chattel Security	796,615	119,398
Unsecured	112,802	321,111
Less Accrued Loan Application Fees	(795,692)	(810,893)
Add Gain Arising from Fair Value Hedging	1,652,447	5,223,275
Advances Approved But Awaiting Settlement (refer note 23)	47,975,205	44,055,734
	<u>\$493,237,296</u>	<u>\$461,479,673</u>

The method the Society has used to identify the customer sectors is from their database of customers which is set up from information received from customers at the time the advance is set up and subsequently updated as necessary. Credit quality is monitored as part of the impairment review process of advances, including immediately prior to the draw down of committed facilities. In respect of investments held, being public securities, corporate bonds and shares in listed companies, the credit quality is monitored on a regular basis with reference to market data including credit ratings.

Of the advances receivable as at 31 March 2010:

(1) The total value of advances in arrears in excess of three months is \$1,452,924 (31 March 2009 \$531,434).

(2) The aggregate of the six largest advances is \$44,272,289 (31 March 2009 \$47,541,339) or 8.34% of total monetary assets (31 March 2009 8.81%).

Number of individual lending and investment counter parties with balances:

	Consolidated & Society		Consolidated & Society	
	31-Mar-10	31-Mar-10	31-Mar-09	31-Mar-09
	Advances	Short Term Deposits	Advances	Short Term Deposits
10 - 20%	8	-	5	-
20 - 30%	-	1	2	-
30 - 40%	-	-	-	-
40 - 50%	-	1	-	2
50 - 60%	-	1	-	2
60 - 70%	-	-	-	-
70 - 80%	-	-	-	-
80 - 90%	-	-	-	-
90 - 100%	-	-	-	-

Concentration of Funding

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

	Consolidated & Society	
	31-Mar-10	31-Mar-09
Canterbury Region	466,444,707	462,274,602
Other South Island Regions	11,822,050	22,076,202
North Island Regions	2,720,215	3,312,258
Outside New Zealand	5,274,687	5,488,164
	<u>\$486,261,659</u>	<u>\$493,151,226</u>

Notes to the Financial Statements (continued)

ii) Liquidity Risk

The Society has a balance of call funds of approximately \$6,500,000 on a daily basis. The Society has a facility of a committed Money Market Line of up to \$30,000,000 (31 March 2009 \$30,000,000) from Westpac Banking Corporation. This facility is unsecured.

Maturity Analysis

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

The majority of the longer term Advances are housing loans, which are likely to be repaid earlier than their contractual terms. Advances with maturity dates within 60 months are expected to run to term, but it is expected that a proportion of the Advances in the over 60 month category could repay earlier due to changes in the borrowers personal circumstances, but on average would still remain in the over 60 month category. Deposits include substantial member savings deposits and cheque accounts, which are at call. History demonstrates that such accounts provide a stable source of long term funding for the Society. The Society manages its cash flows and liquidity using a comprehensive balance sheet modelling approach and does not record expected interest flows by asset and liability categories.

Maturity Analysis for Undiscounted Contractual Cash Flows as at 31 March 2010

	Consolidated and Society						
	Total	On Call	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
Monetary Assets							
Cash & Cash Equivalents	44,308,968	8,950,129	35,358,839	-	-	-	-
Trade & Other Receivables	120,230	-	120,230	-	-	-	-
Taxation Refund Due	1,247,553	-	1,247,553	-	-	-	-
Short Term Deposits	27,508,466	-	27,508,466	-	-	-	-
Investments	9,878,175	-	128,475	4,171,300	228,400	1,630,000	3,720,000
Derivative Financial Assets	41,885	-	(89,644)	(17,654)	76,777	72,406	-
Advances	759,143,373	18,399,250	134,728,513	23,568,804	40,280,442	71,360,380	470,805,984
	\$842,248,650	\$27,349,379	\$199,002,432	\$27,722,450	\$40,585,619	\$73,062,786	\$474,525,984
Liabilities							
Trade and Other Payables	384,438	-	384,438	-	-	-	-
Employee Entitlements	347,697	-	347,697	-	-	-	-
Withholding Tax Payable	670,966	-	670,966	-	-	-	-
Derivative Financial Liabilities	1,622,131	-	1,582,647	389,298	(268,495)	(81,319)	-
Deposits	493,487,142	111,263,322	284,038,919	86,469,798	11,395,189	319,915	-
	\$496,512,374	\$111,263,322	\$287,024,667	\$86,859,096	\$11,126,694	\$238,596	-
Commitments							
Advances to be paid out (refer note 23)	47,975,205	13,518,626	34,456,579	-	-	-	-
	\$47,975,205	\$13,518,626	\$34,456,579	-	-	-	-

The cash flows relating to *Derivative Financial Assets and Derivative Financial Liabilities* are net cash flows, consistent with the settlement method used with our Bankers.

Commitments relate to approved but unadvanced loans, including undrawn overdraft limits. When these loans are drawn the effect to the above tables will be to reduce Cash held, and increase total Advances. The total monetary assets shown would not be affected as a result of these being drawn.

CBS Canterbury monitors its liquidity (cash) position on a continuous basis. Cash flow forecasts for operating activities are prepared taking into account the cash flow characteristics of and expected volatility in the balances of the various classes of assets and liabilities that have or can have a significant cash flow effect.

To meet both expected and unexpected fluctuations in operating cashflows CBS Canterbury maintains a stock of liquid investments. Taking into account analysis of historical cash flows, forecast cash flows and the current composition of the balance sheet it considers these to be adequate.

CBS Canterbury's Trust Deed prescribes that liquid assets (as defined in the Trust Deed as including cash, bank deposits, undrawn funding lines and securities) are to be maintained at a minimum of 15% of Total Tangible Assets less Reserves. The Society has complied with these requirements throughout the period.

The liquidity profile of assets and liabilities presented above is not considered by CBS Canterbury to be in any way indicative of future cash flows. This is primarily because a significant proportion of CBS Canterbury's deposits are renewed at maturity and therefore do not have a cash flow effect.

In addition substantially all advances are repayable on demand at the discretion of CBS Canterbury. While CBS Canterbury is not likely to call advances on demand, the contractual maturity date is not indicative of future cash flows due to early repayment, further drawdown and principal reductions. Expected maturity dates, based on historical data, have been estimated by management to be on average four years.

The interest rate re-pricing table presented in part (iii) of this note presents the assets and liabilities according to the earlier of contractual repricing or maturity date. As noted above, this is also unlikely to present the indicative future cash flows. Management and the Board in preparing the annual budget have estimated, based on the current level of reinvestment, that there will be no net outflow of depositor funds. This will provide the Society with sufficient liquidity to maintain or grow the current level of advances.

Consolidated and Society							
	Total	On Call	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
Assets							
Cash & Cash Equivalents	93,615,259	12,600,121	81,015,138	-	-	-	-
Trade & Other Receivables	89,790	-	89,790	-	-	-	-
Taxation Refund Due	560,492	-	560,492	-	-	-	-
Short Term Deposits	5,484,750	-	5,484,750	-	-	-	-
Investments	24,763,250	-	454,750	1,131,000	2,402,500	5,175,000	15,600,000
Advances	752,973,218	20,186,464	129,385,856	27,085,830	37,289,147	85,230,467	453,795,454
	\$877,486,759	\$32,786,585	\$216,990,776	\$28,216,830	\$39,691,647	\$90,405,467	\$469,395,454
Liabilities							
	Total	On Call	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
Trade & Other Payables	549,539	-	549,539	-	-	-	-
Employee Entitlements	317,861	-	317,861	-	-	-	-
Withholding Tax Payable	736,872	-	736,872	-	-	-	-
Derivative Financial Liabilities	6,458,690	-	3,092,864	2,347,925	1,037,754	(19,853)	-
Deposits	502,271,728	117,013,492	289,560,739	79,783,486	13,556,758	2,357,253	-
	\$510,334,690	\$117,013,492	\$294,257,875	\$82,131,411	\$14,594,512	\$2,337,400	-

Notes to the Financial Statements (continued)

Consolidated and Society

	Total	On Call	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
Commitments							
Advances to be paid out (refer note 23)	44,055,734	17,782,227	26,273,507	-	-	-	-
	\$44,055,734	\$17,782,227	\$26,273,507	-	-	-	-

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

Maturity Analysis for Undiscounted Expected Cash Flows as at 31 March 2010

Consolidated and Society

	Total	On Call	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
Monetary Assets							
Cash & Cash Equivalents	44,308,968	8,950,129	35,358,839	-	-	-	-
Trade & Other Receivables	120,230	-	120,230	-	-	-	-
Taxation Refund Due	1,247,553	-	1,247,553	-	-	-	-
Short Term Deposits	27,508,466	-	27,508,466	-	-	-	-
Investments	9,878,175	-	128,475	4,171,300	228,400	1,630,000	3,720,000
Derivative Financial Assets	41,885	-	(89,644)	(17,654)	76,777	72,406	-
Advances	519,321,630	18,399,250	135,600,646	23,702,883	40,280,442	301,338,408	-
	\$602,426,907	\$27,349,379	\$199,874,565	\$27,856,529	\$40,585,619	\$303,040,814	\$3,720,000
Liabilities							
Trade and Other Payables	384,438	-	384,438	-	-	-	-
Employee Entitlements	347,697	-	347,697	-	-	-	-
Withholding Tax Payable	670,966	-	670,966	-	-	-	-
Derivative Financial Liabilities	1,622,131	-	1,582,647	389,298	(268,495)	(81,319)	-
Deposits	493,487,142	111,263,322	284,038,919	86,469,798	11,395,189	319,915	-
	\$496,512,374	\$111,263,322	\$287,024,667	\$86,859,096	\$11,126,694	\$238,596	-
Commitments							
Advances to be paid out (refer note 23)	34,456,579	-	34,456,579	-	-	-	-
	\$34,456,579	-	\$34,456,579	-	-	-	-

The expected maturity date of Advances used in the above table has been based on historical loan term data and has been estimated by management to be on average four years. Expected maturity dates differ from that of contractual maturity dates due to the average mortgage loan being repaid earlier than its contractual term used for calculating minimum monthly loan repayments.

Based on current reinvestment rates and historical data surrounding the Society's deposit base, management has estimated that the contractual term for Deposits is a fair reflection of the expected term.

The liquidity profile of assets and liabilities presented above is not considered by CBS Canterbury to be in any way indicative of future cash flows. This is primarily because a significant proportion of CBS Canterbury's deposits are renewed at maturity and therefore do not have a cash flow effect.

Liquidity Analysis for Undiscounted Expected Cash Flows as at 31 March 2009

Consolidated and Society							
	Total	On Call	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
Cash & Cash Equivalents	93,615,259	12,600,121	81,015,138	-	-	-	-
Trade & Other Receivables	89,790	-	89,790	-	-	-	-
Taxation Refund Due	560,492	-	560,492	-	-	-	-
Short Term Deposits	5,484,750	-	5,484,750	-	-	-	-
Investments	22,907,000	-	561,000	1,131,000	7,190,000	4,425,000	9,600,000
Advances	499,584,386	20,186,464	133,889,464	27,085,830	37,289,147	281,133,481	-
	<u>\$622,241,677</u>	<u>\$32,786,585</u>	<u>\$221,600,634</u>	<u>\$28,216,830</u>	<u>\$44,479,147</u>	<u>\$285,558,481</u>	<u>\$9,600,000</u>
	Total	On Call	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
Trade & Other Payables	549,539	-	549,539	-	-	-	-
Employee Entitlements	317,861	-	317,861	-	-	-	-
Withholding Tax Payable	736,872	-	736,872	-	-	-	-
Derivative Financial Liabilities	6,458,790	-	3,092,964	2,347,925	1,037,754	(19,853)	-
Deposits	502,271,729	117,013,492	289,560,739	79,783,486	13,556,758	2,357,254	-
	<u>\$510,334,791</u>	<u>\$117,013,492</u>	<u>\$294,257,975</u>	<u>\$82,131,411</u>	<u>\$14,594,512</u>	<u>\$2,337,401</u>	<u>-</u>
	Total	On Call	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
Advances to be paid out (refer note 23)	44,055,734	17,782,227	26,273,507	-	-	-	-
	<u>\$44,055,734</u>	<u>\$17,782,227</u>	<u>\$26,273,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Interest Rate Risk

Normal mortgage lending terms allow the Society to reset interest rates on advances from time to time for changes in funding costs.

At 31 March 2010 there were fixed rate advances totalling \$217,272,604 (31 March 2009 \$213,633,677).

The Society has a policy of ensuring that it materially hedges all exposure to changes in interest rates on fixed rate advances beyond 18 months. Interest rate swaps denominated in New Zealand dollars, have been entered into to achieve the Society's policy.

The swaps mature over the next three years following the maturity of the related advances and have fixed swap rates ranging from 3.54 percent to 8.52 percent. The notional contract amount of interest rate swaps held as at 31 March 2010 was \$135,998,750 (31 March 2009 \$146,325,000).

At 31 March 2010 there were fixed rate term deposits totalling \$370,051,621 excluding accrued interest (31 March 2009 \$366,260,817). The maturity profile and weighted average interest rates for deposits are detailed in note 14.

The following tables include the Society's assets and liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Interest Rate Repricing Schedule as at 31 March 2010

Consolidated and Society								
	Weighted Ave Int Rate	Total	On Call	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
<i>Assets</i>								
Cash & Cash Equivalents	3.76%	44,308,968	8,950,129	35,358,839	-	-	-	-
Trade & Other Receivables	n/a	120,230	-	120,230	-	-	-	-
Short Term Deposits	4.68%	27,000,000	-	27,000,000	-	-	-	-
Investments	5.71%	8,000,000	-	4,000,000	-	1,000,000	3,000,000	-
Advances	7.18%	445,262,091	229,436,647	69,860,700	44,213,775	72,495,100	29,255,869	-
		<u>\$524,691,289</u>	<u>\$238,386,776</u>	<u>\$136,339,769</u>	<u>\$44,213,775</u>	<u>\$73,495,100</u>	<u>\$32,255,869</u>	<u>-</u>
<i>Liabilities</i>								
Trade & Other Payables	n/a	384,438	-	384,438	-	-	-	-
Employee Entitlements	n/a	347,697	-	347,697	-	-	-	-
Withholding Tax Payable	n/a	670,966	-	670,966	-	-	-	-
Deposits	4.71%	486,261,659	111,263,322	278,486,891	85,107,364	11,099,546	304,536	-
		<u>\$487,664,760</u>	<u>\$111,263,322</u>	<u>\$279,889,992</u>	<u>\$85,107,364</u>	<u>\$11,099,546</u>	<u>\$304,536</u>	<u>-</u>
<i>Commitments</i>								
Advances to be paid out (refer note 23)	5.99%	47,975,205	13,518,626	34,456,579	-	-	-	-
		<u>\$47,975,205</u>	<u>\$13,518,626</u>	<u>\$34,456,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Advances not yet drawn have been categorised as On Call in relation to undrawn overdraft facilities, and 0-6 Mths for unadvanced but committed loans. Pricing commitments for unadvanced loans are not beyond 90 days of approval.

Interest Rate Repricing Schedule as at 31 March 2009

Consolidated and Society								
	Weighted Ave Int Rate	Total	On Call	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
<i>Assets</i>								
Cash & Cash Equivalents	4.11%	93,615,259	12,600,121	81,015,138	-	-	-	-
Trade & Other Receivables	n/a	89,790	-	89,790	-	-	-	-
Short Term Deposits	6.97%	5,300,000	-	5,300,000	-	-	-	-
Investments	8.50%	17,131,356	-	3,785,671	-	-	12,343,655	1,002,030
Advances	8.27%	417,423,939	199,819,413	107,417,030	44,236,035	48,993,969	16,957,492	-
		<u>\$533,560,344</u>	<u>\$212,419,534</u>	<u>\$197,607,629</u>	<u>\$44,236,035</u>	<u>\$48,993,969</u>	<u>\$29,301,147</u>	<u>\$1,002,030</u>

	Weighted Ave Int Rate	Total	On Call	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
<i>Liabilities</i>								
Trade and Other Payables	n/a	549,539	-	549,539	-	-	-	-
Employee Entitlements	n/a	317,861	-	317,861	-	-	-	-
Withholding Tax Payable	n/a	736,872	-	736,872	-	-	-	-
Deposits	5.70%	493,151,226	117,013,492	282,871,736	78,050,494	12,999,832	2,215,672	-
		<u>\$494,755,498</u>	<u>\$117,013,492</u>	<u>\$284,476,008</u>	<u>\$78,050,494</u>	<u>\$12,999,832</u>	<u>\$2,215,672</u>	<u>-</u>
<i>Assets</i>								
		Total	On Call	0-6 Mth	6-12 Mth	12-24 Mth	24-60 Mth	Over 60 Mth
Advances to be paid out (refer note 23)	6.95%	44,055,734	17,782,227	26,273,507	-	-	-	-
		<u>\$44,055,734</u>	<u>\$17,782,227</u>	<u>\$26,273,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The sensitivity of profit for the period and equity to movements in market risk are as follows:

Investments in Public Securities and Corporate Bonds represent 1.5% of the total assets of the Society as at 31 March 2010. Therefore, the impact of any change in their value as a result of a change in interest rates is not material in its effect on profit and equity.

The risk to the net interest earnings of the Society over the next 12 months for a change in interest rates is measured on a six monthly basis. Risk is measured assuming an immediate 1% parallel movement in interest rates across the whole yield curve.

Assets and liabilities with repricing directly based on market rates are repriced based on 1% rate shock applied. The financial model used for this sensitivity analysis includes a degree of resistance to further increases and reductions in call deposit rates.

The Sensitivity Analysis has been determined based on the exposure to interest rates at the reporting date and the stipulated change taken place at the beginning of the reporting period and held constant throughout the reporting period.

	+1% Rate Shock 31 Mar 10	-1% Rate Shock 31 Mar 10	+1% Rate Shock 31 Mar 09	-1% Rate Shock 31 Mar 09
Effect on Annual Net Profit Before Tax	(\$40,984)	\$297,326	(\$93,317)	\$446,922
Effect on Equity at End of Period	(\$28,689)	\$208,129	(\$65,322)	\$312,845

Carrying Amounts and Fair Values

At 31 March 2010 the carrying value of fixed rate mortgage advances with repricing dates over one year was \$101,750,969 (31 March 2009 \$65,951,461).

The following table summarises the carrying amounts and fair values for each class of financial assets and financial liabilities not presented in the Balance Sheet at their fair value. Refer to Note 1 for a description of how fair values are estimated.

	Consolidated & Society		Consolidated & Society	
	Carrying Amount 31 Mar 10	Fair Value 31 Mar 10	Carrying Amount 31 Mar 09	Fair Value 31 Mar 09
Cash and Cash Equivalents	44,308,968	44,308,968	93,615,259	93,615,259
Short Term Deposits	27,000,000	26,991,710	5,300,000	5,300,000
Other Financial Assets	120,230	120,230	89,790	89,790
Advances	445,262,091	448,115,549	417,423,939	419,741,826
Deposits	486,261,659	486,728,039	493,151,226	491,224,595
Other Financial Liabilities	1,403,101	1,403,101	1,604,272	1,604,272

Notes to the Financial Statements (continued)

The following table summarises those financial assets and financial liabilities that are presented in the Balance Sheet at their fair value. Refer to Note 1 for a description of how fair values are estimated.

Based on the degree to which the fair value is observable, these financial instruments have been categorised into Levels 1 to 3 under the fair value hierarchy contained within NZ IFRS 7.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Consolidated and Society			Consolidated and Society		
	31 Mar 10 Level 1	31 Mar 10 Level 2	31 Mar 10 Level 3	31 Mar 09 Level 1	31 Mar 09 Level 2	31 Mar 09 Level 3
Available for Sale Financial Assets	7,917,868	-	-	17,131,356	-	-
Derivative Financial Assets Held for Trading	-	27,908	-	-	127,572	-
Derivative Financial Liabilities Held for Trading	-	(1,628,387)	-	-	(6,300,648)	-

The following table summarises the income earned and expenditure paid in relation to financial assets and liabilities held during the period

	Consolidated and Society			Consolidated and Society		
	31 Mar 10 Interest Income	31 Mar 10 Interest Expense	31 Mar 10 Fee Income	31 Mar 09 Interest Income	31 Mar 09 Interest Expense	31 Mar 09 Fee Income
Cash and Cash Equivalents	3,306,772	-	-	7,443,477	-	-
Short Term Deposits	178,389	-	-	165,365	-	-
Loans and Receivables	32,610,973	-	795,009	41,917,520	-	482,689
Derivative Financial Instruments Held for Trading	(6,227,227)	-	-	442,269	-	-
Available for Sale Financial Assets	537,448	-	-	1,024,576	-	-
Deposits	-	22,371,790	552,576	-	39,793,767	539,799
	\$30,406,355	\$22,371,790	\$1,347,585	\$50,993,207	\$39,793,767	\$1,022,488

(v) Capital Management

The Society's capital includes share capital, reserves and retained earnings.

The Society's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Society is subject to externally imposed requirements via its Trust Deed.

The minimum required capital is 5% of Total Tangible Assets. As at 31 March 2010 the Society has capital of 7.85% (31 March 2009 7.13%). The Society has complied with these requirements throughout the period.

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

20. STATEMENT OF CASH FLOWS

a. Reconciliation of Cash and Cash Equivalents	Consolidated & Society			
	12 Months 31-Mar-10		12 Months 31-Mar-09	
Bank Account	8,950,129		7,100,120	
Short Term Investments	35,000,000		86,000,000	
Accrued Interest on Short Term Investments	358,839		515,139	
	<u>\$44,308,968</u>		<u>\$93,615,259</u>	
b. Analysis of Cash & Cash Equivalents				
All Cash and Cash equivalents are held with Trading Banks.				
c. Reconciliation of net surplus for the period to net cash flows from operating activities.	Consolidated & Society		Consolidated & Society	
	12 Months 31-Mar-10	12 Months 31-Mar-09	12 Months 31-Mar-10	12 Months 31-Mar-09
Net Surplus / (Loss) for the period	1,909,545	(3,481,250)	1,909,545	(3,491,057)
Amortisation of Intangibles	391,963	194,192	391,963	194,192
Depreciation	307,629	302,199	307,629	302,199
Loss on Disposal Of Assets	15,597	21,553	15,597	21,553
Gain on Disposal Of Assets	-	-	-	-
Impairment of Goodwill	-	4,148,483	-	4,148,483
Fair Value Adjustment to Advances	(93,480)	(560,880)	(93,480)	(560,880)
Fair Value Adjustment to Deposits	-	105,054	-	105,054
Other Financial Assets	-	-	-	-
Derivative Financial Liabilities	(1,001,769)	949,103	(1,001,769)	949,103
Gain on Sale of Investments	(135,308)	(326,385)	(135,308)	(326,385)
Deferred Tax	(24,408)	(145,587)	(24,408)	(145,587)
Bad Debts	21,928	3,363,415	21,928	3,363,415
Provision for Doubtful Debts	584,445	-	584,445	-
	<u>66,597</u>	<u>8,051,147</u>	<u>66,597</u>	<u>8,051,147</u>
	-	-	-	-
	-	-	-	-
	-	-	-	-
Net movement in Advances	(31,906,673)	34,229,535	(31,906,673)	34,229,535
Net movement in Deposits	(3,769,199)	(13,681,674)	(3,769,199)	(13,681,674)
Trade and Other Payables	(165,101)	(225,913)	(165,101)	(116,105)
Withholding Tax Payable	(65,906)	(227,095)	(65,906)	(227,095)
Employee Entitlements	29,836	74,840	29,836	74,840
Accrued Interest Payable	(3,120,368)	572,149	(3,120,368)	572,149
Trade and Other Receivables	(30,440)	8,585	(30,440)	8,585
Tax Refund Due	(687,061)	(461,648)	(687,061)	(502,877)
Accrued Loan Application Fees	(15,201)	(161,246)	(15,201)	(161,246)
	<u>(39,730,113)</u>	<u>20,127,533</u>	<u>(39,730,113)</u>	<u>20,196,112</u>
Net Cash Flows (used in) / from Operating Activities	<u>(37,753,971)</u>	<u>\$24,697,430</u>	<u>(37,753,971)</u>	<u>\$24,756,202</u>

Notes to the Financial Statements (continued)

Movement in Accrued Interest Payable, Accrued Interest Receivable & Accrued Loan Application Fees

Accrued interest payable, accrued interest receivable and accrued loan application fees are included in the balance sheet as part of deposits, investments & advances.

21. RELATED PARTY TRANSACTIONS

Included within the Group is Loan and Building Society which was acquired on 1 February 2008. This entity is non-trading but holds losses available to offset against Canterbury Building Society taxable income.

Amounts owing to/by the Key Management Personnel:

	Consolidated & Society	
	12 Months	12 Months
	31-Mar-10	31-Mar-09
Current Deposits	1,551,065	1,795,172
Non Current Deposits	1,620,441	1,492,240
Advances from the Society	6,937,685	5,488,35

Deposits made by Key Management Personnel with the Society are made by them on the same terms as members of the public.

Advances made to Key Management Personnel by the Society are under the same lending criteria and rates as members of the public. No related party loans have been written off or forgiven, nor has any allowance for impairment been made during the current period (31 March 2009 \$Nil).

In addition to the amounts shown above, the below table details balances owing to/by clients where CBS Canterbury Directors have an association with those clients through other Directorships or Trusteeship roles.

	Consolidated & Society	
	12 Months	12 Months
	31-Mar-10	31-Mar-09
Current Deposits	3,742,671	5,434,526
Non Current Deposits	5,347,633	7,327,179
Advances from the Society	5,268,121	5,861,321

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

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

- Nicoll Cooney Silva Trust Account

The following professional services firms, where a director of the Society is also a director or partner of the professional services firm, have deposits held with the Society in accounts by their clients:

- Brophy Knight Limited

- Leech & Partners Limited

Acceptance of these deposits falls within the definition of Related Party in NZAX Listing Rule 9.2.3.

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 9.2.2.

The Society has obtained a waiver from NZAX Listing Rule 9.2.1 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 30 November 2011 when application can be made for renewal.

Deposits through 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 other professional service firms.

	Consolidated & Society	
	12 Months 31-Mar-10	12 Months 31-Mar-09
The total of deposits held in the Nicoll Cooney Silva Trust Account is:	\$9,352,658	\$14,267,251
The total of deposits held in accounts held by clients of Brophy Knight Limited and Lecch & Partners Limited is:	\$6,109,735	\$6,026,936
The total of deposits held in Trust accounts and client accounts is:	\$15,462,393	\$20,294,187
During the period the following services were purchased from firms associated with Directors:		
Accountancy Services (G R Kennedy)	19,723	47,313
Building Services (R Bradford)	8,586	511,236
	\$28,309	\$558,549
During the period the following services were purchased from Directors:		
Consultancy (D G Church)	-	5,379
	-	\$5,379

The compensation of the Directors and executives, being the key management personnel of the Society, is set out below:

	Consolidated & Society	
	12 Months 31-Mar-10	12 Months 31-Mar-09
Short Term Employee Benefits	1,285,111	1,263,420
Post Employment Benefits	-	4,050
Other Long Term Benefits	725	934
Termination Benefits	-	176,398
	\$1,285,836	\$1,444,802

During the period the Directors authorised the issue of shares to five key executives of the Society. The maximum number of shares that could be issued under this scheme is 265,000 shares.

A number of these executives chose to take up the share issue option. On 27 August 2009 CBS Canterbury issued 175,000 ordinary shares fully paid to the participating executive personnel.

The terms and provisions under which the shares were issued are as follows:

- The issue price for the shares was \$3.06 per share based on the volume weighted average price of the shares as traded on the NZAX in the 20 trading days prior to the issue date.
- The amount payable for the shares is by way of an interest bearing loan made by the Society to each executive at market residential lending rates.
- The shares are subject to an escrow agreement under which they cannot be sold for a period of one year.
- The interest on the loan is repayable from dividends or contributions from the borrower, and not capitalised.
- The shares are subject to a first security interest registered in favour of the Society until such time as the loan on the shares is repaid.

Notes to the Financial Statements (continued)

23. CONTINGENT LIABILITIES AND COMMITMENTS

	Consolidated & Society	
	31-Mar-10	31-Mar-09
Advances approved but awaiting settlement	47,975,205	44,055,734
NZX Bond	15,000	15,000
Transaction Related Contingent Liabilities	-	-
Short Term Self Liquidating Trade Related Contingent Liabilities	-	-
Other	-	-
	<u>\$47,990,205</u>	<u>\$44,070,734</u>

The Society currently has a Bond provided by Westpac Banking Corporation in favour of the New Zealand Stock Exchange, in lieu of a \$15,000 deposit required under NZAX Listing Rule 2.6.2.

There are no other contingent liabilities or unrecognised financial instruments.

24. CAPITAL COMMITMENTS

There were no capital commitments as at 31 March 2010 (31 March 2009: Nil).

25. LEASE COMMITMENTS

Lease commitments under non-cancellable operating leases:

	Consolidated	
	31-Mar-10	31-Mar-09
Less than 1 Year	193,041	150,015
Between 1 and 2 Years	186,001	135,258
Between 2 and 5 Years	492,549	380,398
Greater than 5 Years	85,914	198,059
Total Operating Lease Commitments	<u>\$957,505</u>	<u>\$863,730</u>

Operating lease commitments relate to motor vehicle leases, office equipment leases, and property leases for the Sydenham and Rangiora premises.

Current rental per annum on the Sydenham premises is \$71,985 plus GST. The current lease term is 9 years to 31 March 2016. There are two further right of renewals of 6 years each. Rent reviews are to market every 3 years. Annual rent payable as from any rent review date cannot be less than the annual rent payable as at the commencement date of the current lease term. The lease does not impose restrictions on the Society to raise debt or enter into further leases.

Current rental per annum on the Rangiora premises is \$40,600 plus GST. The current lease term is 9 years to 31 January 2015. There are two further right of renewals of 6 years each. Rent reviews are to market every 2 years. Annual rent payable as from any rent review date cannot be less than the annual rent payable as at the commencement date of the current lease term. The Society has the right of first refusal to purchase the leased land and buildings. The lease does not impose restrictions on the Society to raise debt or enter into further leases.

26. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 1 June 2010 a Memorandum of Understanding was signed by Canterbury Building Society (CBS), Southern Cross Building Society (SCBS) and Pyne Gould Corporation (PGC), involving a proposal to merge their banking related activities. The terms of a potential merger have not been concluded and it is too early to determine the financial effects of these discussions.

On 31 May 2010 CBS Canterbury was approved under the extended Retail Deposit Guarantee Scheme. The extended scheme covers deposits by eligible investors through to 31 December 2011. The extended scheme includes a reduction in the maximum amount covered by the guarantee to \$250,000 per eligible investor. This change, together with other changes in the extended scheme, take effect from 13 October 2010. Investors can obtain further information on the scheme by referring to www.treasury.govt.nz.

On 20 May 2010 the Government announced that the company tax rate will reduce from 30% to 28% and tax depreciation deductions will no longer be available for any buildings with an estimated useful life of 50 years or more. The changes are effective for years beginning on or after 1 April 2011. The effect of these changes has not been brought to account in the financial statements for the year ended 31 March 2010. An estimation of the financial effect that the change in the company tax rate and the change in the deductibility of tax depreciation on buildings will have on the Society's deferred tax balances has not yet been determined.

There have been no other significant events that have occurred after balance date.

The Society has obtained a waiver from NZAX Listing Rule 9.1.1(b) of Appendix I 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 period where this waiver has been relied upon.

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

The Society does not capture or report revenues from external customers based on each product and service type.

No single external customer contributes greater than 10% of the Society's revenue.

AUDIT REPORT

TO THE SHAREHOLDERS OF CANTERBURY BUILDING SOCIETY

We have audited the financial statements on pages 20 to 61. The financial statements provide information about the past financial performance and financial position of Canterbury Building Society and Group as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 25 to 34.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Canterbury Building Society and Group as at 31 March 2010 and of the results of operations and cash flows for the year ended on that date.

Auditors' Responsibilities

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

Basis of Opinion

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

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Society 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 obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor, and the provision of taxation and information systems assurance, we have no relationship with or interests in Canterbury Building Society or any of its subsidiaries.

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by Canterbury Building Society as far as appears from our examination of those records; and
- the financial statements on pages 20 to 61 :
 - comply with generally accepted accounting practice in New Zealand;
 - comply with International Financial Reporting Standards; and
 - give a true and fair view of the financial position of Canterbury Building Society and Group as at 31 March 2010 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 11 June 2010 and our unqualified opinion is expressed as at that date.



Chartered Accountants
CHRISTCHURCH, NEW ZEALAND

This audit report relates to the financial statements of Canterbury Building Society for the year ended 31 March 2010 included on Canterbury Building Society's website. Canterbury Building Society's Board of Directors is responsible for the maintenance and integrity of Canterbury Building Society's website. We have not been engaged to report on the integrity of Canterbury Building Society's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 11 June 2010 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CBS CANTERBURY LTD

TWENTY LARGEST SHAREHOLDERS AS AT 30.6.2010

	TOTAL UNITS	%
1 Southern Cross Building Society	1,411,905	11.56%
2 New Zealand Central Securities Depository Limited	910,610	7.45%
3 Custodial Services Limited	496,541	4.06%
4 D.G. & R.G. Church Family Trust	400,000	3.27%
5 Morris West Limited	170,002	1.39%
6 R.S. McLay	166,520	1.36%
7 FNZ Custodians Ltd	162,151	1.33%
8 Custodial Services Limited	155,434	1.27%
9 D.G. & A.L. Thomson Family Trust	153,750	1.26%
10 B.G. Inch	120,000	0.98%
11 Phaben Trust	116,433	0.95%
12 A.D. Bean	86,180	0.71%
13 E.K. Armstrong Ltd	81,552	0.67%
14 Black Quill Investments	80,769	0.66%
15 K.M. Watson	80,670	0.66%
16 Forsyth Barr Custodians	79,820	0.65%
17 M.K. Bean	78,923	0.65%
18 R.W. Ashford	76,464	0.63%
19 R. Bradford	73,672	0.60%
20 M.K. & A.D. Bean	71,677	0.59%
	4,973,073	40.70%

	HOLDERS	TOTAL UNITS	%
1 to 1,000	1,416	612,733	5.02%
1,001 to 5,000	786	1,827,081	14.95%
5,001 to 10,000	175	1,222,465	10.01%
10,001 to 50,000	162	3,205,054	26.23%
50,001 to 100,000	15	1,085,979	8.89%
100,001 to 1,000,000	10	2,851,441	23.34%
1,000,001 plus	1	1,411,905	11.56%
Totals	2,565	12,216,658	100.00%

DIRECTORS

Gary Richard Leech (Chairman)
B.Com (Accounting and Economics), FCA

Graham Russell Kennedy (Deputy Chairman)
J.P., B.Com, CA, ACIS, ACIM, AF Inst.D

Richard Walter Ashford

Roger Anthony Bonifant
MAgSc, MSc, CNZM

Rodger Bradford
MNZIB, MAIB

George Stanley Brown
CA, ACIS, ACIM

DIRECTORS RETIRED 31.3.2010

Donald George Church
CA, ACIS, ACIM, AF Inst.D

Laurence Killoh Cooney
LLB., Notary Public

CHIEF EXECUTIVE

Bryan Geoffrey Inch
B. Agr. Sc

REGISTERED OFFICE

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Ashburton

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73 High Street
P.O. Box 538
Rangiora
Telephone: 03 311 8260
Facsimile: 03 311 8261

SOLICITORS

Russell Moon & Fail - Ashburton
Buddle Findlay - Christchurch

BANKERS

Westpac Banking Corporation
ANZ National Bank Limited

AUDITOR

Deloitte - Christchurch

TRUSTEE

Trustees Executors Limited

SHARE REGISTRAR

Link Market Services Limited
P.O. Box 384
Ashburton
Telephone 03 308 8887
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WEBSITE

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