ANNUAL REPORT 2019

NBS

NELSON BUILDING SOCIETY

Your Executive, Our Vision

NBS Executive

Toni M. Lane - Regional Manager, **Anne Cox** - Compliance Manager, **Helen Ibbotson** - Accountant, **Howie Timms** - Commercial Manager, **Garry Hammond** - Credit Manager, **Rangi O'Brien** - IT & Operations Manager.

The 157th Annual Report of the Nelson Building Society

Directors	G R Dayman (Chairman) P A Bell (Deputy Chairman) P J Robson J C Taylor T N Cameron
Chief Executive Officer	A J Cadigan
Secretary	H M Ibbotson
Solicitor	Glasgow Harley
Banker	Westpac
Auditor	Deloitte Limited
Head Office	111 Trafalgar Street PO Box 62 Nelson 7040

Notice Of Annual General Meeting

Notice is hereby given that the One Hundred and Fifty Seventh Annual General Meeting of Shareholders of the Nelson Building Society will be held at The Nelson Building Society, 111 Trafalgar Street, Nelson on Wednesday 26th June 2019 at 5.30pm.

Business

1. To receive the Director's Report and Statement of Accounts.
2. To appoint the Auditors for the ensuing year.
3. General Business.

A J Cadigan
CEO

Banking with a Community Connection

Victory Boxing
Respect, Responsibility, Determination and Caring

Victory boxing was initially set up to give a small group of at-risk youth an opportunity to learn life skills, confidence and respect, but it's become much more than just a gym.

From its humble beginnings Victory Boxing has grown into an organisation that is central to the health and wellbeing of the Nelson community, catering to children, teens, and adults. Responsibility, respect, caring, and determination are the core values that underpin their programmes which promote fitness, healthy lifestyle choices, and mental wellbeing.

At NBS we aim to make a difference in the communities in which we operate.

As a mutual society, any profits we make that are not reinvested to provide an even better service are returned to the community in the form of sponsorships.

We help hundreds of not-for-profit groups in the Nelson/Tasman, West Coast and Mid Canterbury regions. Our sponsorship funds are spread across Sporting, the Arts, Educational, Environmental, and Charitable Trust sectors.

COMMUNITY

WE BELIEVE IN IT, WE'RE PART OF IT, WE INVEST IN IT.

NBS commercial manager Howie Timms recently visited the Gym for the first time, viewing a session for general youth. "I could really see the focus and commitment of the participants. They wanted to be there and were totally engaged with the volunteers running the session", he said.

Victory Programme Director Paul Hampton is the driving force behind Victory Boxing. "One of the greatest strengths of Victory Boxing is being able to meet the needs of the community. Victory Boxing not only delivers an exceptional after-school programme, but we also work with schools and community groups, and deliver a programme of adult fitness classes including specific classes for adults with Parkinson's disease and breast cancer survivors", he said.

Motueka District Community Patrol

Reducing Crime & Building Safer Communities

The Motueka Community Patrol Charitable Trust is a voluntary group working with the Motueka Police to keep the town safe.

The Motueka Patrol is associated with Community Patrols of New Zealand (CPNZ) which is a national organisation formed in 2001. It supports over 5,000 volunteers in over 150 affiliated community patrols throughout New Zealand.

NBS Motueka Branch has had a decade long association with the organisation. "We've been a sponsor for many years as the volunteers really do assist the police in combating crime in the town", said Greg Dykzeul, Branch Manager NBS Motueka. "They are a group of hard working volunteers trying to make our community a safer place, and that is such a great fit with our goal of giving back to the communities where we do business," Greg added.

In 2012 the organisation held funds in a NBS Target Saver Account and was drawn as the winner of a new Subaru XV. "At the time we were using a borrowed car from the Tasman District Council so it was fantastic we suddenly had our own vehicle", said current Patrol Leader Euan Grant. "We haven't won another car but NBS still provides funding to assist with operating expenses, which we are very grateful to receive".

Project De-Vine

Eradication of Invasive Vines & Other Pest Plants

Project De-Vine Trust, which started out as a local community effort of landowners trying to help those who were overwhelmed by pest vines, has grown into a large scale weed control charity. It has been running working bees in Golden Bay, Riwaka & Marahau for many years.

Chris Rowse from Project De-Vine said the focus is on key invasive vines that threaten our native forests and animals. "Vines targeted are Banana Passion Vine, Old Man's Beard, and Climbing Asparagus," he said. "We are very grateful that each local NBS Branch can allocate funds to work being carried out in their area. "Every dollar makes a real difference," he added.

NBS Takaka and Motueka branches have been supporting the Trust for years. Now NBS Richmond Branch has committed to support the Trust in their area, by assisting in the funding of gel bottles, which are available for collection from the Tasman District Council in Richmond.

Dean Lund, NBS Takaka Branch Manager, said the Trust was an example of a dedicated community group who work hard to make a real difference. "The number of pest vines in the area are going to keep increasing unless they are tackled by volunteer groups like Project De-Vine," he said.

Chairman & CEO Report

NBS Chief Executive Officer & Chairman of Directors'
Tony Cadigan and Garry Dayman

Welcome to the 157th Annual Report of NBS, New Zealand's Oldest Building Society.

Nelson Building Society (NBS) has completed its 157th year in operation and is proud to be presenting the Annual report for the year ended 31 March 2019.

We are delighted to report to our clients that NBS continues to produce strong, high quality growth.

Key Results 2019

Total Assets
$829m 14.6%

Total Lending
$641m 15.0%

Total Deposits
$768m 14.3%

Total Funds Under Management
$1.4b 14.6%

The overall performance of NBS reflects the ongoing focus of our people to deliver unmatched customer service, combined with a market appropriate product suite which provides simple solutions and makes it easy for clients to do business with NBS.

NBS continues to review the products that are most important to our clients, with further enhancements due to our Internet Banking and Mobile App. over the next 12 months.

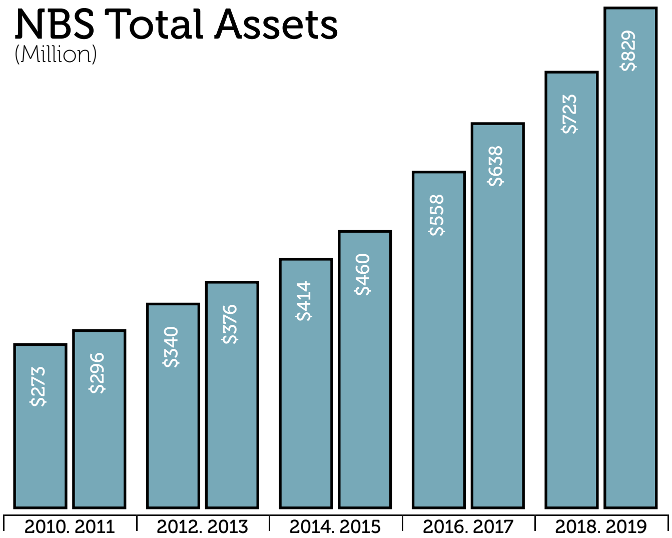
The profit result of $7.9M before tax and dividends is a record result for NBS. This has been achieved through tight controls on overheads and prudent management of the NBS trading margin.

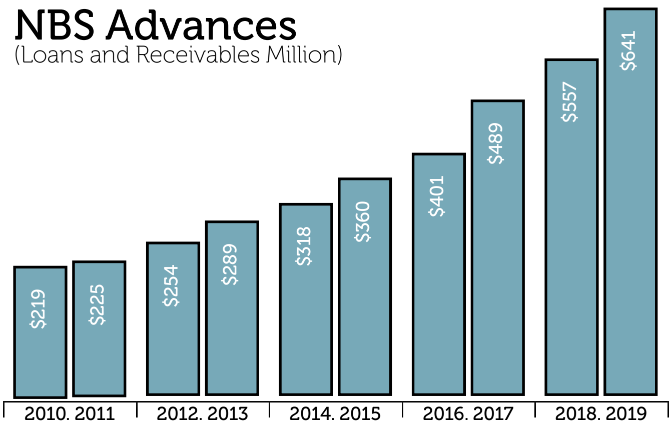
The growth achieved across the NBS lending book has been underpinned by strong underwriting criteria. NBS has always taken a conservative view with its lending guidelines which has resulted in a high quality book of loans we are very proud of, with over 85% of all lending secured by registered first mortgage.

Our loyal clients have continued to support NBS with strong deposit growth and reinvestment rates in excess of 85%.

We have continued to expand our full banking client base in the past 12 months, with more than 800 people leaving their current bank and moving their 'main bank' relationship to NBS.

The success of NBS is undoubtedly attributable to the quality staff who genuinely believe in what NBS strives to deliver to our clients and communities. An important objective of NBS Management is to be an employer of choice for our people. At NBS we have a team of people that are proud to say they work for NBS.





Change in Leadership

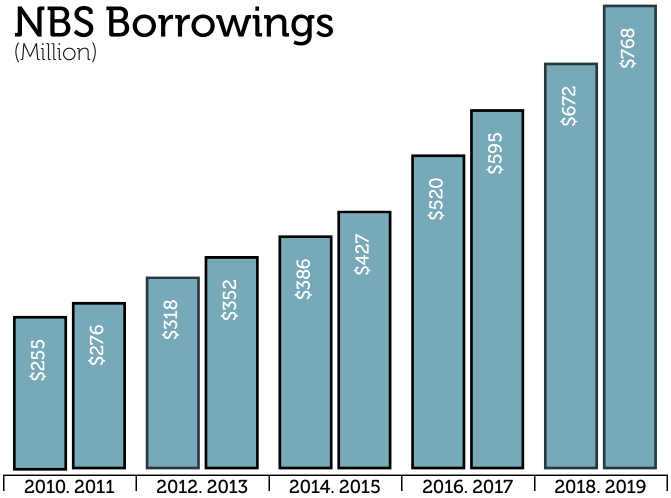
Ken Beams General Manager of NBS retired at the end of 2018 after 18 years of excellent service.

Ken, along with a very strong senior management group, has lead NBS through the greatest period of change in its history.

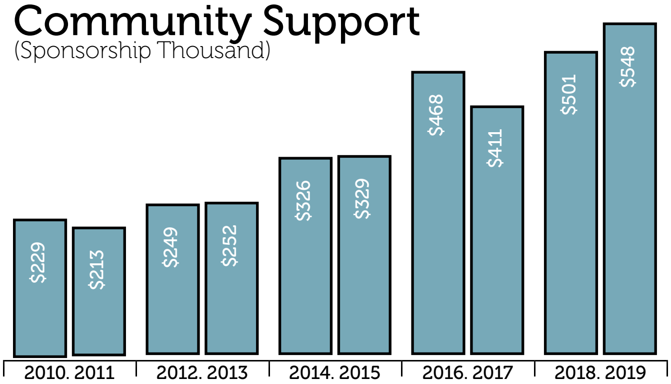
A career banker with a wealth of knowledge, Ken has been the catalyst for the significant quality growth experienced by NBS. Ken has left NBS in a very strong position and his values of Trust, Integrity, Honesty, and Respect will continue on.

Working alongside Ken for 18 years has been Tony Cadigan, who was appointed to the position of Chief Executive following Ken's departure. Tony has implemented a new organisational structure which we believe will take NBS to the next level.

NBS Borrowings
(Million)



Community Support
(Sponsorship Thousand)



NBS remains strongly committed to the communities in which we operate. This financial year NBS has contributed value of $548k to more than 250 community groups.

The NBS Board and staff take a great deal of pride in how NBS is respected for our community involvement.

The Future

The Reserve Bank of New Zealand (RBNZ) is currently reviewing the entire banking industry with regards to ongoing Capital requirements.

Prudential regulation of both Banks and Non-Banks is aimed at raising overall standards and improving the sectors resilience.

NBS will embrace the new Capital regulations, as the changes can only be viewed as a positive for all clients as our sector takes action to strengthen balance sheets and ensure long term viability.

The NBS Board is currently in discussions and have a made a submission to RBNZ to provide an instrument to raise Tier 1 Capital.

In preparation of the proposed Capital requirements for the financial sector, NBS will be taking a conservative approach to its growth strategy over the next year.

A big NBS thank you must go to all NBS clients for your unequivocal loyalty and support. Easily our best source of new business referrals is generated from our existing client base.

There is no better advocate than a happy and satisfied client.

The Directors retiring by rotation who are both eligible for re-election without nomination are Mr Trevor Cameron and Mr Phil Robson.

G R Dayman
Chairman

A J Cadigan
Chief Executive Officer

Opinion

We have audited the financial statements of Nelson Building Society (the 'Society'), which comprise the statement of financial position as at 31 March 2019, and the statement of financial performance, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, on pages 13 to 40, present fairly, in all material respects, the financial position of the Society as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS')

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Society in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assignments for the Society in the area of taxation compliance and taxation consultancy, and other assurance services. These services have not impaired our independence as auditor of the Society. In addition to this, partners and employees of our firm deal with the Society on normal terms within the ordinary course of trading activities of the business of the Society. The firm has no other relationship with, or interest in, the Society.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

• Provision for expected credit loss

(Refer to Notes 7 and 8)

NZ IFRS 9 Financial Instruments ('NZ IFRS 9') has been adopted by the Society for the financial year ended 31 March 2019. NZ IFRS 9 introduced an expected credit loss ('ECL') impairment model which takes into account forward looking information reflecting potential future economic events. This has resulted in the Society developing a new methodology for determining the ECL, and new models which are reliant on large volumes of data, as well as significant estimates around probability of default ('PoD'), loss given default ('LgD') and exposure at default ('EAD').

We consider the risk around the determination of expected credit losses to be a key audit matter because:

- Loans and Receivables, including mortgages, personal and consumer loans, are financially significant account balances;
- The model used to calculate ECLs are inherently complex and judgement is applied in determining the correct form of the model to be applied;
- Judgement is applied in determining the most appropriate information and datasets to be used as inputs to the models and requires us to challenge the appropriateness of management's assumptions in the calculation of the provision;
- There are a number of key assumptions made by the Society as inputs into the models (e.g.: statistical assumptions used to determine forward looking loan PoD and LgD rates); and
- Specific provisions are based on the application of management judgement with the assessment of expected future cash flows being inherently uncertain and judgemental as they are principally derived from estimating the timing and proceeds from the future sale of property securing loans.

How our audit addressed the key audit matter

We assessed the assumptions used to develop the models and, more broadly, the NZ IFRS 9 framework implemented by the Society. We performed the following audit procedures, amongst others:

- Assessed the methodology and approach taken by the Society against the requirements of the new standard;
- Assessed the reasonableness of forward looking information by validating against relevant supporting evidence;
- Considered the integrity of the data used as input into the ECL model. This included challenging each lending segment's PoD and LgD rates, which were judgementally applied by management, and selecting inputs used in the model and agreeing to supporting documentation;
- Benchmarking ECL rates against the historic losses incurred by the Society and comparator analysis against other relevant non-bank deposit takers;
- Re-performing the specific impairment provision calculation for a sample of individual mortgages; and
- Assessing loans in arrears not specifically provided for, to determine whether they were being appropriately monitored and reflected in the provision for expected credit loss.

We assessed the disclosure of expected credit losses in the financial statements for compliance with NZ IFRS 9.

Key audit matter

• Operation of IT systems and controls

Nelson Building Society is heavily dependent on complex IT systems for the processing and recording of significant volumes of transactions and other core banking activity.

For significant financial statement balances, such as finance receivables and deposits, our audit involves an assessment of the design of Nelson Building Society's internal control environment relevant to the preparation of these financial statements. There are some areas of the audit where we seek to test and place reliance on IT systems, automated controls and reporting.

The effective operation of these controls is dependent upon Nelson Building Society's general IT control environment, which incorporates controls relevant to IT system changes and development, IT operations, developer and user access controls.

How our audit addressed the key audit matter

Our audit procedures, amongst others, included:

- Gaining an understanding of business processes, key controls, and IT systems relevant to significant financial statement balances, including technology services that are provided by a third party.
- Assessing the design and operating effectiveness of IT control environment, including core banking IT systems, key automated controls and reporting.
- Evaluating general IT controls relevant to IT system changes and development, IT operations, developer and user access controls.

Our procedures included evaluating and testing the design and operating effectiveness of certain controls over the continued integrity of the IT systems that are relevant to financial reporting.

We also carried out tests, on a sample basis, of system functionality that was key to our audit testing in order to assess the accuracy of certain system calculations, the generation of certain reports and the operation of certain system enforced access controls.

Where we noted design or operating effectiveness matters relating to IT systems and application controls relevant to our audit, we performed alternative or additional audit procedures.

Deloitte.

Other information

The directors are responsible on behalf of the Society for the other information. The other information comprises the information in the Annual Report that accompanies the financial statements and the audit report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The directors are responsible on behalf of the Society for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible on behalf of the Company for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Society's members, as a body. Our audit has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Michael Wilkes, Partner
for Deloitte Limited
Christchurch, New Zealand
30 May 2019

This audit report relates to the financial statements of Nelson Building Society (the 'Society') for the year ended 31 March 2019 included on the Society's website. The Directors are responsible for the maintenance and integrity of the Society's website. We have not been engaged to report on the integrity of the 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 30 May 2019 to confirm the information included in the audited financial statements presented on this website.

Statement of Comprehensive Income

For The Year Ended 31 March 2019

		Year to 31/03/2019 $	Year to 31/03/2018 $
Income			
Interest Income Received From:			
Income from Mortgages & Personal Loans		31,212,201	27,061,996
Income from Consumer Lending		7,075,098	5,759,859
Income from Bank Deposits, Investments & Debentures		5,610,395	5,608,450
Total Interest Income		43,897,694	38,430,305
Deduct Finance Costs			
Interest on Term & Call Deposits		(23,102,775)	(21,108,517)
Consumer Lending Commission		(2,701,245)	(2,154,744)
		(25,804,020)	(23,263,261)
Net Interest Income		**18,093,674**	**15,167,044**
Add - Other Income			
Bad Debts Recovered		6,216	83,637
Transaction & Service Fees		941,194	866,073
Other Income		356,938	359,582
		1,304,348	**1,309,292**
Gross Contribution From Activities		**19,398,022**	**16,476,336**
Deduct Overhead Expenses			
Auditors Remuneration	Note 2	(114,300)	(99,707)
Administration Expenses	Note 1	(4,484,794)	(4,251,194)
Amortisation & Depreciation		(778,984)	(794,784)
Directors Fees	Note 20	(205,100)	(176,550)
Operating Lease Costs		(369,630)	(338,404)
Personnel Costs		(4,211,732)	(3,813,621)
Provision for Credit Impairment	Note 7	(788,706)	(962,189)
Sponsorship		(548,080)	(500,875)
Total Expenses		**(11,501,326)**	**(10,937,324)**
Surplus Before Taxation		**7,896,696**	**5,539,012**
Income Tax Expense	Note 3	(2,247,253)	(1,566,377)
Net Surplus For The Year		**5,649,443**	**3,972,635**
Other Comprehensive income that will not be reclassified subsequently to Profit and Loss			
Gains on Revaluation of Property net of income tax		-	146,504
Total Comprehensive Income For The Year		**5,649,443**	**4,119,139**

The Notes to the Financial Statements (pages 18 to 40) form part of and should be read in conjunction with these financial statements.

Statement of Changes in Equity

For The Year Ended 31 March 2019

	Share Capital $	Revaluation Reserves $	Retained Earnings $	Total $
Balance as at 31 March 2017	**20,280,500**	**1,227,579**	**20,322,301**	**41,830,380**
Net Surplus and Total Comprehensive Income	-	146,504	3,972,635	4,119,139
Shares Issued	4,668,000	-	-	4,668,000
Shares Redeemed	(670,000)	-	-	(670,000)
Dividends Paid	-	-	(875,368)	(875,368)
Balance as at 31 March 2018	**24,278,500**	**1,374,083**	**23,419,568**	**49,072,151**
Net Surplus and Total Comprehensive Income	-	-	5,649,443	5,649,443
Shares Issued	6,820,000	-	-	6,820,000
Shares Redeemed	(2,030,000)	-	-	(2,030,000)
Dividends Paid	-	-	(1,045,236)	(1,045,236)
Balance at 31 March 2019	**29,068,500**	**1,374,083**	**28,023,775**	**58,466,358**

Dividends paid per share 5.5 (2018: 5.5).

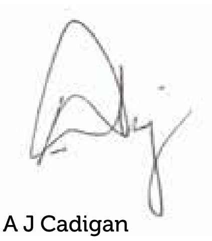
Approval of Financial Statements for the Year Ended 31 March 2019

Authorised for Issue

The Directors authorised the issue of these financial statements on 30 May 2019.

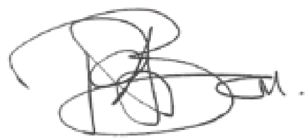
Approval by Directors

The Directors are pleased to present the financial statements of Nelson Building Society for the year ended 31 March 2019.



A J Cadigan
Chief Executive Officer

G R Dayman
Chairman of Directors



P A Bell
Deputy Chairman of Directors

Statement of Financial Position

As at 31 March 2019

		As at 31/03/2019 $	As at 31/03/2018 $
Assets			
Cash and Cash Equivalents	Note 4	101,040,777	72,581,183
Term Deposits		83,366,702	89,755,037
Trade Receivables		600	20,903
Prepayments		132,000	20,844
Loans and Receivables	Note 5		
Mortgages		567,453,187	495,163,747
Personal Loans		2,665,303	2,707,379
Consumer Lending		71,714,148	60,484,492
Less Provision for Credit Impairment	Note 7	(1,330,885)	(1,331,215)
Property			
Property, Plant & Equipment	Note 9	3,462,498	3,284,553
Intangible Assets			
Software	Note 10	312,616	341,479
		828,816,946	**723,028,402**
Liabilities			
Employee Entitlements		271,911	316,439
Trade and Other Payables		1,416,067	1,180,284
Current Tax Liabilities	Note 3	752,549	781,520
Borrowings	Note 12	767,946,158	671,721,505
Deferred Taxation	Note 3	(36,097)	(43,497)
		770,350,588	**673,956,251**
Net Assets		**58,466,358**	**49,072,151**
Equity			
Share Capital	Note 11	29,068,500	24,278,500
Retained Earnings		28,023,775	23,419,568
Revaluation Reserve		1,374,083	1,374,083
Attributable to Members of the Society		**58,466,358**	**49,072,151**

The Notes to the Financial Statements (pages 18 to 40) form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows

For The Year Ended 31 March 2019

		Year to 31/03/2019 $	Year to 31/03/2018 $
Cash Flows From Operating Activities			
Cash was provided from:			
Interest Received		43,632,079	37,526,658
Other Income		1,304,348	1,309,292
		44,936,427	38,835,950
Cash was disbursed to:			
Interest and Commission Paid		(25,073,989)	(23,284,859)
Operating Expenses		(10,626,396)	(9,202,727)
Income Taxes Paid	Note 3	(2,268,824)	(1,400,000)
		(37,969,209)	(33,887,586)
Net Cash Flows From Operating Activities before changes in Operating Assets		**6,967,218**	**4,948,364**
Redemption of Loans and Receivables		170,898,525	144,636,985
Issuance of Loans and Receivables		(254,375,545)	(213,481,002)
Net Increase in Borrowings		95,494,622	76,744,387
Net Cash Flows From Operating Activities		**18,984,820**	**12,848,734**
Cash Flows From Investing Activities			
Cash was provided from:			
Term Deposits		6,653,950	-
Sale of Property, Plant & Equipment		56,000	60,451
Assets Held for Resale	Note 9	-	-
		6,709,950	**60,451**
Cash was disbursed to:			
Purchase of Property, Plant & Equipment	Note 9	(674,289)	(354,870)
Purchase of Intangible Assets	Note 10	(305,651)	-
Term Deposits		-	(37,737,475)
		(979.940)	(38,092,345)
Net Cash Flows from/ (used in) Investing Activities		**5,730,010**	**(38,031,894)**
Cash Flows From Financing Activities			
Cash was provided from:			
Issue of Shares	Note 11	6,820,000	4,668,000
		6,820,000	**4,668,000**
Cash was disbursed to:			
Dividends Paid	Note 11	(1,045,236)	(875,368)
Redemption of Shares	Note 11	(2,030,000)	(670,000)
Net Cash Flows from Financing Activities		**3,744,764**	**3,122,632**
Increase/(Decrease) in Cash Held		28,459,594	(22,060,528)
Add Opening Cash and Cash Equivalents		72,581,183	94,641,711
Closing Cash and Cash Equivalents	Note 4	**101,040,777**	**72,581,183**

The Notes to the Financial Statements (pages 18 to 40) form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows

For The Year Ended 31 March 2019

	Year to 31/03/2019 $	Year to 31/03/2018 $
Reconciliation Of Net Surplus To Cash Flows From Operating Activities		
Net Surplus	5,649,443	3,972,635
Non Cash Items		
Deferred Taxation	7,400	(225,778)
Depreciation and Amortisation	778,984	794,784
Loss on Disposal of Assets	(4,126)	(22,893)
Increase/(Decrease) in Provision for Credit Impairment	(330)	619,572
Increase/(Decrease) in Accrued Interest on Borrowings	730,031	(21,598)
(Increase)/Decrease in Accrued Interest on Term Deposits	(265,615)	(903,647)
	1,246,344	240,440
Movement in Working Capital		
Increase/(Decrease) in Trade and Other Payables	235,783	323,873
Increase/(Decrease) in Taxation Payable	(28,971)	392,155
(Increase)/Decrease in Trade Receivables	20,303	5,098
(Increase)/Decrease in Prepayments	(111,156)	(20,844)
Increase/(Decrease) in Employee Entitlements	(44,528)	35,009
Redemption of Loans and Receivables	170,898,525	144,636,985
(Issuance) of Loans and Receivables	(254,375,545)	(213,481,002)
Net Increase in Borrowings	95,494,622	76,744,387
	12,089,033	8,635,661
Net Cash Flows from Operating Activities	**18,984,820**	**12,848,734**

The Notes to the Financial Statements (pages 18 to 40) form part of and should be read in conjunction with these financial statements.

Summary of Significant Accounting Policies

Statement Of Compliance

Nelson Building Society (the Society) was established in 1862 and is a profit-oriented mutual entity incorporated in New Zealand under the Building Societies Act 1965. The Society is a financial institution which provides retail banking type services to the community. Banking services include personal and commercial loans, investments, mortgages and electronic banking.

The Society's financial statements have been prepared in accordance with Generally Accepted Accounting Practice ("GAAP") in New Zealand. They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable financial reporting standards as appropriate for profit orientated entities. The financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB).

The Society is an FMC Reporting Entity as defined in the Financial Markets Conduct Act 2013.

The financial statements were authorised by the directors on 30 May 2019.

Basis Of Preparation

The financial statements have been prepared on the general principles of historical cost accounting, as modified by the revaluation of certain assets such as freehold land and buildings. The going concern concept and the accrual basis of accounting have been adopted. Historical cost is based on the fair value of the consideration given in exchange for assets. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Presentation Currency

The amounts contained in the financial statements are presented in New Zealand dollars.

Principal Activities

The Society's principal activities during the year were:

- Receiving deposits for investments; and
- Providing personal banking services including current accounts, personal loans, mortgages, consumer lending and debit card facilities.

Particular Accounting Policies

i. Revenue Recognition

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

• Interest Income

Interest income for all instruments measured at amortised cost is recognised in the Statement of Comprehensive Income as it accrues using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial asset or liability initially recognised. When calculating the effective interest rate, cash flows are estimated based upon contractual terms and behavioural aspects of the financial instrument (e.g. prepayment options), but do not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

• Loan Origination fees

All fees related to the successful origination or settlement of a loan (together with the related direct costs) are deferred and are recognised as an adjustment to the effective interest rate on the loan

• Fee and Commission Income

Fees and commission income from contracts with customers is measured based on the consideration specified in the contracts with the customer. The Society recognises revenue when it transfers control over a service to a customer.

The Society provides banking type services to retail and corporate customers including account management, provision of overdraft facilities, foreign exchange and servicing fees. Fees for ongoing account management are charged to the customer account on a monthly basis. Transaction based fees for interchange foreign currency transactions and overdrafts are charged to the customers account when the exchange takes place. Servicing fees are charged on a monthly basis and are based on fixed and variable rates.

Revenue from account servicing and servicing fees is recognised over time as the services are provided to the customers. Revenue related to transactions is recognised at the point in time when the transaction takes place.

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ii. Expense Recognition

• Interest Expense

Interest expense, including premiums or discounts and associated issue expenses incurred on the issue of securities is recognised in the Statement of Comprehensive Income for all financial liabilities measured at amortised cost using the effective interest method.

• Losses on Loans and Receivables Carried at Amortised Cost

The charge recognised in the Statement of Comprehensive Income for losses on loans and receivables carried at amortised cost reflects the provisions for individually assessed and collectively assessed loans, write offs and recoveries of losses previously written off.

• Leasing

Operating lease payments are recognised in the Statement of Comprehensive Income as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit received.

• Commissions and Other Fees

External commissions and other costs paid to acquire mortgage and consumer loans through brokers are deferred and are recognised as an adjustment to the effective interest rate. All other fees and commissions are recognised in the Statement of Comprehensive Income over the period which the related service is consumed.

iii. Taxation

Income Tax

Income tax expense on the profit for the period comprises current tax and movements in deferred tax balances. Current tax is the expected tax payable or recoverable on the taxable profit or tax loss for the period, using tax rates that have been enacted or substantively enacted as at balance date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the comprehensive balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding amounts used for taxation purposes. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted as at balance date that are expected to apply when the liability is settled or the asset is realised.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current and deferred tax is recognised as an expense or income in the profit and loss except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax or current tax is also recognised in other comprehensive income or directly in equity.

iv. Goods And Services Tax

Revenue, expense, liabilities and assets are recognised gross of the amount of goods and services tax ('GST'). GST is recoverable in direct proportion to the Society's commercial customers on all expenditure, pursuant to Section 20F of the Goods and Services Tax Act 1985.

v. Assets

• Financial Assets

• Classification of Financial Assets

Management determines the classification of its financial assets at initial recognition. The classification depends on the Society's buisness model for managing the financial assets and the contractual terms of the cash flows. The Society reclassifies financial assets when and only when its business model for managing those assets changes.

The Society's financial assests are measured in their entirety at amortised cost as they are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

• Recognition and Measurement of Financial Assets

Financial Assets are recognised when the Society becomes party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognised on trade-date or the date on which the Society commits to purchase or sell the asset.

Financial instruments are measured initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the instrument.

Subsequent to initial recognition the Society measures financial assets at amortised cost, using the effective interest rate method less expected credit losses.

• Derecognition of Financial Assets

The Society derecognises a financial asset from its Statement of Financial Position when, and only when, the contractual rights to the cash flows from the financial asset expire, or the Society has transferred all or substantially all of the risks and rewards of ownership of the financial asset.

For financial assets measured at amortised cost, a gain or loss is recognised in profit and loss when the financial asset is derecognised or impaired.

Any gain or loss arising from derecognition is recognised directly in profit and loss and presented in other gains (losses).

• Loans and Receivables

Loans and Receivables cover all forms of lending to customers such as mortgages, consumer loans and personal loans. They are accounted for as financial assets at amortised cost and subsequently measured at amortised cost using the effective interest rate method, less expected credit loss allowance where applicable.

Subsequent to initial recognition Loans and Receivables are recorded at amortised cost using the effective interest method less impairment.

• Trade Receivables

Trade Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost, using the effective interest rate method, less impairment where applicable.

• Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand; cash in branches and investments in money market instruments with contractual maturity within six months. Money market instruments (short term deposits) are recorded at amortised cost.

Cash and Cash Equivalents reflect the balance of cash and liquid assets used in the day-to-day cash management of the Society.

• Term Deposits

Term deposits are recorded at amortised cost using the effect interest rate method.

Impairment

At the end of each reporting period, the Society performs an impairment assessment based on expected credit loss on financial assets measured at amortised cost.

• Measuring ECL - Explanation of Inputs, Assumptions and Estimation Techniques

The expected credit loss (ECL) is recognised on either a 12 month or lifetime basis. Lifetime basis are used only where a significant increase in credit risk has occurred since initial recognition or a financial instrument is considered to be credit impaired. Expected credit losses are the discounted product of the weighted average of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) where:

- PD represents the consideration of forward-looking information on the likelihood of a borrower defaulting on its financial obligation in the future
- LGD represents an estimate of loss arising after consideration of forward-looking information on the Society's expectation. It is expressed as a percentage of EAD
- EAD is based on the total amount of risk exposure on and off balance sheet at the time of default. The exposure is determined by the repayment plan according to different types of product

The Society applies a four-stage model in accordance with NZ IFRS 9 to measure expected credit losses associated with its debt instruments measured at amortised cost. The four stage model is as follows:

Stage 1	Not deteriorated	ECL is based on the 12 month expected credit losses that may occur in the 12 months after reporting date. The expectation is estimated by using a combination of historical losses and forward-looking analysis over the entire loan book. Stage 1 includes financial assets belonging to customers with a low risk of default that have a strong capacity to meet contractual cash flows (interest or principal repayments).
Stage 2	Deteriorated: Accounts more than 30 days in arrears	Lifetime ECL is the result from possible default events over the expected life of a financial instrument that are objective and measurable. When such an event occurs the financial asset is moved from Stage 1 to Stage 2. Significant increase in credit risk is presumed if the loan and advances are more than 30 days past due in making contractual repayment or when there is reasonable and/or supportable information that there is an increase in the risk of default occurring on the asset as at the reporting date.
Stage 3	Credit Impairments	When objective evidence of credit impairment emerges with one or more events having a detrimental impact on future cash flows the financial asset is moved to Stage 3. The Society considers observable data indicating there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets. Although the changes are unquantified when there is evidence of adverse changes that could effect the borrowers ability to pay, such as: changes in unemployment rate, property prices or industry changes, the assets are considered to be credit impaired. Loans and advances are deemed credit impaired when they are over 90 days past due in making a contractual repayments and/or when there is objective evidence of the events that indicate the borrower is in significant financial difficulty and/or the Society has exhausted all options to rehabilitate a debt and expects to incur a loss. The Loan to Value (LVR) is monitored to evaluate whether proceeds from the sale of the security would satisfy the value of the outstanding financial asset. Impaired assets are specifically provided for on an individual basis.
Stage 4	Loss	Financial assets are written off when the Society has exhausted all of its powers in respect of the security held and there are no further avenue to recover the amounts, outstanding to the Society.

At the end of each reporting period, the Society assesses whether there has been a significant increase in credit risk since initial recognition by comparing the risk of default occurring over the expected life between that of the reporting date to that of the date of recognition.

The Society assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type (mortgage, consumer and/or personal loans) credit risk ratings, collateral and other relevant factors.

The Society considers its historical loss experience and adjusts this for current observable data. In addition, the Society uses reasonable and supportable forecast of future economic condition including experienced judgement to estimate the amount of an expected credit loss. NZ IFRS 9 introduces the use of macroeconomic factors which include, but are not limited to, unemployment, interest rates, inflation and property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward-looking information increases the level of judgement as to how changes in these macroeconomic factors will effect ECL.

The methodology and assumptions underlying the ECL calculation are reviewed annually.

If in a subsequent period, the credit quality improves and reverses any previously assessed significant increase in credit risk since origination, the provision for expected credit loss reverts from a full lifetime ECL to 12 months ECL.

- **Nature and Effect of Modifications on the Measurement of Expected Credit Losses**

The Society sometimes renegotiates or otherwise modifies contracts with counterparties. The revised terms may alter the timing of the contractual cash flow and do not result in derecognition of the original loan and the same effective interest is earned by the Society. In these cases, the Society assesses whether a significant increase in credit risk has occurred, based on comparing the risk of default occurring under the revised terms as at the reporting period with that as at the date of initial recognition under the original terms.

- **Property, Plant and Equipment**

Asset Recognition

Land and Buildings are initially recognised at cost and are subsequently valued by an independent registered valuer. Valuations of Land and Buildings are carried out at least once every three years, at highest and best use. Land and Buildings are carried at the revalued amount less accumulated depreciation. Other items of Property, Plant and Equipment are carried at cost less accumulated depreciation and impairment losses.

Cost of an asset is the fair value of the consideration provided plus incidental costs directly attributable to the acquisition of the asset and includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the Statement of Comprehensive Income as an expense as incurred. Impairment losses are recognised as a non-interest expense in the Statement of Comprehensive Income.

An item of Property, Plant and Equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income in the period the item is derecognised.

- **Revaluation**

Land and Buildings are carried at the revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation of buildings and accumulated impairment losses.

Where the land and building is revalued, any revaluation surplus net of tax is credited in other comprehensive income and accumulated in the asset revaluation reserve included in equity unless it reverses a revaluation decrease of the same asset previously recognised in the profit and loss. Any revaluation deficit is recognised in the profit and loss unless it directly offsets a previous surplus of the same asset recognised in the asset revaluation reserve. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to a particular asset being disposed is transferred to retained earnings.

- **Depreciation**

Depreciation is provided in the financial statements on all Property, Plant and Equipment other than land, on a basis which will write down the net cost or revalued amount of each item of Property, Plant and Equipment over its expected useful life.

The following methods and rates have been applied to the major categories:

	Estimated Life	Method
Buildings and Improvements	10 - 50 yrs	Straight Line
Computer Equipment	2- 5 yrs	Straight Line
Other Assets	3 - 10 yrs	Straight Line

• **Intangible Assets**

Software is a finite life intangible asset and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the estimated useful lives of 2 -5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

vi. Liabilities

The Society' classifies it's financial liabilities at amortised cost.

• **Borrowings**

Term and Call borrowings are measured initially at fair value plus transaction costs. Subsequent to initial recognition Term and Call borrowings are measured at amortised cost and are recorded in the Statement of Financial Position inclusive of accrued interest. Interest payable on borrowings is recognised using the effective interest rate method.

• **Derecognition of Financial Liabilities**

The Society derecognises a financial liability from its Statement of Financial Position, when and only when, it is extinguished.

• **Trade and Other Payables**

Trade and other payables and accrued expenses are recognised when the Society becomes obliged to make future payments resulting from the purchase of goods and services. They are measured initially at fair value plus transaction costs. Subsequent to initial recognition trade and other payables are carried at amortised cost. These amounts are unsecured.

• **Employee Entitlements**

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave wholly expected to be settled within 12 months of the balance date are recognised in respect of employees' services and are measured at the amounts expected to be paid when the liabilities are settled.

vii. Equity

• **Debt and Equity Instruments**

Perpetual Preferential Shares are classified as equity and are recognised at the amount paid per Perpetual Preferential Share.

Debt and Equity instruments are classified in accordance with the substance of the contractual arrangement.

Interest and Dividends are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments.

viii. Statement of Cash Flows

• **Basis of Presentation**

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

Operating activities are the principal revenue producing activities of the Society 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 of the entity.

Cash and Cash Equivalents reflect 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, as many of the cash flows are received and disbursed on behalf of customers and reflect the activities of those customers rather than the Society. These include customer borrowings.

ix. Significant Judgements, Accounting Estimates And Assumptions

The preparation of the financial statements requires the use of management judgements, estimates and assumptions that affect the application of accounting policies and the carrying values of assets and liabilities that are not readily available from other sources. The judgements, estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements, estimates and assumptions made by management in the application of NZ IFRS and in the preparation of these financial statements are outlined as follows:

• Impairment Analysis

For the year ended 31 March 2019, the significant accounting estimates and judgements of NZ IFRS 9 used by the Society include the measurement of expected credit losses.

The measurement of the expected credit loss allowance is based on the standard's expected credit loss (ECL) model, as against an incurred credit loss model under NZ IAS 39 Financial Instruments: Recognition and Measurement. This requires the use of complex models and significant assumptions about economic conditions and credit behaviour (eg the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of expected credit losses
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses; and
- Establishing groups of similar financial assets for the purpose of measuring expected credit losses.

x. Changes In Accounting Policies

The following standards have been adopted from 1 April 2018 and have been applied in preparation of these financial statements:

- NZ IFRS 9 Financial Instruments
- NZ IFRS 15 Revenue from Contracts with Customers

• NZ IFRS - Financial Instruments

The Society adopted NZ IFRS 9 Financial Instruments from 1 April 2018 which resulted in changes in accounting policies and disclosures but has not had a material impact on the comparative figures and opening retained earnings. NZ IFRS 9 sets out new requirements for classification and measurement, impairment and hedge accounting for financial assets and liabilities. It replaces NZ IAS 39 Financial Instruments: Recognition and Measurement. Consequently, for note disclosures, the consequential amendments to NZ IFRS 7 Financial Instruments Disclosure, disclosures have also been applied to the current financial year.

NZ IFRS 9 contains three principal classification categories for financial assets based on contractual cash flow characteristics and business model: measurement at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

Amortised cost - applies to financial assets recognised and initially measured at fair value plus transaction cost that are managed within the business model whose objective is to hold and collect the contractual cash flows and their contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI). The carrying value of these assets is adjusted for provision for expected credit loss (ECL) as described in the note below and Note 7 & 8. Credit Risk Management and Asset Quality.

If the above conditions are not met, financial assets that are held for collection of contractual cash flows and for selling, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in FVOCI are taken through other comprehensive income, except for the recognition of impairment gains and losses and interest income which are recognised in profit and loss. Financial assets that do not meet the criteria for amortised cost or FVOCI are mandatorily measured at FVTPL.

The hedge accounting requirements of NZ IFRS 9 has had no effect on the Society as it does not apply hedge accounting.

The Society has assessed the contractual cash flows characteristics and assessed which business model to apply to its financial instruments to determine any changes in classification and measurement.

The following table summaries the classification changes by balance sheet asset class to the Society's financial assets on 1 April 2018. There are no changes to the measurement of the assets nor are there changes in the classification or measurement of the Society's liabilities.

	NZ IAS 39 (Prior to 1 April 2018)		NZ IFRS (Applicable from 1 April 2018)	
Financial Assets	Category	Amount	Category	Amount
Cash and Cash Equivalents	Loans and Receivables	72,581,183	Amortised Cost	72,581,183
Term Deposits	Loans and Receivables	89,755,037	Amortised Cost	89,755,037
Loans and Receivables to Customers	Loans and Receivables	557,024,403	Amortised Cost	557,024,403
Other Assets	Loans and Receivables	20,903	Amortised Cost	20,903
Total Financial Assets		**719,381,526**		**719,381,526**
Financial Liabilities				
Deposits	Amortised Cost	671,721,505	Amortised Cost	671,721,505
Other Financial Liabilities	Amortised Cost	1,180,284	Amortised Cost	1,180,284
Total Financial Liabilities		**672,901,789**		**672,901,789**

The Society has taken advantage of the exemption in NZ IFRS 9 from restating prior periods in respect of NZ IFRS 9's classification and measurements (including impairments) requirements. There was no change to the classification of financial instruments and there was no adjustment to the opening balance of equity as at 1 April 2018 given the impact was not considered material.

- **Impairment of Financial Assets**

Application of NZ IFRS 9 has resulted in changes in Society's impairment methodology. The provision for doubtful debts are measured based on the standard's expected credit loss (ECL) model, as opposed to an incurred credit loss model under NZ IAS 39. The Society applies a four-stage model in accordance with NZ IFRS 9 to measure the expected credit losses associated with its debt instruments measured at amortised cost. Refer to impairment accounting policy (vi) for further details.

- **NZ IFRS 15 Revenue from Contracts with Customers**

The adoption of NZ IFRS 15 Revenue from Contracts with Customers did not result in any material changes to the accounting policies in relation to the recognition of revenues within the scope of NZ IFRS 15. No significant adjustments were recognised and no additional disclosures were made following the introduction of this new accounting standard. Refer to Note (i) for further details.

xi. New and Revised IFRS Standards in Issue

NZ IFRS 16 Leases becomes effective for the period beginning on or after 1 January 2019. This is expected to be adopted by the Society for the year ended 31 March 2020. The potential impact of this new standard has not been assessed. It is expected that the new standard will have a material impact on the amounts recognised in the Society's financial statements. It is not practical to provide a reasonable estimate of the financial effect until the directors complete their review.

The distinction between operating leases (off balance sheet) and finance leases (on balance sheet) is removed for lessees accounting, and is replaced by a model where right-of-use asset, and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

As at 31 March 2019, the Society has non cancellable operating lease commitments of $780,429. Certain information is disclosed as operating lease commitments in Note 13.

1. Administration Expenses

Administration Expense Comprises:	31/03/2019	31/03/2018
Branch Expenses	1,798,812	1,698,010
Marketing Expenses	589,891	534,921
Computer Expenses	1,367,704	1,312,541
Property Expenses	249,752	248,700
Professional Expenses	478,635	457,022
	4,484,794	**4,251,194**

2. Auditors Remuneration

	31/03/2019	31/03/2018
Audit of Financial Statements	74,750	71,875
Trust Deed (Agreed upon procedures) and Annual Report	8,050	8,050
NZ IFRS and Compliance of Key Audit Matter	17,250	-
Members Register - Other Assurance	5,750	5,750
Taxation Compliance - Annual Return	8,500	8,500
Taxation Consultancy	-	5,532
	114,300	**99,707**

3. Taxation

	31/03/2019	31/03/2018
(a) Income Tax Recognised in the Profit and Loss		
Income Tax Expense Comprises:		
Current Tax Expense	2,243,640	1,763,871
Adjustments Recognised in Relation to the Current Tax of Prior Years	(3,787)	28,284
Deferred Tax Expense Relating to the Origination and Reversal of Temporary Differences	(10,479)	(197,494)
Adjustments Recognised in Relation to Deferred Tax of Prior Years	17,879	(28,284)
Total Income Tax Expense Recognised in the Profit and Loss	**2,247,253**	**1,566,377**
The prima facie income tax expense on pre tax accounting surplus reconciles to the income tax expense in the financial statements as follows:		
Surplus before tax	7,896,696	5,539,012
Taxation thereon at 28%	2,211,075	1,550,923
Non Deductable Expenses	22,086	15,454
Under/(Over) Provision of Income Tax in Previous Year	14,092	-
Income Tax Expense Recognised in the Profit and Loss	**2,247,253**	**1,566,377**

The tax rate used on the above reconciliation is the corporate tax rate of 28% (31 March 2018: 28%) payable by New Zealand companies under New Zealand tax law.

(b) Current Tax Liability	31/03/2019	31/03/2018
Balance at the Beginning of the Year	781,520	389,365
Taxation Expense	2,243,640	1,763,871
Adjustments Recognised in Relation to the Current Tax of Prior Year	(3,787)	28,284
Taxation Paid	(2,268,824)	(1,400,000)
Balance at End of Period	**752,549**	**781,520**

		31/03/2019	31/03/2018
(c) Deferred Tax Balances			
Opening Balance		43,497	(125,309)
Charge to Income		(7,400)	225,778
Charged to Comprehensive Income		-	(56,972)
Closing Balance - Asset/(Liability)		**36,097**	**43,497**
(d) Imputation Credit Account			
Imputation Credits Available for use at Balance Date		**10,298,249**	**8,388,964**

4. Cash And Cash Equivalents

	31/03/2019	31/03/2018
Bank Deposits	98,898,296	69,904,137
Cash on Hand	2,142,481	2,677,046
	101,040,777	**72,581,183**

Guarantees of $1,500,000 have been issued by Westpac New Zealand Limited on behalf of the Society (2018: $1,515,000).

5. Loans And Receivables

		31/03/2019	31/03/2018
Secured		639,167,335	555,648,239
Unsecured		2,665,303	2,707,379
Gross Advances		**641,832,638**	**558,355,618**
Less Provisions for Credit Impairment	Note 7	(1,330,885)	(1,331,215)
Total Net Advances		**640,501,753**	**557,024,403**

6. Asset And Liability Categorisation

	31/03/2019	31/03/2018
Financial Assets:		
Financial Assets at Amortised Cost (including Cash and Cash Equivalents)	824,909,832	719,381,526
	824,909,832	**719,381,526**
Financial Liabilities:		
Financial Liabilities Held at Amortised Cost	769,362,225	672,901,789
	769,362,225	**672,901,789**

7. Provision For Expected Credit Loss

	31/03/2019 Provisions	31/03/2018 Provisions
Specific and Collective Provisions Against Loans and Receivables Balance at Beginning of the Period		
Collective	947,215	711,643
Specific	384,000	-
	1,331,215	711,643
New Provisions during the Period		
Collective	226,862	578,189
Specific	561,844	384,000
Provisions Reduced during the Period		
Collective	-	-
Specific	-	-

	31/03/2019 Provisions	31/03/2018 Provisions
Balances Written Off during the Period		
Collective	(156,097)	(342,617)
Specific	(632,939)	-
Balance at End of the Period		
Collective	1,017,980	947,215
Specific	312,905	384,000
	1,330,885	**1,331,215**

The collective provision provides for expected credit loss on mortgages, personal loans and consumer lending. Collateral is held by way of registered first mortgage over real property or registered charge over vehicles.

The specific provision relates to two mortgages, which are currently in arrears. The Society holds security over all property however there is an expected shortfall between the anticipated sale proceeds and the carrying value of the loans.

The following provides a reconciliation of the above movements in provisions for credit impairment reported in the Statement of Comprehensive Income:

	31/03/2019	31/03/2018
Bad Debts Written Off for the Period	(789,036)	(342,617)
Provisions Reduced During the Period	-	-
Add New Provisions Made	788,706	962,189
Movement in Provision for Credit Impairment	**(330)**	**619,572**

8. Asset Quality

	31/03/2019	31/03/2018
(a) Asset Quality Advances to Customers		
Past Due But Not Impaired	4,403,436	3,067,242
Impaired	565,090	1,589,809
Neither Past Due Nor Impaired	636,864,112	553,698,567
Gross Carrying Amount	**641,832,638**	**558,355,618**

	31/03/2019		31/03/2018	
	Past Due Assets	Impaired	Past Due Assets	Impaired
b) Movements in Balances of Impaired and Past Due Assets				
Opening Balance	3,067,242	1,589,809	253,790	-
Assets Classified as Past Due/Impaired	4,204,119	565,090	3,306,555	1,589,809
Customer Repayments and Recoveries	(1,943,799)	(956,870)	(53,306)	-
Loan Balance Written Off	(156,097)	(632,939)	(342,617)	-
Assets no Longer Meeting Definition	(768,029)	-	(97,180)	-
Closing Balance	**4,403,436**	**565,090**	**3,067,242**	**1,589,809**

	31/03/2019	31/03/2018
(c) Ageing of Past Due Assets		
Past due 0-29 days	2,182,173	1,384,196
Past due 30-59 days	1,073,133	519,622
Past due 60-89 days	562,334	76,849
Past due 90 days+	585,796	1,086,575
Carrying Amount	**4,403,436**	**3,067,242**

The balance of Past Due Assets is in respect of housing, commercial and consumer lending. Residential and commercial past due assets are secured by residential property. Consumer lending advances are secured by a registered charge over the vehicle. It is not considered necessary to determine the fair value of the collateral as the balance is reviewed regularly and the Society is satisfied that there is adequate provisioning to cover potential loss.

Provisions for Expected Credit Loss

	Stage 1 Collective Provision 12 month ECL	Stage 2 Collective Provision Lifetime ECL Not Credit Impaired	Stage 3 Collective Provision Lifetime ECL Credit Impaired	Collective Provision	Credit Impaired Lifetime ECL	Total Provision
Mortgages						
Balance at Beginning of Period	-	-	-	495,295	300,000	795,295
Restated for Adoption of New Accounting Standards	494,403	205	687	(495,295)	-	-
New Provisions Charged to Income Statement	71,971	(20)	(514)	-	528,563	600,000
Use of Provision	-	-	-	-	(578,563)	(578,563)
Reversal of Previously Recognised Provision	-	-	-	-		-
Balance at End of Period	**566,374**	**185**	**173**	**-**	**250,000**	**816,732**
Gross Carrying Value of Mortgages						
Balance at Beginning of Period	492,765,944	205,123	687,557	-	1,505,123	495,163,747
Balance at End of Period	**566,599,847**	**185,467**	**172,873**	**-**	**495,000**	**567,453,187**
Consumer Lending and Personal Loans						
Balance at Beginning of Period	-	-	-	451,920	84,000	535,920
Restated for Adoption of New Accounting Standards	323,600	44,940	83,380	(451,920)	-	-
New Provisions Charged to Income Statement	51,192	(5,300)	(26,359)	-	168,173	188,706
Use of Provision	(21,205)	-	-	-	(189,268)	(210,473)
Reversal of Previously Recognised Provision	-	-	-	-	-	-
Balance at End of Period	**354,587**	**39,640**	**57,021**	**-**	**62,905**	**514,153**
Total Provision	**920,961**	**39,825**	**57,194**	**-**	**312,905**	**1,330,885**
Gross Carrying Value of Consumer Lending and Personal Loans						
Balance at Beginning of Period	60,932,623	1,775,544	399,018	-	84,686	63,191,871
Balance at End of Period	**70,264,265**	**3,632,173**	**412,923**	**-**	**70,090**	**74,379,451**

9. Property, Plant & Equipment

	31/03/2019	31/03/2018
Freehold Land and Buildings		
Fair Value		
Balance at Beginning of the Period	2,170,000	2,020,000
Revaluation	-	168,019
Additions	46,764	-
Disposals	-	(18,019)
Balance at End of the Period	**2,216,764**	**2,170,000**
Depreciation and Impairment		
Balance at Beginning of the Period	-	-
Depreciation for the Period[1]	52,369	50,194
Accumulated Depreciation on Disposed Assets	-	(14,736)
Revaluation	-	(35,458)
Balance at End of the Period	52,369	-
Total Freehold Land and Buildings	**2,164,395**	**2,170,000**

	31/03/2019	31/03/2018
Computer Equipment		
Cost		
Balance at Beginning of the Period	968,007	1,163,729
Additions	243,731	87,796
Disposals	-	(283,518)
Balance at End of the Period	**1,211,738**	**968,007**
Depreciation and Impairment		
Balance at Beginning of the Period	857,853	1,023,601
Depreciation for the Period[1]	129,948	117,770
Accumulated Depreciation on Disposed Assets	-	(283,518)
Balance at End of the Period	987,801	857,853
Total Computer Equipment	**223,937**	**110,154**

	31/03/2019	31/03/2018
Other Assets		
Cost		
Balance at Beginning of the Period	2,626,972	2,517,618
Additions	383,794	267,074
Disposals	(177,158)	(157,720)
Balance at End of the Period	**2,833,608**	**2,626,972**
Depreciation and Impairment		
Balance at Beginning of the Period	1,622,573	1,479,556
Depreciation for the Period[1]	271,712	266,462
Accumulated Depreciation on Disposed Assets	(134,843)	(123,445)
Balance at End of the Period	**1,759,442**	**1,622,573**
Total Other Assets	**1,074,166**	**1,004,399**
Total Property, Plant and Equipment	**3,462,498**	**3,284,553**

[1]Depreciation expense is included in the line item 'amortisation and depreciation expense' in the Statement of Comprehensive Income.

The land and buildings of the Society were valued by Murray Lauchlan of Duke & Cook, independent registered valuers, as at 31 March 2018. These are valued on the basis of market value for existing use. A rental capitalisation valuation methodology has been used in determining this value. This is a level 3 measurement under the fair value hierarchy. The rental capitalisation rate adopted for the valuation of the property as at 31 March 2018 was 6.00% (2017: 6.25%). A significant increase/decrease in the rental capitalisation rate would result in an decrease/increase to the fair value of the land and buildings.

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

	31/03/2019	31/03/2018
Freehold Land	16,550	16,550
Buildings	424,874	449,156
	441,424	**465,706**

10. Intangible Assets

	31/03/2019	31/03/2018
Software		
Cost		
Balance at Beginning of the Period	1,630,376	1,873,680
Additions	305,651	-
Disposals	(13,266)	(243,304)
Balance at End of the Period	**1,922,761**	**1,630,376**
Amortisation and Impairment		
Balance at Beginning of the Period	1,288,897	1,171,843
Amortisation for the Period[2]	324,955	360,358
Accumulated Amortisation on Disposed Assets	(3,707)	(243,304)
Balance at End of the Period	1,610,145	1,288,897
Total Software	**312,616**	**341,479**

[2]Amortisation expense is included in the line item 'amortisation and depreciation expense' in the Statement of Comprehensive Income.

11. Share Capital

During the year ended 31 March 2019 4,790,000 (net) preference shares were issued for $1 each, fully paid. (31 March 2018: 3,998,000 net issued for $1 each). Each share attracts a fully imputed dividend. Dividends, paid quarterly, may only be paid from the surplus of the Society. The dividend shall be paid at a percentage set at the beginning of each quarter 31 March 2019: 5.50% (31 March 2018: 5.50%). The Society can cancel the payment of a dividend by giving the holder a Dividend Cancellation Notice. The holder of shares has no right to attend, vote or speak at general meetings nor do the shares carry any right to participate in any cash, bonus or other issues of shares declared or made by the Society. The shares may only be redeemed by the Society giving a Redemption Notice to the holders.

12. Borrowings

	31/03/2019	31/03/2018
Borrowings		
Call Borrowings - Depositors	169,347,613	149,251,251
Term Borrowings - Depositors	598,598,545	522,470,254
Total Borrowings	**767,946,158**	**671,721,505**

	31/03/2019	Weighted Average Interest Rate %	31/03/2018	Weighted Average Interest Rate %
Maturity Analysis Of Term And Current Borrowings				
Borrowings at Call	169,347,613	1.06	149,251,251	1.10
Between 0 and 1 year	519,176,218	3.59	446,026,285	3.62
Between 1 and 2 years	56,240,826	3.87	60,579,393	3.90
Between 2 and 5 years	23,181,502	3.94	15,864,576	4.03
Total Borrowings	**767,946,158**	**3.06**	**671,721,505**	**3.09**

All Borrowings are unsecured.

13. Commitments And Contingent Liabilities

The Society has a commitment for loans approved but not yet paid at 31 March 2019 of $28,854,470. (31 March 2018 for a total of $22,895,810).

The Society has entered into property leases in Murchison, Westport, Greymouth Takaka and Ashburton for 3 years commencing 1 January 2019, 15 November 2016, 1 May 2018, 1 October 2017, and 1 June 2018 respectively, with right of renewal for a further 3 years at the conclusion of the current lease periods. The Society has entered into a property lease in Motueka for 6 years commencing 1 December 2014, with right of renewal for a further 3 years at the conclusion of the current lease period. The Society has entered into a property lease in Richmond for a period of 8 years commencing 1 October 2014, with two rights of renewal of 4 years at the conclusion of the current lease period. The Society has entered into a property lease in Nelson for 1 year commencing 1 November 2018.

Lease commitments under non-cancellable operating leases:

	31/03/2019	31/03/2018
Less than 1 year	344,327	263,436
Between 1 and 2 years	263,936	222,348
Between 2 and 5 years	172,166	311,604
Greater than 5 years	-	-
	780,429	**797,388**

Sponsorship commitments beyond 31 March 2019 total $235,750 (31 March 2018: $316,250).

The Society had no contingent liabilities as at 31 March 2019 (31 March 2018: $Nil).

14. Fair Value

Disclosed below is the estimated fair value of the Society's financial instruments disclosed in terms of NZ IFRS 7: Financial Instruments Disclosures and NZ IFRS 13: Fair Value Measurements.

Methodologies

The Society uses valuation techniques within the following hierarchy to determine the fair value of the financial instruments:

Level 1: Fair values are determined using quoted (unadjusted) prices in active markets for identical assets and liabilities;

Level 2: Fair values are determined using other techniques where all inputs,other than those included in Level 1 which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Fair values are determined using techniques that use inputs which have significant effect on the recorded fair value but are not based on observable market data.

There have been no transfers between levels during the year.

The following methods have been used:

Cash and Cash Equivalents, Term Deposits, Trade Debtors and Trade Payables

The fair value of cash equivalents approximate the carrying value due to their short term nature..

Loans and Receivables

For variable rate advances the carrying amount is a reasonable estimate of fair value. For fixed rate advances fair values have been estimated using the discounted cash flow approach by reference to current rates for the term of the original fixing.

Borrowings

The fair value of demand deposits is the amount payable on demand at reporting date. For other liabilities with maturities of less than three months the carrying amount is a reasonable estimate of fair value.

For liabilities with maturities of three months or longer, fair values have been based on quoted market prices, where such price exists. Otherwise fair values have been estimated using the discounted cash flow approach by reference to interest rates currently offered for similar liabilities of similar remaining maturities. Borrowings are classified as Level 2 within the fair value hierarchy.

	31/03/2019		31/03/2018	
Financial Assets	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Cash Equivalents and Term Deposits	184,407,479	184,407,479	162,336,220	162,336,220
Loans and Receivables	640,501,753	640,625,793	557,024,403	557,132,814
Trade Receivables	600	600	20,903	20,903
Total Financial Assets	**824,909,832**	**825,033,872**	**719,381,526**	**719,489,937**
Financial Liabilities				
Borrowings	767,946,158	769,312,107	671,721,505	672,651,123
Trade and Other Payables	1,416,067	1,416,067	1,180,284	1,180,284
Total Financial Liabilities	**769,362,225**	**770,728,174**	**672,901,789**	**673,831,407**

15. Liquidity Risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting commitments associated with its financial liabilities (e.g. call borrowings, term borrowings and future commitments including loan draw-downs). The Society manages its exposure to liquidity risk by maintaining sufficient liquid funds to meet its commitment based on historical and forecasted cash flow requirements.

The Society monitors its liquidity position on a regular basis, looking one to four weeks in advance to assess potential funding requirements. This is managed in light of historical reinvestment rates in excess of 80% and through significant cash and term deposit reserves.

To meet both expected and unexpected fluctuations in operating cash flows the Society maintains a stock of liquid investments which it considers from analysis of historical cash flows, forecast cash flows and the current composition of the Statement of Financial Position to be adequate.

Cash demands are usually met by realising liquid investments on maturity and raising new deposits.

Asset liquidity includes Cash and Cash Equivalents, Term Deposits, and Loans and Receivables.

The primary funding source for the Society comes from its customer who reside in the Nelson, Tasman, West Coast, Golden Bay, and Mid Canterbury Regions.

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 Statement of Financial Position 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 Statement of Financial Position. 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 Loans and Receivables are housing loans, which are likely to be repaid earlier than their contractual terms. Loans and Receivables with maturity dates within 24 months are expected to run to term, but it is expected that a proportion of the Advances in the over 24 month category could repay earlier due to changes in the borrowers personal circumstances, but on average would still remain in the over 24 month category.

Monetary Assets Receivable Matched Against Liabilities Payable as at 31 March 2019

	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	2 to 5 Years	Greater than 5 Years	Total
Monetary Assets							
Cash & Cash Equivalents	31,285,714	77,423,584	-	-	-	-	108,709,298
Term Deposits	-	-	67,201,098	36,641,919	-	-	103,843,017
Trade Receivables	600	-	-	-	-	-	600
Personal Loans	-	196,860	270,420	969,058	1,891,436	7,359	3,335,133
Consumer Lending	258,843	5,207,488	5,813,721	14,950,320	62,839,632	-	89,070,005
Mortgages & Interest	71,032,034	26,688,680	21,949,542	44,042,262	123,487,846	682,585,968	969,786,332
Provision for Credit Impairment	(1,330,885)	-	-	-	-	-	(1,330,885)
Total Monetary Assets	**101,246,307**	**109,516,612**	**95,234,781**	**96,603,559**	**188,218,914**	**682,593,327**	**1,273,413,499**
Liabilities							
Borrowings	169,347,613	352,639,640	174,682,957	58,142,711	23,550,796	50,008	778,413,725
Trade and Other Payables	1,416,067	-	-	-	-	-	1,416,067
Employee Entitlements	271,911	-	-	-	-	-	271,911
Current Tax Liabilities	-	752,549	-	-	-	-	752,549
Total Monetary Liabilities	**171,035,591**	**353,392,189**	**174,682,957**	**58,142,711**	**23,550,796**	**50,008**	**780,854,252**
Net Monetary Assets/ (Liabilities)	**(69,789,285)**	**(243,875,577)**	**(79,448,176)**	**38,460,848**	**164,668,118**	**682,543,319**	**492,559,247**
Unrecognised Loan Commitments	**(28,854,470)**	**-**	**-**	**-**	**-**	**-**	**(28,854,470)**
Net Liquidity Gap	**(98,643,755)**	**(243,875,577)**	**(79,448,176)**	**38,460,848**	**164,668,118**	**682,543,319**	**463,704,777**

Monetary Assets Receivable Matched Against Liabilities Payable as at 31 March 2018

	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	2 to 5 Years	Greater than 5 Years	Total
Monetary Assets							
Cash & Cash Equivalents	18,766,427	54,468,934	-	-	-	-	73,235,361
Term Deposits	-	-	93,456,472	-	-	-	93,456,472
Trade Receivables	20,903	-	-	-	-	-	20,903
Personal Loans	-	233,635	292,874	860,136	2,030,790	8,536	3,425,971
Consumer Lending	16,915	3,493,445	4,398,343	12,236,890	55,509,683	-	75,655,276
Mortgages & Interest	61,813,145	22,213,452	22,478,179	40,696,985	108,200,588	585,761,821	841,164,170
Provision for Credit Impairment	(1,331,215)	-	-	-	-	-	(1,331,215)
Total Monetary Assets	**79,286,175**	**80,409,466**	**120,625,868**	**53,794,011**	**165,741,061**	**585,770,357**	**1,085,626,938**
Liabilities							
Borrowings	149,251,251	320,155,981	134,738,203	62,328,309	16,190,329	15,000	682,679,073
Trade and Other Payables	1,180,284	-	-	-	-	-	1,180,284
Employee Entitlements	316,439	-	-	-	-	-	316,439
Current Tax Liabilities	-	781,520	-	-	-	-	781,520
Total Monetary Liabilities	**150,747,974**	**320,937,501**	**134,738,203**	**62,328,309**	**16,190,329**	**15,000**	**684,957,316**
Net Monetary Assets/ (Liabilities)	**(71,461,799)**	**(240,528,035)**	**(14,112,335)**	**(8,534,298)**	**149,550,732**	**585,755,357**	**400,669,622**
Unrecognised Loan Commitments	**(22,895,810)**	**-**	**-**	**-**	**-**	**-**	**(22,895,810)**
Net Liquidity Gap	**(94,357,609)**	**(240,528,035)**	**(14,112,335)**	**(8,534,298)**	**149,550,732**	**585,755,357**	**377,773,812**

Although the Society has the right to call up Loans and Receivables at any time no such demands have been made. No estimate of the amount likely to be received from an early repayment of advances has been included in these financial statements. While all financial assets/liabilities are at call the ability to liquidate a financial asset is constrained by the timeliness to realise the asset.

16. Credit Risk Exposure

The nature of the Society's activities as a financial intermediary necessitates the Society dealing in financial instruments that contain an inherent element of credit risk. Credit exposure means the amount of the maximum loss that the Society could incur as a result of the counterparty to a contract failing to discharge its obligations, without taking into account the value of collateral, guarantees, indemnities, other support arrangements and any potential recoveries. The maximum amount of credit exposure is limited to the carrying amount of the financial assets disclosed in the Statement of Financial Position plus Loan commitments. The Society's activities are conducted within the bounds of prudent and conservative banking practice.

Financial instruments which potentially subject the Society to credit risk are mortgages, personal loans, consumer lending, cash, term deposits and trade receivables. The majority of the Society's Loans and Receivables are secured by first mortgage over residential, commercial and agricultural properties. As a guideline the Society will lend up to 80% of a property's valuation by a registered valuer on a residential first mortgage and up to 60% on both commercial and agricultural first mortgages. The credit risk on Loans and Receivables is limited to the security held. Personal advances are generally secured by way of guarantee. The majority of consumer lending advances are secured by a registered charge over the asset.

In the normal course of business, the Society incurs credit risk from debtors. The Society has a credit policy, which is used to manage its exposure to unsecured advances. There are no significant concentrations of credit risk in any of the above areas. The majority of the Society's Loans and Receivables are invested in residential mortgages. 68% of all Loans and Receivables are in the Nelson and Tasman Regions, the remaining 32% are in the West Coast, Golden Bay and Mid Canterbury Regions. The service and product provision for each branch is similar, the class of customer, methods of distribution and regulatory environment is consistent in all branches.

Concentrations of Credit Risk to Individual Counterparties and Bank Counterparties

The table below shows the numbers of bank counterparties or groups of closely related counterparties of which a bank is a parent and individual counterparties (other than banks or groups of closely related counterparties of which a bank is parent) where the Society has large credit exposures. These have been disclosed in bands of 10% of the Society's equity at balance date.

	31/03/2019		31/03/2018	
% of Equity	Bank	Other	Bank	Other
10-19	-	2	-	4
20-29	-	-	1	-
30-39	-	-	-	-
40-49	1	-	-	-
50-59	-	-	1	-
60-69	-	-	-	-
70-79	-	-	-	-
80-89	-	-	-	-
90+	2	-	2	-

Credit Risk Profile by Category

The table below shows the level of lending by category. The Society has 5 major categories of lending: residential, commercial, agriculture, personal lending and consumer finance.

	31/03/2019	31/03/2018
Residential	425,809,681	366,692,726
Commercial	89,142,022	78,394,203
Agriculture	51,658,195	48,745,603
Personal Lending	2,665,303	2,707,379
Consumer Finance	71,226,552	60,484,492
	640,501,753	**557,024,403**

The table below shows the level of lending by region.	Year to 31/03/2019	Year to 31/03/2018
Nelson	193,000,801	151,503,114
Tasman	243,768,060	226,403,218
West Coast	58,087,149	56,448,152
Golden Bay	70,091,923	60,797,209
Mid Canterbury	75,553,820	61,872,710
	640,501,753	**557,024,403**

Information about Major Customers

At 31 March 2019 there was no one customer that individually comprised 10 per cent or more of the Total Revenue (2018: Nil).

17. Interest Rate Risk

The Society's normal lending terms allow it to reset interest rates at thirty days notice.

Interest rates on term borrowings are all fixed until their respective maturity dates. Over 89% of the borrowings can be repriced or mature within twelve months (31 March 2018: 88%).

At 31 March 2019 there were 1012 fixed rate borrowings totalling $79,422,327 not reviewable within one year. (31 March 2018: 978 fixed rate borrowings totalling $76,443,969). The table below shows the next interest maturity date for financial assets and liabilities excluding interest.

Interest Rate Repricing Schedule as at 31 March 2019

	Effective Interest Rate%	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	Greater than 2 Years	Total Carrying Amount
Monetary Assets							
Cash & Cash Equivalents	2.75%	31,285,714	69,755,063	-	-	-	101,040,777
Term Deposits	3.63%	-	-	54,678,395	28,682,945	-	83,361,340
Trade Receivables		600	-	-	-	-	600
Personal Loans	10.23%	2,658,108	-	-	7,195	-	2,665,303
Consumer Lending	10.69%	3,803,198	1,605,069	2,404,344	8,238,367	55,663,169	71,714,148
Mortgage Advances	5.49%	171,111,252	134,287,457	148,407,442	112,255,720	1,391,315	567,453,187
Provision for Credit Impairment		(1,330,885)	-	-	-	-	(1,330,885)
Total Monetary Assets		**207,527,987**	**205,647,589**	**205,490,182**	**149,184,227**	**57,054,485**	**824,904,470**
Liabilities							
Borrowings	3.06%	169,347,613	341,568,076	177,608,142	56,240,826	23,181,502	767,946,158
Trade and Other Payables		1,416,067	-	-	-	-	1,416,067
Total Monetary Liabilities		**170,763,680**	**341,568,076**	**177,608,142**	**56,240,826**	**23,181,502**	**769,362,225**
Net Monetary Assets/ (Liabilities)		**36,764,308**	**(135,920,487)**	**27,882,040**	**92,943,402**	**33,872,983**	**55,542,245**
Unrecognised Loan Commitments	6.50%	**(28,854,470)**	**-**	**-**	**-**	**-**	**(28,854,470)**
Net Liquidity Gap		**7,909,838**	**(135,920,487)**	**27,882,040**	**92,943,402**	**33,872,983**	**26,687,775**

Interest Rate Repricing Schedule as at 31 March 2018

	Effective Interest Rate%	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	Greater than 2 Years	Total Carrying Amount
Monetary Assets							
Cash & Cash Equivalents	3.08%	18,766,427	53,814,756	-	-	-	72,581,183
Term Deposits	3.75%	-	-	89,755,037	-	-	89,755,037
Trade Receivables		20,903	-	-	-	-	20,903
Personal Loans	10.47%	2,688,979	-	-	18,400	-	2,707,379
Consumer Lending	10.59%	4,072,638	457,639	1,476,384	6,377,623	48,100,208	60,484,492
Mortgage Advances	5.58%	154,703,559	104,704,203	113,322,955	121,423,041	1,009,989	495,163,747
Provision for Credit Impairment		(1,331,215)	-	-	-	-	(1,331,215)
Total Monetary Assets		**178,921,291**	**158,976,598**	**204,554,376**	**127,819,064**	**49,110,197**	**719,381,526**
Liabilities							
Borrowings	3.09%	149,251,251	273,928,555	172,097,730	60,579,393	15,864,576	671,721,505
Trade and Other Payables		1,180,284	-	-	-	-	1,180,284
Total Monetary Liabilities		**150,431,535**	**273,928,555**	**172,097,730**	**60,579,393**	**15,864,576**	**672,901,789**
Net Monetary Assets/ (Liabilities)		**28,489,756**	**(114,951,957)**	**32,456,646**	**67,239,671**	**33,245,621**	**46,479,737**
Unrecognised Loan Commitments	6.20%	**(22,895,810)**	**-**	**-**	**-**	**-**	**(22,895,810)**
Net Liquidity Gap		**5,593,946**	**(114,951,957)**	**32,456,646**	**67,239,671**	**33,245,621**	**23,583,927**

18. Currency Risk

The Society is not exposed to currency risk.

19. Capital Adequacy

Non-bank Deposit Takers (Nelson Building Society) Exemption Notice 2018 is a consolidation of the Deposit Takers (Nelson Building Society) Exemption Notice 2011 (the principal notice) and the Deposit Takers (Nelson Building Society) Exemption Amendment Notice 2015 (the amendment notice). The notice has been approved by the Reserve Bank of New Zealand granting the Society Qualifying Mutual Status until 1 November 2025. On this basis the Risk Weighted Capital ratio as at 31 March 2019 is 10.50% (31 March 2018 10.09%), as calculated under the Deposit Takers (Credit Ratings, Capital Ratios, and Related party Exposures) Regulations 2010.

The Society has, throughout the year, complied with all regulatory requirements pursuant to the Reserve Bank of New Zealand's "Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010."

The Society's policy is to maintain a strong capital base so as to maintain investor, creditor and customer confidence and to sustain future development of the business. The impact of the level of capital on shareholders return is also recognised and the Society recognises the need to maintain a balance between higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

20. Related Parties

A number of transactions are entered into with related parties (including key management personnel[3]) in the normal course of business. Details of these transactions are outlined below.

[3]Key management personnel are defined as being Directors and Senior Management of the Society. The information relating to key management personnel disclosed below includes transactions with those individuals, their close family members and their controlled entities.

(a) Loans and Advances to Related Parties	Directors and Other Key Management Personnel	
	31/03/2019	31/03/2018
Loans and advances outstanding at beginning of period	893,855	777,034
Net loans issued/(repaid) during the period	583,641	116,821
Loans no longer meeting definition	(676,939)	-
Loans and advances outstanding at end of period	**800,557**	**893,855**

No provisions have been recognised in respect of loans given to related parties. There were no debts with any of the above parties written off or forgiven during the year ended March 2019. (31 March 2018: $Nil). The above Loans and Receivables are charged interest at current market rates.

(b) Deposits from Related Parties	Directors and Other Key Management Personnel	
	31/03/2019	31/03/2018
Deposits at beginning of period	1,051,909	883,033
Net (withdrawals made)/deposits received during the period	(618,483)	168,876
Deposits at end of period	**433,426**	**1.051,909**

The above deposits are unsecured and are repayable on demand. Interest rates are based on current market rates.

(c) Key Management Compensation (Excluding Directors) Comprised

	31/03/2019	31/03/2018
Salaries and Short-Term Employee Benefits	632,289	479,015
Post-Employment Benefits	52,468	42,433
Total Compensation of Key Management (Excluding Directors)	**684,757**	**521,448**

(d) Directors Fees

	31/03/2019	31/03/2018
Amounts Received, or Due and Receivable by Directors	205,106	176,550

(e) Other Related Party Transactions

During the 12 month period ended 31 March 2019, the Society entered into transactions with related parties involving; rental of commercial property $38,972 (2018: $16,813), motor vehicle transactions $287,249 (2018: $148,081), motor vehicle sales $44,000 (2018: NIL) and human resource consultancy $20,856 (2018: $12,213). There were no amounts outstanding at period-end.

21. Sensitivity Analysis

In managing interest rate risk the Society aims to reduce the impact of short term fluctuations. Over the long term, however, permanent changes in interest rates will have an impact on surplus. At 31 March 2019 it is estimated that a general increase of one percentage point in interest rates on loans and receivables and borrowings would increase the Society's surplus before income tax and equity by $422,637. (31 March 2018: $747,209). This analysis has been applied against all call and term deposits and interest received on mortgage advances, personal loans, investments, bank deposits and consumer lending and borrowings.

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

22. Subsequent Events

There have been no events subsequent to balance date that would materially impact the financial statements.

New Branch Managers' Appointed

NBS Branch Managers
Greg Dykzeul - Motueka & Brent Williams - Richmond

After the long tenures of Howie Timms (Motueka Branch Manager for 13 years) and Toni Lane (Richmond Branch Manager for 10 years), NBS has appointed replacements to these roles. Both Howie and Toni have moved into new management positions at Head Office in Nelson.

New Motueka Branch Manager, Greg Dykzeul, returns to NBS after working as Assistant Branch Manager in Nelson from 2012-2017. He's therefore very familiar with our business and staff. "In my previous years with NBS I've spent time in Motueka and always enjoyed it. The staff are passionate about their customers and really connected to the local community", he said.

Brent Williams, now managing the Richmond Branch, most recently was in charge of TSB in Nelson. He's a born and bred Nelsonian and is well known throughout the district. "One of the reasons NBS was attractive to me as an employer was due to their grass roots contributions to golf and cricket, sports which I'm passionate about", he said.

COMMUNITY

WE BELIEVE IN IT, WE'RE PART OF IT, WE INVEST IN IT.