NELSON BUILDING SOCIETY

ANNUAL REPORT 2014

AC·U·MEN:

NOUN. KEEN INSIGHT
SHREWDNESS:
KNOWLEDGE AND
ABILITY TO MAKE
PROFITABLE BUSINESS
DECISIONS.

SEE ALSO;
NELSON BUILDING SOCIETY
FINANCIAL STRATEGY.

The 152nd 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
General Manager	K J Beams
Secretary	A J Cadigan
Solicitor	Glasgow Harley
Banker	Westpac
Auditor	Deloitte
Head Office	111 Trafalgar Street PO Box 62 Nelson 7010

Notice Of Annual General Meeting

Notice is hereby given that the One Hundred and Fifty Second Annual General Meeting of Shareholders of the Nelson Building Society will be held at The Rutherford Hotel, Trafalgar Square, Nelson on Wednesday 25th June 2014 at 5.30pm.

Business

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

Proxies

A member entitled to vote is entitled to appoint one proxy who need not be a member of the Society to attend and vote instead. Proxies shall be deposited with the Society not less than 72 hours before the meeting. Proxy forms are available at the Society's office during normal business hours.

A J Cadigan
Secretary

Chairman of Directors' & General Manager's Report 2014

Commitment to our mutual model and a blend of people with experience and expertise ensures NBS continues to stand strong. On behalf of NBS, it gives us great pleasure to present the 2014 Annual Report.

NBS has had continued success from our branch network, driving growth of 10% in total assets to $414 million as at 31 March 2014.

The balance sheet of NBS remains strong and the operating surplus before taxation is $3.067 million. With an increase in retained earnings NBS has improved both the capital ratio and our liquidity positions.

Amid a highly competitive market NBS' total advances (loans and receivables) grew 10%. Residential, commercial, and agricultural mortgage lending have all enjoyed growth. This success supports our positioning at the conservative end of the financial service sector – the property mortgage market – and bodes well considering our competitors are marketing more stridently than ever.

International credit rating agency - Fitch Ratings, issued no change to NBS' BB+ stable credit rating. The robust and pristine asset quality underpinned by a prudent underwriting approach, local knowledge, and solid risk management practices was not lost on Fitch, nor was it lost on customers who continue to invest regularly with NBS. On top of pleasing growth in depositor funds (borrowings) of $33.8 million, reinvestment rates continued to perform strongly.

A key component of NBS' strategy has involved managing costs relative to revenue growth and working to both increase productivity levels and make it easier for customers to do business with NBS. The NBS AccessDebit MasterCard® with international access, and our mobile banking application - NBS Mobile, have both been successfully introduced – enabling customers to have more flexibility and control over their banking.

One of the more significant areas of increased costs in recent years has come from changing legislation and new regulations being imposed by market regulators.

As at 1 May 2014, the Non-bank Deposit Takers Act 2013 (the NBDT Act) comes into force, the purpose of this Act is – to promote the maintenance of a sound and efficient financial system. From this date, all Non-bank Deposit Takers (NBDTs) will need to be licensed. A one-year transition period will enable existing NBDTs to meet the new licensing rules.

The financial results have been complimented by NBS' ongoing commitment to the mutual banking model,

By definition we're here to service our customers and to work with the communities in which we operate.

Through a combination of grants and sponsorships, the use of the NBS community vehicles, marquees and inflatables – NBS delivered $490,000 in community support for the year, with 241 groups supported.

Our steadfast, customer-focused ethos, and of course, our mutuality sets NBS apart. This year's results would not have been possible without the loyalty and support of NBS' most valuable assets: our customers and staff. It is with pride we acknowledge our staff throughout the NBS network – and the lengths to which they will go, to provide first class service.

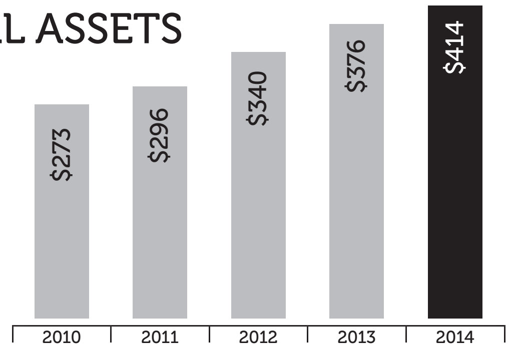
2013 brought about a change in Chairman of Directors' at NBS with the appointment of Mr Garry Dayman. We would like to acknowledge the contribution and service of Mr Trevor Cameron as Chairman of the Directors' for the previous 14 years.

The Directors who retire by rotation are Messer's Cameron and Robson. Both are eligible for re-election without nomination, and as such we declare them re-elected.

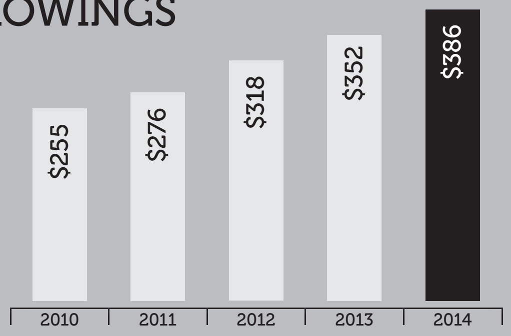
Garry Dayman
Chairman

Ken Beams
General Manager

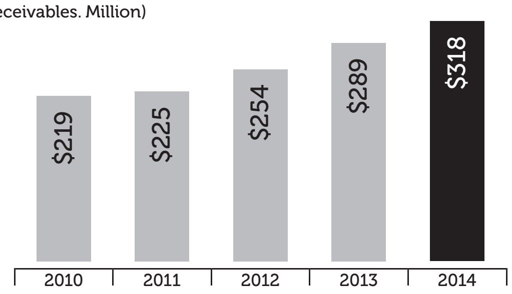
TOTAL ASSETS
(Million)



BORROWINGS
(Million)



ADVANCES
(Loans and Receivables. Million)



COM·MU·NI·TY:

NOUN. A GROUP WHOSE MEMBERS RESIDE IN A SPECIFIC LOCALITY AND HAVE A COMMON CULTURAL AND HISTORICAL HERITAGE.

SEE ALSO;
NELSON BUILDING SOCIETY.

Independent Auditor's Report

To The Members of Nelson Building Society

Deloitte.

Report on the Financial Statements

We have audited the financial statements of Nelson Building Society on pages 7 to 32, which comprise the statement of financial position as at 31 March 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Society's Members, as a body, in accordance with Section 101(1) of the Building Societies Act 1965. 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.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors are responsible for the preparation of financial statements, in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

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

Our firm carries out other assignments for Nelson Building Society in the area of taxation advice, reporting to trustee and assurance services in relation to the annual return, prospectus and anti-money laundering compliance. In addition to this, partners and employees of our firm deal with Nelson Building Society on normal terms within the ordinary course of trading activities of the business of Nelson Building Society. The firm has no other relationship with, or interest in, Nelson Building Society.

Opinion

In our opinion, the financial statements on pages 7 to 32:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Nelson Building Society as at 31 March 2014, and its financial performance and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2014:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by Nelson Building Society as far as appears from our examination of those records.

Deloitte

Chartered Accountants

21 May 2014

WELLINGTON, NEW ZEALAND

This audit report relates to the financial statements of Nelson building Society for the year ended 31 March 2014 included on Nelson Building Society's website. The Directors are responsible for the maintenance and integrity of Nelson Building Society's website. We have not been engaged to report on the integrity of Nelson Building Society's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 21 May 2014 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Comprehensive Income

For The Year Ended 31 March 2014

		Year to 31/03/2014 $	Year to 31/03/2013 $
Income			
Income Received From:			
Income from Mortgages & Personal Loans		19,979,620	18,615,050
Income from Consumer Lending		1,284,199	1,381,311
Income from Bank Deposits, Investments & Debentures		3,768,571	3,169,107
Interest Income		25,032,390	23,165,468
Deduct Finance Costs			
Interest Incurred on:			
Interest on Term & Call Deposits		(14,849,032)	(14,176,872)
Interest on Consumer Lending		(408,338)	(418,489)
		(15,257,370)	(14,595,361)
Net Interest Income		**9,775,020**	**8,570,107**
Add - Other Income			
Bad Debts Recovered		23,275	20,578
Transaction & Service Fees		697,936	568,153
Other Income		271,709	195,684
		992,920	**784,415**
Gross Contribution From Activities		**10,767,940**	**9,354,522**
Deduct Overhead Expenses			
Auditors Audit of Financial Statements		(56,925)	(58,000)
Anti Money Laundering Assurance Engagement		(30,000)	-
Trust Deed and Annual Return		(5,175)	(6,037)
Prospectus		(5,175)	(5,175)
Taxation		(25,248)	(14,319)
Administration Expenses	Note 1	(2,789,516)	(2,816,117)
Amortisation & Depreciation		(598,272)	(558,865)
Directors Fees	Note 2	(148,000)	(148,000)
Operating Lease Costs		(259,003)	(248,055)
Personnel Costs		(2,979,472)	(2,827,468)
Provision for Credit Impairment	Note 8	(477,787)	(277,381)
Sponsorship		(325,939)	(252,069)
Total Expenses		**(7,700,512)**	**(7,211,486)**
Surplus Before Taxation		**3,067,428**	**2,143,036**
Income Tax Expense	Note 3	(874,091)	(608,624)
Net Surplus For The Year		**2,193,337**	**1,534,412**
Total Comprehensive Income For The Year		**2,193,337**	**1,534,412**

The Notes to the Financial Statements (pages 12 to 32) form part of and should be read in conjunction with these financial statements.

Statement of Changes in Equity

For The Year Ended 31 March 2014

		Share Capital	Reserves	Retained Earnings	Total
Balance as at 1 April 2012		**8,606,500**	**1,000,610**	**10,427,848**	**20,034,958**
Net Surplus and Total Comprehensive Income		-	-	1,534,412	1,534,412
Shares Issued	Note 15	950,000	-	-	950,000
Shares Redeemed	Note 15	(120,000)	-	-	(120,000)
Dividends Paid	Note 16	-	-	(398,584)	(398,584)
Balance as at 31 March 2013		**9,436,500**	**1,000,610**	**11,563,676**	**22,000,786**
Net Surplus and Total Comprehensive Income		-	-	2,193,337	2,193,337
Shares Issued	Note 15	2,996,000	-	-	2,996,000
Shares Redeemed	Note 15	(600,000)	-	-	(600,000)
Dividends Paid	Note 16	-	-	(434,983)	(434,983)
Balance at 31 March 2014		**11,832,500**	**1,000,610**	**13,322,030**	**26,155,140**

Approval of Financial Statements for the Year Ended 31 March 2014

Authorised for Issue

The Directors authorised the issue of these financial statements on 21 May 2014.

Approval by Directors

The Directors are pleased to present the financial statements of Nelson Building Society for the year ended 31 March 2014.

K J Beams
General Manager

G R Dayman
Chairman of Directors

P A Bell
Deputy Chairman of Directors

The Notes to the Financial Statements (pages 12 to 32) form part of and should be read in conjunction with these financial statements.

Statement of Financial Position

As at 31 March 2014

		As at 31/03/2014	As at 31/03/2013
		$	$
Assets			
Cash and Cash Equivalents	Note 4	55,534,318	34,707,452
Term Deposits		36,387,184	47,498,646
Trade Receivables	Note 10	29,705	21,675
Prepayments		634,255	636,561
Investments	Note 6	-	1,000,000
Loans and Receivables	Note 5		
Mortgages		308,378,098	279,162,139
Personal Loans		1,329,171	816,743
Consumer Lending		9,119,099	9,367,845
Less Provision for Credit Impairment	Note 8	(860,000)	(400,000)
Property			
Property, Plant & Equipment	Note 11	2,991,337	3,284,263
Intangible Assets			
Software	Note 12	667,576	108,165
		414,210,743	376,203,489
Liabilities			
Employee Entitlements		220,362	198,175
Trade and Other Payables		888,264	1,048,126
Current Tax Liabilities	Note 3	420,745	171,385
Borrowings	Note 18	386,428,022	352,562,184
Deferred Taxation	Note 13	98,210	222,833
		388,055,603	354,202,703
Net Assets		26,155,140	22,000,786
Equity			
Share Capital	Note 15	11,832,500	9,436,500
Retained Earnings	Note 16	13,322,030	11,563,676
Revaluation Reserve	Note 17	1,000,610	1,000,610
Attributable to Members of the Society		26,155,140	22,000,786

The Notes to the Financial Statements (pages 12 to 32) form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows

For The Year Ended 31 March 2014

		Year to 31/03/2014 $	Year to 31/03/2013 $
Cash Flows From Operating Activities			
Cash was provided from:			
Interest Received		25,032,390	23,165,468
Fees, Rents and Commissions		992,920	784,415
		26,025,310	23,949,883
Cash was disbursed to:			
Interest Paid		(15,257,370)	(14,595,361)
Operating Expenses		(6,667,236)	(6,522,371)
Income Taxes Paid	Note 3	(749,354)	(719,911)
		(22,673,960)	(21,837,643)
Net Cash Flows From Operating Activities before changes in Operating Assets		**3,351,350**	**2,112,240**
Redemption of Loans and Receivables		93,326,411	66,126,863
Issuance of Loans and Receivables		(122,806,052)	(100,758,610)
Net Increase in Borrowings		33,865,838	34,370,136
Net Cash Flows From Operating Activities		**7,737,547**	**1,850,629**
Cash Flows From Investing Activities			
Cash was provided from:			
Redemption of Investments		1,000,000	6,264,947
Term Deposits		11,111,462	-
Property, Plant & Equipment		61,600	-
		12,173,062	**6,264,947**
Cash was disbursed to:			
Property, Plant & Equipment	Note 11	(334,615)	(485,542)
Intangible Assets	Note 12	(710,145)	(104,301)
Term Deposits		-	(1,612,190)
		(1,044,760)	(2,202,033)
Net Cash Flows from Investing Activities		**11,128,302**	**4,062,914**
Cash Flows From Financing Activities			
Cash was provided from:			
Issue of Shares	Note 15	2,996,000	950,000
		2,996,000	**950,000**
Cash was disbursed to:			
Dividends Paid	Note 16	(434,983)	(398,584)
Redemption of Shares	Note 15	(600,000)	(120,000)
Net Cash Flows from Financing Activities		**1,961,017**	**431,416**
Increase/(Decrease) in Cash Held		20,826,866	6,344,959
Add Opening Cash and Cash Equivalents		34,707,452	28,362,493
Closing Cash and Cash Equivalents	Note 4	**55,534,318**	**34,707,452**

The Notes to the Financial Statements (pages 12 to 32) form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows

For The Year Ended 31 March 2014

	Year to 31/03/2014 $	Year to 31/03/2013 $
Reconciliation Of Net Surplus To Cash Flows From Operating Activities		
Net Surplus	2,193,337	1,534,412
Non Cash Items		
Deferred Taxation	(124,623)	(7,674)
Depreciation and Amortisation	598,272	558,865
Loss on Disposal of Assets	118,403	-
Increase in Provision for Credit Impairment	460,000	70,000
	1,052,052	621,191
Movement in Working Capital		
(Decrease)/Increase in Trade and Other Payables	(159,862)	48,281
Increase/(Decrease) in Taxation Payable	249,360	(103,613)
(Increase)/Decrease in Trade Receivables	(8,030)	4,411
Decrease/(Increase) in Prepayments	2,306	(7,906)
Increase in Employee Entitlements	22,187	15,464
Redemption in Loans and Receivables	93,326,411	66,126,863
(Issuance) in Loans and Receivables	(122,806,052)	(100,758,610)
Increase in Borrowings	33,865,838	34,370,136
	4,492,158	(304,974)
Net Cash Flows from Operating Activities	7,737,547	1,850,629

The Notes to the Financial Statements (pages 12 to 32) 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) is a profit-oriented mutual entity incorporated in New Zealand under the Building Societies Act 1965. The Society is a financial institution which takes deposits and provides banking type services to the community. Banking services include personal and commercial loans, investments, mortgages and electronic banking.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP") and the Financial Reporting Act 1993. They comply with the New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable reporting standards as appropriate for profit-orientated entities. The financial statements comply with International Financial Reporting Standards ('IFRS').

The Society is an issuer as defined in the Financial Reporting Act 1993.

The financial statements were authorised by the directors on 21 May 2014.

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. 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.
Providing personal banking services including current accounts, personal loans, mortgages 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 Profit or Loss 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.

• **Leases as Lessor**
Operating lease rentals are included in the Profit or Loss on a systematic basis over the lease term. Gross operating lease income comprises amounts received under the lease contracts.

• **Fee and Commission Income**
Fees and commissions are generally recognised on an accrual basis over the period during which the service is performed. However 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.

• **Gain or Loss on Sale of Property, Plant and Equipment**
The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised as other income.

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 Profit or Loss 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 Profit or Loss 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 Profit or Loss 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 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 Profit or Loss 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 or Loss, except when it relates to items recognised directly in other comprehensive income or directly in equity, in which case the deferred tax or current tax is also recognised directly in other comprehensive income or directly in equity.

iv. Goods And Services Tax

Revenue, expense, liabilities and assets are recognised net of the amount of goods and services tax ('GST') except where the amount of GST is not recoverable from the Inland Revenue Department. GST is also recoverable in direct proportion to the Society's commercial clients on all expenditure, pursuant to Section 20F of the Goods and Services Tax Act 1985.

v. Assets

• **Financial Assets**
The Society classifies its financial assets in the following categories:

Loans and Receivables
Financial Assets Held to Maturity (investments in listed debt securities)

Management determines the classification of its financial assets at initial recognition.

• **Recognition and Derecognition of Financial Assets and Financial Liabilities**
The Society recognises a financial asset or liability on its Statement of Financial Position when, and only when, the Society becomes a party to the contractual provisions of the financial asset or liability. Financial assets are initially recognised at their fair value plus transaction costs.

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

• **Loans and Receivables**
Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not available for sale. They arise when the Society provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans are recognised when cash is advanced to the borrowers. Loans include mortgages, personal loans and consumer lending. Security is obtained if, based on an evaluation of the customer's credit worthiness, it is considered necessary for the customer's overall borrowing facility. Security would normally consist of assets such as cash deposits, receivables, inventory, plant and equipment, real estate and investments.

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

• Investments
Investments in Listed Debt Securities are classified as Held to Maturity Financial Instruments. Investments in listed debt securities are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Society has the intention and ability to hold to maturity. Investment securities are managed by Bancorp Treasury Services Limited. They comprise financial institution subordinated debt and financial institution bonds.

Investment securities are initially recorded at fair value plus directly attributable transaction costs. Subsequent to initial recognition, investment securities 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. Appropriate allowances for estimated irrecoverable amounts are recognised in Profit or Loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

• Cash and Cash Equivalents
Cash and cash equivalents comprise cash on hand; cash in branches and investments in money market instruments with maturity within three months. Money market instruments (short term deposits) are recorded at cost adjusted by the interest accrued.

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

• 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 Profit or Loss as an expense as incurred. Impairment losses are recognised as a non-interest expense in the Profit or Loss.

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 Profit or Loss 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 or Loss. Any revaluation deficit is recognised in the Profit or 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. Impairment

Loans and Receivables are reviewed at each Statement of Financial Position date to determine whether there is any objective evidence of impairment. If any indication of impairment exists, the asset's recoverable amount is estimated and provision is made for any shortfall between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Losses for impaired loans are recognised immediately when there is objective evidence that the impairment of a loan has occurred. When a loan is recognised as being impaired action is taken to recover the debt security. The Society does not hold assets acquired under enforcement of a debt security. The security is immediately realised in satisfaction of the loan. Loans are written off when the proceeds from realising the security have been received or when the Society expects no further recovery.

Impaired assets are loans and receivables where an event has occurred and for which it is probable the Society will not be able to collect all amounts owing in terms of the contract. An individual provision is raised to cover the expected loss, where full recovery is doubtful. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in the Profit or Loss immediately.

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

Past due assets are any assets that have not been operated by the counterparty within its contractual terms, and which are not impaired assets. Where loan receivables are outstanding beyond the normal contractual terms, the likelihood of the recovery of these loans is assessed by management. If any indication of impairment exists the specific impairment loss is estimated with reference to the loan property value ratio (LVR), the probability of recovery, the cost of possible acquisition through enforcement of security, and related costs and sale proceeds. The process of estimating the recoverable amount involves considerable management judgement. These judgements are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

vii. Liabilities

• 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 costs 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.

• 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 expected to be settled within 12 months of the balance date are recognised in other provisions in respect of employees' services and are measured at the amounts expected to be paid when the liabilities are settled.

viii. 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.

• Revaluation Reserve

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

ix. 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.

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

x. 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:

- **Valuation of Property, Plant and Equipment**
  Policy (v) and Note 11.
- **Impairment Analysis**
  Policy (vi) and Note 8 and Note 9.

xi. Changes In Accounting Policies

There have been no changes in accounting policies during the period.

xii. Standards And Interpretations In Issue But Not Yet Effective

NZ IFRS 9 Financial Instruments becomes effective for periods beginning on or after 1 January 2017. This is expected to be adopted by NBS for the year ended 31 March 2018. The potential impact of this new standard has not been assessed.

xiii Adoption of New and Revised Standards and Interpretation

The Society has applied NZ IFRS 13 for the first time in the current year. NZ IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of NZ IFRS is broad; the fair value measurement requirements of NZ IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements.

NZ IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair Value under NZ IFRS 13 is an exit price regardless of whether the price is directly observable or estimated using another valuation technique. Other than the additional disclosures, the application of NZ IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

1. Administration Expenses

	31/03/2014	31/03/2013
Administration Expense Comprises:		
Branch Expenses	1,283,601	1,227,745
Marketing Expenses	358,549	456,803
Computer Expenses	594,767	590,584
Property Expenses	193,554	191,587
Professional Expenses	359,045	349,398
	2,789,516	**2,816,117**

2. Key Management Compensation

	31/03/2014	31/03/2013
Amounts received, or due and receivable by Directors:	148,000	148,000

Fees to directors' include chairman fees, travel and other allowances and are short term.

Key Management Compensation (Excluding Directors) comprised:	31/03/2014	31/03/2013
Salaries & Short-Term Employee Benefits	477,884	467,892
Post-employment benefits	39,827	32,624
Total Compensation of Key Management Personnel (Excluding Directors)	**517,711**	**500,516**

3. Taxation

	31/03/2014	31/03/2013
(a) Income Tax Recognised in Profit		
Income Tax Expense Comprises:		
Current Tax Expense	954,980	612,820
Adjustments Recognised in Relation to the Current Tax of Prior Years	5,572	3,001
Deferred Tax Expense Relating to the Origination and Reversal of Temporary Differences	(124,623)	(7,674)
Adjustments Recognised in Relation to Deferred Tax of Prior Years	38,162	477
Total Income Tax Expense Recognised in Profit	**847,091**	**608,624**

The prima facie income tax expense on pre tax accounting profit reconciles to the income tax expense in the financial statements as follows:

	31/03/2014	31/03/2013
Surplus before tax	3,067,428	2,143,036
Taxation thereon at 28%	858,880	600,050
Non Deductable Expenses	9,639	5,573
Under/(Over) Provision of Income Tax in Previous Year	5,572	3,001
Income Tax Expense Recognised in Profit and Loss	**874,091**	**608,624**

The tax rate used on the above reconciliation is the corporate tax rate of 28% (31 March 2013: 28%) payable by New Zealand companies under New Zealand tax law.

	31/03/2014	31/03/2013
(b) Current Tax Liability		
Balance at the Beginning of the Year	171,385	274,998
Taxation Expense	954,980	612,820
Adjustments Recognised in Relation to the Current Tax of Prior Year	43,734	3,478
Taxation Paid	(749,354)	(719,911)
Balance at End of Period	**420,745**	**171,385**
(c) Deferred Tax Balances		
Deferred Tax Liabilities Comprise:		
Temporary Differences (Note 13)	(98,210)	(222,833)
	(98,210)	**(222,833)**

4. Cash And Cash Equivalents

	31/03/2014	31/03/2013
Bank Deposits	54,345,203	33,488,114
Cash on Hand	1,189,115	1,219,338
	55,534,318	**34,707,452**

5. Loans And Receivables

		31/03/2014	31/03/2013
Secured		317,497,197	288,529,984
Unsecured		1,329,171	816,743
Gross Advances		**318,826,368**	**289,364,727**
Less Provisions for Credit Impairment	Note 8	(860,000)	(400,000)
Total Net Advances		**317,966,368**	**288,946,727**

6. Investments

	31/03/2014	31/03/2013
Investments	-	1,000,000
	-	**1,000,000**

Investment Securities have a value of $Nil (31 March 2013: $1m).
During the year Investment Securities include subordinated investments with a value of $Nil (31 March 2013: $1m).

7. Asset And Liability Categorisation

	31/03/2014	31/03/2013
Financial Assets:		
Loans and Receivables (including Cash and Cash Equivalents)	409,917,575	371,174,500
Assets Held to Maturity	-	1,000,000
	409,917,575	**372,174,500**
Financial Liabilities:		
Financial Liabilities Held at Amortised Cost	387,536,648	353,808,485
	387,536,648	**353,808,485**

8. Provision For Credit Impairment

	31/03/2014 Provisions	31/03/2013 Provisions
Specific and Collective Provisions Against Loans and Receivables		
Balance at Beginning of the Period		
Collective	300,000	230,000
Specific	100,000	100,000
	400,000	330,000
New Provisions during the Period		
Collective	117,787	256,483
Specific	360,000	20,898
Balances Written Off during the Period		
Collective	(17,787)	(186,483)
Specific	-	(20,898)
Balance at End of the Period		
Collective	400,000	300,000
Specific	460,000	100,000
	860,000	**400,000**

The collective provision is a provision for potential loss on mortgages and personal loans. Collateral is held by way of first mortgage over the clients residential assets. It is normal business practice that the loan does not exceed 80% of the registered valuation of the property. In respect of personal loans and consumer lending the majority of loans are made up of vehicle financing. In most cases the Society has recourse for the debt against the car dealers.

The specific provision relates to two mortgages which are impaired. The Society holds security over each of these properties however there is an expected shortfall between the anticipated sale proceeds and the carrying value of the loans.

Of the impaired loans, one loan has been restructured. No assets have been acquired through enforcement of security.

The following provides a reconciliation of the above movements in provisions for credit impairment reported in the Profit or Loss:

	31/03/2014	31/03/2013
Bad Debts Written Off for the Period	(17,787)	(207,381)
Add New Provisions Made	477,787	277,381
Movement in Provision for Credit Impairment	**460,000**	**70,000**

9. Asset Quality

	31/03/2014	31/03/2013
(a) Asset Quality Advances to Customers		
Past Due But Not Impaired	403,127	1,070,765
Impaired	1,424,433	-
Neither Past Due or Impaired	316,138,808	287,875,962
Total Carrying Amount	**317,966,368**	**288,946,727**

	31/03/2014		31/03/2013	
	Past Due Assets	Impaired	Past Due Assets	Impaired
b) Movements in Balances of Impaired and Past Due Assets				
Opening Balance	1,070,765	-	1,393,829	-
Assets Classified as Past Due/Impaired	410,154	1,424,433	1,050,002	-
Charges	3,280	-	39,751	-
Customer Repayments	(667,200)	-	(1,116,391)	-
Loan Balance Written Off	(17,787)	-	(207,381)	-
Assets no Longer Meeting Definition	(396,085)	-	(89,045)	-
Closing Balance	**403,127**	**1,424,433**	**1,070,765**	**-**

(c) Ageing of Past Due Assets	31/03/2014	31/03/2013
Past due 0-29 days	370,679	154,949
Past due 30-59 days	31,079	469,949
Past due 60-89 days	1,369	413,160
Past due 90 days+	-	32,707
Carrying Amount	**403,127**	**1,070,765**

The balance of Past Due Assets is in respect of Residential Housing and Consumer Lending. The Society holds security of $453,000 over outstanding residential housing balances of $301,053. (31 March 2013: Security of $786,000 was held over outstanding residential housing assets of $663,285). In respect of Consumer Lending, in most cases the Society has recourse for the debt and as such it is not considered necessary to determine the fair value of the collateral (which is the right and responsibility of the third party lender). The balance is reviewed regularly and the Society is satisfied that there are no additional issues other than those disclosed above.

The balance of Impaired Assets is in respect of Residential Rural Housing. The Society holds security of $1,780,000 over the outstanding residential housing balance of $1,424,433. (31 March 2013: $Nil). It is the Society's opinion a forced sale may result in a sale price below the security value. An additional $460,000 has been added to the specific provisions for the expected shortfall.

(d) Restructured Assets and Assets Acquired Through Enforcement of Securities

Of the loans that are impaired one loan has been restructured. (31 March 2013: Nil).

10. Trade Receivables

	31/03/2014	31/03/2013
Other Receivables	29,705	21,675
	29,705	**21,675**

11. Property, Plant & Equipment

	31/03/2014	31/03/2013
Freehold Land and Buildings		
Fair Value		
Balance at Beginning of the Period	1,885,815	1,936,726
Revaluation	(50,726)	(50,911)
Disposals	(2,643)	-
Balance at End of the Period	**1,832,446**	**1,885,815**
Depreciation and Impairment		
Balance at Beginning of the Period	-	-
Depreciation for the Period[1]	50,726	50,911
Accumulated Depreciation on Disposed Assets	(767)	-
Revaluation	(50,726)	(50,911)
Balance at End of the Period	(767)	-
Total Freehold Land and Buildings	**1,833,213**	**1,885,815**

	31/03/2014	31/03/2013
Computer Equipment		
Cost		
Balance at Beginning of the Period	897,221	807,693
Additions	19,613	89,528
Disposals	(14,670)	-
Balance at End of the Period	**902,164**	**897,221**
Depreciation and Impairment		
Balance at Beginning of the Period	540,731	341,570
Depreciation for the Period[1]	142,802	199,161
Accumulated Depreciation on Disposed Assets	(14,670)	-
Balance at End of the Period	668,863	540,731
Total Computer Equipment	**233,301**	**356,490**

	31/03/2014	31/03/2013
Other Assets		
Cost		
Balance at Beginning of the Period	2,057,807	1,748,975
Additions	253,402	417,014
Disposals	(419,177)	(108,182)
Balance at End of the Period	**1,892,032**	**2,057,807**

	31/03/2014	31/03/2013
Depreciation and Impairment		
Balance at Beginning of the Period	1,015,849	849,714
Depreciation for the Period[1]	254,010	253,317
Accumulated Depreciation on Disposed Assets	(302,650)	(87,182)
Balance at End of the Period	**967,209**	**1,015,849**
Total Other Assets	**924,823**	**1,041,958**
Total Property, Plant and Equipment	**2,991,337**	**3,284,263**

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

No impairment losses have been recognised against the gross carrying amount of property, plant and equipment for the year ended 31 March 2014. (31 March 2013: $Nil).

The land and buildings of NBS were valued by Murray Lauchlan of Duke & Cook, independent registered valuers, as at 31 March 2014. 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 properties as at 31 March 2014 was 6.50% (31 March 2013: 6.50%). A significant increase/decrease in the rental capitalisation rate would result in an increase/decrease 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:

	31/03/2014	31/03/2013
Freehold Land	16,550	16,550
Buildings	1,108,666	1,111,310
	1,125,216	**1,127,860**

12. Intangible Assets

	31/03/2014	31/03/2013
Software		
Cost		
Balance at Beginning of the Period	297,220	225,845
Additions	710,145	104,301
Disposals	(151,837)	(32,926)
Balance at End of the Period	**855,528**	**297,220**
Amortisation and Impairment		
Balance at Beginning of the Period	189,055	166,505
Amortisation for the Period[2]	150,734	55,476
Accumulated Depreciation on Disposed Assets	(151,837)	(32,926)
Balance at End of the Period	**187,952**	**189,055**
Total Software	**667,576**	**108,165**

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

No impairment losses have been recognised against the carrying amount of software for the year ended 31 March 2014 (31 March 2013: $Nil)

13. Deferred Taxation

	Opening Balance	Charged to Income	Charged to Equity	Closing Balance
31/03/2014				
Provision for Credit Impairment	112,000	128,800	-	240,800
Property, Plant and Equipment	(369,312)	7,134	-	(362,178)
Intangible Assets - Software	1,949	(21,909)	-	(19,960)
Employee Entitlements	32,530	6,771	-	39,301
Accrued Expenses	-	3,827		3,827
	(222,833)	**124,623**	**-**	**(98,210)**
31/03/2013				
Provision for Credit Impairment	92,400	19,600	-	112,000
Property, Plant and Equipment	(352,305)	(17,007)	-	(369,312)
Intangible Assets - Software	(1,602)	3,551	-	1,949
Employee Entitlements	31,000	1,530	-	32,530
	(230,507)	**7,674**	**-**	**(222,833)**

14. Imputation Credit Account

	31/03/2014	31/03/2013
Imputation Credits Available For Use at Balance Date	4,683,517	4,055,174

15. Share Capital

During the year ended 31 March 2014 2,396,000 (net) preference shares were issued for $1 each, fully paid (31 March 2013 830,000 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 2014: 6.00%). 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.

	31/03/2014		31/03/2013	
	Number of Shares	$	Number of Shares	$
Opening Balance	9,436,500	9,436,500	8,606,500	8,606,500
Shares Issued	2,996,000	2,996,000	950,000	950,000
Shares Redeemed	(600,000)	(600,000)	(120,000)	(120,000)
	2,396,000	2,396,000	830,000	830,000
Closing Balance	**11,832,500**	**11,832,500**	**9,436,500**	**9,436,500**

16. Retained Earnings

	31/03/2014	31/03/2013
Opening Balance	11,563,676	10,427,848
Net Surplus for the Year	2,193,337	1,534,412
Dividends	(434,983)	(398,584)
Closing Balance	**13,322,030**	**11,563,676**
Dividends Paid per Share	3.7 cents per Share	4.2 cents per Share

17. Revaluation Reserve - Property, Plant & Equipment

	31/03/2014	31/03/2013
Balance at Beginning of the Year	1,000,610	1,000,610
Balance at End of the Year	**1,000,610**	**1,000,610**

18. Borrowings

	31/03/2014	31/03/2013
Borrowings		
Call Borrowings - Depositors	78,486,807	57,043,829
Term Borrowings - Depositors	307,941,215	295,518,355
Total Borrowings	**386,428,022**	**352,562,184**

All borrowings are unsecured.

	31/03/2014	Weighted Average Interest Rate %	31/03/2013	Weighted Average Interest Rate %
Maturity Analysis Of Term And Current Borrowings				
Borrowings at Call	78,486,807	1.32	57,043,829	1.07
Between 0 and 1 year	273,031,079	4.24	257,403,733	4.49
Between 1 and 2 years	23,555,786	4.58	31,785,633	4.97
Between 2 and 5 years	11,354,350	4.78	6,328,989	4.84
Total Borrowings	**386,428,022**	**3.68**	**352,562,184**	**4.12**

All Borrowings are unsecured.

19. Commitments And Contingent Liabilities

The Society has a commitment for loans approved but not yet paid at 31 March 2014 of $10,934,850 (31 March 2013 for a total of $8,383,430).

The Society has entered into property leases in Richmond, Motueka, Murchison, Westport, Greymouth and Takaka for 3 years commencing 1 November 2012, 1 December 2011, 1 January 2013, 15 November 2010, 1 May 2012 and 1 October 2011 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 Ashburton for 6 years commencing 10 October 2012, with right of renewal for a further 3 years at the conclusion of the current lease period.

Lease commitments under non-cancellable operating leases:

	31/03/2014	31/03/2013
Less than 1 year	213,999	249,678
Between 1 and 2 years	111,717	213,999
Between 2 and 5 years	112,125	215,217
Greater than 5 years	-	8,625
	437,841	**687,519**

Sponsorship commitments beyond 31 March 2014 total $Nil (31 March 2013: $Nil).

The Society had no contingent liabilities as at 31 March 2014. (31 March 2013: $Nil).

20. Segmental Analysis

Products and services from which reportable segments derive their revenues

NBS operates in one industry and one geographical location: a building society within the South Island of New Zealand, specifically the Nelson, Tasman, West Coast, Golden Bay and Mid Canterbury Regions. The Society has a geographical concentration of funding in the Nelson, Tasman, 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 across all the branches.

Segment revenues and results

No operations were discontinued during the year.

The accounting policies of the reportable segment are the same as the Society's accounting policies. As there is only one reportable segment for the Society the segment profit represents profit earned for the segment after all costs including all administration costs, directors salaries', interest revenue, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources to the segment, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to the segment. All assets are allocated to the reportable segment.

Information about major customers

Included in total revenue are revenues which arose from transactions to the Society's largest customers as follows:

31 March 2014: There was no one customer that individually comprised 10 per cent or more of the total revenue.

31 March 2013: There was no one customer that individually comprised 10 per cent or more of the total revenue.

21. Fair Value

Disclosed below is the estimated fair value of the Society's financial instruments disclosed in terms of NZ IFRS 7: Fair Value Disclosure 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 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 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

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

Term Deposits

The fair value of deposits approximate their carrying amount due to their short term nature.

Investments

The fair value of bonds are determined by obtaining quoted market prices for an identical in an active market. These values are provided from Bancorp Treasury.

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 interest rates for the term of the original fixing.

Trade Debtors

The fair value of accounts receivable approximate their carrying value due to their short term nature.

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.

Trade and Other Payables

The fair values of trade and other payables approximate their carrying value due to their short term nature.

Financial Assets	31/03/2014 Carrying Amount	31/03/2014 Fair Value	31/03/2013 Carrying Amount	31/03/2013 Fair Value
Cash and Cash Equivalents and Term Deposits	91,921,502	91,921,502	82,206,098	82,206,098
Investments	-	-	1,000,000	984,980
Loans and Receivables	317,966,368	317,517,835	288,946,727	288,031,225
Trade Receivables	29,705	29,705	21,675	21,675
Total Financial Assets	**409,917,575**	**409,469,042**	**372,174,500**	**371,243,978**
Financial Liabilities				
Borrowings	386,428,022	386,367,022	352,562,184	348,071,924
Trade and Other Payables	888,264	888,264	1,048,126	1,048,126
Employee Entitlements	220,362	220,362	198,175	198,175
Total Financial Liabilities	**387,536,648**	**387,475,648**	**353,808,485**	**349,318,225**

Fair Value Hierarchy

Financial Assets	31/03/2014 Level 1	31/03/2014 Level 2	31/03/2014 Level 3	31/03/2014 Fair Value
Loans and Receivables	-	317,517,835	-	317,517,835
Total Financial Assets	**-**	**317,517,835**	**-**	**317,517,835**
Financial Liabilities				
Borrowings	-	386,367,022	-	386,367,022
Total Financial Liabilities	**-**	**386,367,022**	**-**	**386,367,022**

22. 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 out 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 cashflows, 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, drawing uncommitted lines and raising new deposits.

The Society's Trust Deed prescribes that liquid assets are to be maintained at a minimum of 15% of Total Tangible Assets less Reserves. These have been met during the year.

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

The primary funding source for the Society comes from its members 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 2014

	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	2 to 5 Years	Greater than 5 Years	Total Carrying Amount
Monetary Assets							
Cash & Cash Equivalents	12,002,836	44,013,240	-	-	-	-	56,016,076
Term Deposits	-	-	37,565,781	-	-	-	37,565,781
Investments	-	-	-	-	-	-	-
Trade Receivables	29,705	-	-	-	-	-	29,705
Personal Loans	1,327,672	1,570	52	31	-	-	1,329,325
Consumer Lending	567,942	2,383,494	2,043,444	3,099,132	2,624,389	-	10,718,401
Mortgages & Interest	114,265,654	6,164,376	8,075,604	18,489,395	54,469,401	303,690,301	505,154,731
Provision for Credit Impairment	(860,000)	-	-	-	-	-	(860,000)
Total Monetary Assets	**127,333,809**	**52,562,680**	**47,684,881**	**21,588,558**	**57,093,790**	**303,690,301**	**609,954,019**
Liabilities							
Borrowings	78,486,807	182,341,817	93,357,434	24,750,037	11,722,148	-	390,658,243
Trade and Other Payables	888,264	-	-	-	-	-	888,264
Employee Entitlements	220,362	-	-	-	-	-	220,362
Current Tax Liabilities	-	420,745	-	-	-	-	420,745
Total Monetary Liabilities	**79,595,433**	**182,762,562**	**93,357,434**	**24,750,037**	**11,722,148**	**-**	**392,187,614**
Net Monetary Assets/ (Liabilities)	**47,738,376**	**(130,199,882)**	**(45,672,553)**	**(3,161,479)**	**45,371,642**	**303,690,301**	**217,766,405**
Unrecognised Loan Commitments	**(10,934,850)**	**-**	**-**	**-**	**-**	**-**	**(10,934,850)**
Net Liquidity Gap	**36,803,526**	**(130,199,882)**	**(45,672,553)**	**(3,161,479)**	**45,371,642**	**303,690,301**	**206,831,555**

Monetary Assets Receivable Matched Against Liabilities Payable as at 31 March 2013

	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	2 to 5 Years	Greater than 5 Years	Total Carrying Amount
Monetary Assets							
Cash & Cash Equivalents	9,147,278	25,819,966	-	-	-	-	34,967,244
Term Deposits	-	-	49,099,885	-	-	-	49,099,885
Investments	-	9,372	9,372	1,009,372	-	-	1,028,116
Trade Receivables	21,675	-	-	-	-	-	21,675
Personal Loans	-	33,831	59,540	168,342	563,298	-	825,011
Consumer Lending	530,512	1,567,004	1,310,935	1,727,056	5,949,445	-	11,084,952
Mortgages & Interest	22,347,638	11,215,340	7,108,791	14,292,343	63,018,089	346,381,279	464,363,480
Provision for Credit Impairment	(400,000)	-	-	-	-	-	(400,000)
Total Monetary Assets	**31,647,103**	**36,645,513**	**57,588,523**	**17,197,113**	**69,530,832**	**346,381,279**	**560,990,363**
Liabilities							
Borrowings	57,043,829	151,922,742	112,568,423	32,846,310	6,515,498	-	360,896,802
Trade and Other Payables	1,048,126	-	-	-	-	-	1,048,126
Employee Entitlements	198,175	-	-	-	-	-	198,175
Current Tax Liabilities	-	171,385	-	-	-	-	171,385
Total Monetary Liabilities	**58,290,130**	**152,094,127**	**112,568,423**	**32,846,310**	**6,515,498**	**-**	**362,314,488**
Net Monetary Assets/ (Liabilities)	**(26,643,027)**	**(113,448,614)**	**(54,979,900)**	**(15,649,197)**	**63,015,334**	**346,381,279**	**198,675,875**
Unrecognised Loan Commitments	**(8,338,430)**	**-**	**-**	**-**	**-**	**-**	**(8,338,430)**
Net Liquidity Gap	**(34,981,457)**	**(113,448,614)**	**(54,979,900)**	**(15,649,197)**	**63,015,334**	**346,381,279**	**190,337,445**

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 ultimately constrained by the timeliness to realise the asset.

Loans and Receivables

Table Mortgages with no minimum term: The principal balances are shown as "on demand" from the time of advance.

23. 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 committments. 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, investments, bank and sundry debtors. 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 Society invests in New Zealand Government and Local Authority Stock, deposits and bonds with New Zealand Registered Banks and debentures with New Zealand listed companies. The Society has appointed Bancorp Treasury Services Ltd to advise on investment strategies. The credit risk on Loans and Receivables is limited as security is held. Personal advances are generally secured by way of guarantee. Consumer lending advances are all secured by registered chattel security.

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. 69% of all Loans and Receivables are in the Nelson and Tasman Regions, the remaining 31% are in the West Coast, Golden Bay and Mid Canterbury Regions.

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.

	31/03/2014		31/03/2013	
% of Equity	Bank	Other	Bank	Other
10-19	-	7	-	7
20-29	1	-	2	-
30-39	1	-	-	-
40-49	1	-	1	-
50-59	-	-	-	-
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.

	31/03/2014	31/03/2013
Residential	233,506,106	219,995,045
Commercial	40,701,680	38,624,373
Agriculture	33,310,312	20,142,721
Personal Lending	1,329,171	816,743
Consumer Finance	9,119,099	9,367,845
	317,966,368	288,946,727

The table below shows the level of lending by region.	Year to 31/03/2014	Year to 31/03/2013
Nelson	84,562,981	84,070,423
Tasman	135,191,447	128,436,245
West Coast	45,326,375	46,035,969
Golden Bay	35,508,919	26,335,615
Mid Canterbury	17,376,646	4,068,475
	317,966,368	288,946,727

24. Interest Rate Risk

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

Interest rates on "at call" loans and receivables can be reset immediately.

Interest rates on term borrowings are all fixed until their respective maturity dates. Over 66% of the borrowings can be repriced or mature within twelve months (31 March 2013: 89%).

At 31 March 2014 there were 519 fixed rate borrowings totalling $102,229,809 not reviewable within one year. (31 March 2013: 271 fixed rate borrowings totalling $54,966,470). The table below shows the next interest maturity date for financial assets and liabilities excluding interest.

Interest Rate Repricing Schedule as at 31 March 2014

	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	4.04%	12,002,836	43,531,482	-	-	-	55,534,318
Term Deposits	4.57%	-	-	36,387,184	-	-	36,387,184
Investments		-	-	-	-	-	-
Trade Receivables		29,705	-	-	-	-	29,705
Personal Loans	11.36%	1,327,672	1,499	-	-	-	1,329,171
Consumer Lending	12.49%	567,402	1,883,785	1,662,827	2,624,380	2,380,705	9,119,099
Mortgage Advances	6.39%	114,265,654	49,942,824	41,939,812	99,679,841	2,549,967	308,378,098
Provision for Credit Impairment		(860,000)	-	-	-	-	(860,000)
Total Monetary Assets		**127,333,269**	**95,359,590**	**79,989,823**	**102,304,221**	**4,930,672**	**409,917,575**
Liabilities							
Borrowings	3.68%	78,486,807	177,849,519	95,181,560	23,555,786	11,354,350	386,428,022
Trade and Other Payables		888,264	-	-	-	-	888,264
Employee Entitlements		220,362	-	-	-	-	220,362
Current Tax Liabilities		-	420,745	-	-	-	420,745
Total Monetary Liabilities		**79,595,433**	**178,270,264**	**95,181,560**	**23,555,786**	**11,354,350**	**387,957,393**
Net Monetary Assets/ (Liabilities)		**47,737,836**	**(82,910,674)**	**(15,191,737)**	**78,748,435**	**(6,423,678)**	**21,960,182**
Unrecognised Loan Commitments	6.71%	**(10,934,850)**	**-**	**-**	**-**	**-**	**(10,934,850)**
Net Liquidity Gap		**36,802,986**	**(82,910,674)**	**(15,191,737)**	**78,748,435**	**(6,423,678)**	**11,025,332**

Interest Rate Repricing Schedule as at 31 March 2013

	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	4.04%	9,147,278	25,560,174	-	-	-	34,707,452
Term Deposits	4.54%	-	-	47,498,646	-	-	47,498,646
Investments	3.58%	-	-	-	1,000,000	-	1,000,000
Trade Receivables		21,675	-	-	-	-	21,675
Personal Loans	11.17%	778,648	2,710	22,519	12,866	-	816,743
Consumer Lending	13.09%	530,512	1,807,334	2,050,701	2,494,931	2,484,367	9,367,845
Mortgage Advances	6.47%	108,437,907	63,507,180	59,144,917	48,051,983	20,152	279,162,139
Provision for Credit Impairment		(400,000)					(400,000)
Total Monetary Assets		**118,516,020**	**90,877,398**	**108,716,783**	**51,559,780**	**2,504,519**	**372,174,500**
Liabilities							
Borrowings	4.12%	57,043,829	147,062,277	110,341,456	31,785,633	6,328,989	352,562,184
Trade and Other Payables		1,048,126	-	-	-	-	1,048,126
Employee Entitlements		198,175	-	-	-	-	198,175
Current Tax Liabilities		-	171,385	-	-	-	171,385
Total Monetary Liabilities		**58,290,130**	**147,233,662**	**110,341,456**	**31,785,633**	**6,328,989**	**353,979,870**
Net Monetary Assets/ (Liabilities)		**60,225,890**	**(56,356,264)**	**(1,624,673)**	**19,774,147**	**(3,824,470)**	**18,194,630**
Unrecognised Loan Commitments	6.31%	**(8,338,430)**	**-**	**-**	**-**	**-**	**(8,338,430)**
Net Liquidity Gap		**51,887,460**	**(56,356,264)**	**(1,624,673)**	**19,774,147**	**(3,824,470)**	**9,856,200**

25. Currency Risk

The Society is not exposed to currency risk.

26. Capital Adequacy

An exemption notice, number 2011/259 dated 21 July 2011, has been approved by the Reserve Bank of New Zealand granting the Society Qualifying Mutual Status. On this basis the Risk Weighted Captial Ratio as at 31 March 2014 was 9.80% (31 March 2013: 9.69%), as calculated under the 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.

27. 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	
	31/03/2014	31/03/2013
Loans and advances outstanding at beginning of period	2,426,462	1,889,145
Net loans issued/(repaid) during the period	(451,854)	537,317
Loans and advances outstanding at end of period	**1,974,608**	**2,426,462**

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 2014 (31 March 2013: $Nil). The above Loans and Receivables are charged interest at current market rates.

(b) Deposits from Related Parties	Directors and Other Key Management Personnel	
	31/03/2014	31/03/2013
Deposits at beginning of period	2,142,835	1,949,284
Net deposits received/(repaid) during the period	101,380	193,551
Deposits at end of period	**2,244,215**	**2,142,835**

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

(c) Key Management Compensation

Details of remuneration paid or payable to the Directors and other key management personnel are outlined in Note 2. All loans made to key management personnel have been made in accordance with the Society's lending policies.

28. 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 profit. At 31 March 2014 it is estimated that a general increase of one percentage point in interest rates would increase the Society's profit before income tax and equity by $277,961 (31 March 2013: $255,517). 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 profit than that described above.

29. Subsequent Events

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

NBS MOBILE

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