NELSON BUILDING SOCIETY ANNUAL REPORT 2015

AC·U·MEN:

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

SEE ALSO;

NELSON BUILDING SOCIETY FINANCIAL STRATEGY.

The 153rd 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 7040

Notice Of Annual General Meeting

Notice is hereby given that the One Hundred and Fifty third Annual General Meeting of Shareholders of the Nelson Building Society will be held at The Nelson Building Society, 209 Queen Street, Richmond on Wednesday 24th June 2015 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 2015

Commitment to our mutual model drives confidence that NBS can continue to deliver profitable growth and build value for the clients and communities in which it operates. On behalf on NBS, it is an honour to be presenting the 153rd Annual Report.

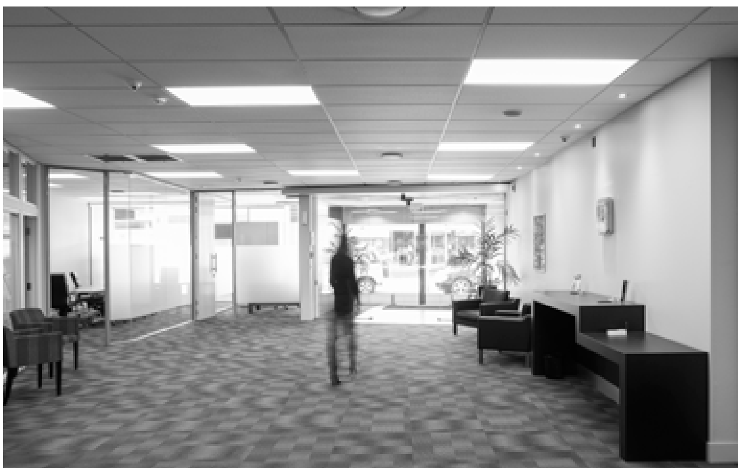
NBS achieved a strong annual result against the background of a steadily improving economy. Continued success from the branch network has driven growth of 11% in total assets to $460M.
NBS has recorded an excellent operating surplus before taxation of $3.58M for the year ended 31 March 2015. In addition to our profitability and growth, our liquidity and capital remain well above regulatory requirements. Overall, our balance sheet is strong and we are well positioned to meet any prospective challenges.

Over the course of the financial year, all areas of the business have performed well. In particular the lending growth across all key portfolios (up 13%) despite heightened price assertiveness and the continual offer of inducements in the home loan market.

The overall performance reflects the ongoing focus of our people providing unbeatable service combined with simple solutions for our customers, making it easier to do business with NBS.
NBS has in excess of 10,500 clients and processes on average 4,500 transactions daily at a value of $5M.

Improvement to our branch network this year has seen the expansion and refurbishment of our Motueka branch, as well as the relocation to a larger premise for the Richmond branch – building confidence and growing with our client base in the Tasman region.

Prudential regulation of the Non-bank Deposit Takers (NBDT) sector is aimed at raising standards and improving the sector's overall resilience.
There has been a continuation of new regulations, regulatory updates, amended acts and compliance obligations during the year - the most significant being the Non-bank Deposit Takers Act 2013 becoming effective 1 May 2014. This Act requires every NBDT to be licensed by the Reserve Bank. NBS was successful in its application, with the Reserve Bank granting our NBDT License on 23 March 2015.
International credit rating agency – Fitch Ratings, endorsed the NBS' BB+ stable credit rating this year.



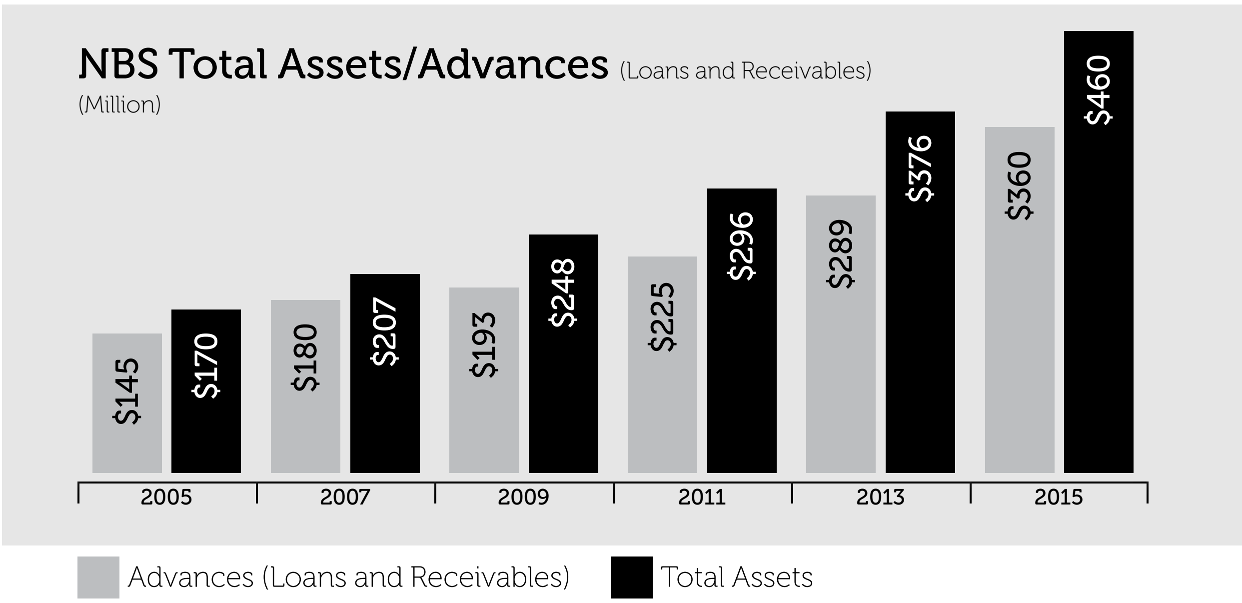
The financial results have been complimented by NBS' ongoing commitment to working with the communities in which we operate, through a combination of grants and sponsorships, the use of the NBS community vehicles, marquees and inflatables – NBS delivered in excess of $500,000 in value to the community for the year, with 267 groups supported.

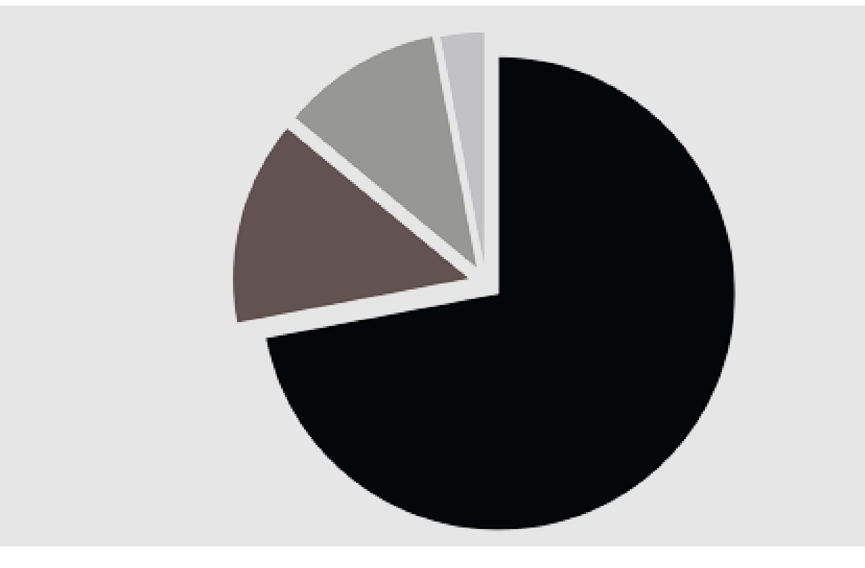
Our steadfast, customer-focused ethos, and of course, our mutuality sets NBS apart. This year's results would not have been possible without the loyalty and support of NBS' most valuable assets: our clients and staff. It is with pride we acknowledge our staff throughout the NBS network – and the lengths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

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

Garry Dayman
Chairman

Ken Beams
General Manager





Lending by Category

For the Year Ended 31 March 2015

- Residential **72%**
- Commercial **14%**
- Agricultural **11%**
- Personal Lending & Consumer Finance **3%**

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.

$500,000

TOTAL COMMUNITY SUPPORT FOR THE YEAR

INCLUDING CASH SPONSORSHIP, NBS COMMUNITY VEHICLES,
NBS MARQUEES & NBS INFLATABLES
267 GROUPS SUPPORTED

Independent Auditor's Report

To The Members of Nelson Building Society

Deloitte.

Report on the Financial Statements

We have audited the accompanying financial statements of Nelson Building Society on pages 7 to 32, which comprise the statement of financial position as at 31 March 2015, 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, 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 and fair presentation of these financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand, 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 and fair presentation 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 statement.

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 services. 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. These services have not impaired our independence as auditor of the Company. 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 present fairly, in all material respects, the financial position of Nelson Building Society as at 31 March 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand.

Deloitte

Chartered Accountants

26 May 2015
WELLINGTON, NEW ZEALAND

This audit report relates to the financial statements of Nelson Building Society for the year ended 31 March 2015 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 26 May 2015 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 2015

			Year to 31/03/2015 $	Year to 31/03/2014 $
Income				
Interest Income Received From:				
Income from Mortgages & Personal Loans			22,469,404	19,979,620
Income from Consumer Lending			1,264,889	1,284,199
Income from Bank Deposits, Investments & Debentures			4,145,654	3,768,571
Total Interest Income			27,879,947	25,032,390
Deduct Finance Costs				
Interest on Term & Call Deposits			(16,307,626)	(14,849,032)
Consumer Lending Commission			(466,538)	(408,338)
			(16,774,164)	(15,257,370)
Net Interest Income			**11,105,783**	**9,775,020**
Add - Other Income				
Bad Debts Recovered			18,670	23,275
Transaction & Service Fees			748,335	697,936
Other Income			278,874	271,709
			1,045,879	**992,920**
Gross Contribution From Activities			**12,151,662**	**10,767,940**
Deduct Overhead Expenses				
Auditors	Audit of Financial Statements		(57,500)	(56,925)
	Anti Money Laundering Assurance Engagement		(14,955)	(30,000)
	Trust Deed and Annual Return		(5,750)	(5,175)
	Prospectus		(5,750)	(5,175)
	Taxation		(23,052)	(25,248)
Administration Expenses		Note 1	(3,314,490)	(2,789,516)
Amortisation & Depreciation			(805,565)	(598,272)
Directors Fees		Note 2	(148,000)	(148,000)
Operating Lease Costs			(341,091)	(259,003)
Personnel Costs			(3,146,502)	(2,979,472)
Provision for Credit Impairment		Note 7	(373,108)	(477,787)
Sponsorship			(329,302)	(325,939)
Total Expenses			**(8,565,065)**	**(7,700,512)**
Surplus Before Taxation			**3,586,597**	**3,067,428**
Income Tax Expense		Note 3	(1,009,542)	(874,091)
Net Surplus For The Year			**2,577,055**	**2,193,337**
Total Comprehensive Income For The Year			**2,577,055**	**2,193,337**

Statement of Changes in Equity

For The Year Ended 31 March 2015

		Share Capital	Revaluation Reserves	Retained Earnings	Total
Balance as at 1 April 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 13	2,996,000	-	-	2,996,000
Shares Redeemed	Note 13	(600,000)	-	-	(600,000)
Dividends Paid	Note 14	-	-	(434,983)	(434,983)
Balance as at 31 March 2014		**11,832,500**	**1,000,610**	**13,322,030**	**26,155,140**
Net Surplus and Total Comprehensive Income		-	-	2,577,055	2,577,055
Shares Issued	Note 13	2,680,000	-	-	2,680,000
Shares Redeemed	Note 13	(150,000)	-	-	(150,000)
Dividends Paid	Note 14	-	-	(539,692)	(539,692)
Balance at 31 March 2015		**14,362,500**	**1,000,610**	**15,359,393**	**30,722,503**

Approval of Financial Statements for the Year Ended 31 March 2015

Authorised for Issue

The Directors authorised the issue of these financial statements on 26 May 2015.

Approval by Directors

The Directors are pleased to present the financial statements of Nelson Building Society for the year ended 31 March 2015.

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 2015

		As at 31/03/2015 $	As at 31/03/2014 $
Assets			
Cash and Cash Equivalents	Note 4	50,115,680	55,534,318
Term Deposits		44,543,141	36,387,184
Trade Receivables		49,000	29,705
Prepayments		728,242	634,255
Current Assets Held for Sale			
Land	Note 8	100,000	-
Loans and Receivables	Note 5		
Mortgages		350,012,350	308,378,098
Personal Loans		1,751,248	1,329,171
Consumer Lending		9,464,247	9,119,099
Less Provision for Credit Impairment	Note 7	(750,000)	(860,000)
Property			
Property, Plant & Equipment	Note 9	3,237,764	2,991,337
Intangible Assets			
Software	Note 10	454,170	667,576
		459,705,842	**414,210,743**
Liabilities			
Employee Entitlements		265,315	220,362
Trade and Other Payables		846,378	888,264
Current Tax Liabilities	Note 3	352,332	420,745
Borrowings	Note 16	427,505,472	386,428,022
Deferred Taxation	Note 11	13,842	98,210
		428,983,339	**388,055,603**
Net Assets		**30,722,503**	**26,155,140**
Equity			
Share Capital	Note 13	14,362,500	11,832,500
Retained Earnings	Note 14	15,359,393	13,322,030
Revaluation Reserve	Note 15	1,000,610	1,000,610
Attributable to Members of the Society		**30,722,503**	**26,155,140**

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 2015

		Year to 31/03/2015 $	Year to 31/03/2014 $
Cash Flows From Operating Activities			
Cash was provided from:			
Interest Received		27,618,469	25,032,390
Fees, Rents and Commissions		1,045,879	992,920
		28,664,348	26,025,310
Cash was disbursed to:			
Interest Paid		(15,973,563)	(15,257,370)
Operating Expenses		(8,036,376)	(6,667,236)
Income Taxes Paid	Note 3	(1,162,323)	(749,354)
		(25,172,262)	(22,673,960)
Net Cash Flows From Operating Activities before changes in Operating Assets		**3,492,086**	**3,351,350**
Redemption of Loans and Receivables		79,742,057	93,326,411
Issuance of Loans and Receivables		(122,143,534)	(122,806,052)
Net Increase in Borrowings		40,276,849	33,865,838
Net Cash Flows From Operating Activities		**1,367,458**	**7,737,547**
Cash Flows From Investing Activities			
Cash was provided from:			
Redemption of Investments		-	1,000,000
Term Deposits		-	11,111,462
Property, Plant & Equipment	Note 9	16,683	61,600
		16,683	**12,173,062**
Cash was disbursed to:			
Property, Plant & Equipment	Note 9	(743,339)	(334,615)
Intangible Assets	Note 10	(155,269)	(710,145)
Term Deposits		(7,894,479)	-
		(8,793,087)	(1,044,760)
Net Cash Flows (Used In)/from Investing Activities		**(8,776,404)**	**11,128,302**
Cash Flows From Financing Activities			
Cash was provided from:			
Issue of Shares	Note 13	2,680,000	2,996,000
		2,680,000	**2,996,000**
Cash was disbursed to:			
Dividends Paid	Note 14	(539,692)	(434,983)
Redemption of Shares	Note 13	(150,000)	(600,000)
Net Cash Flows from Financing Activities		**1,990,308**	**1,961,017**
(Decrease)/Increase in Cash Held		(5,418,638)	20,826,866
Add Opening Cash and Cash Equivalents		55,534,318	34,707,452
Closing Cash and Cash Equivalents	Note 4	**50,115,680**	**55,534,318**

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 2015

	Year to 31/03/2015 $	Year to 31/03/2014 $
Reconciliation Of Net Surplus To Cash Flows From Operating Activities		
Net Surplus	2,577,055	2,193,337
Non Cash Items		
Deferred Taxation	(84,368)	(124,623)
Depreciation and Amortisation	805,565	598,272
Loss on Disposal of Assets	43,339	118,403
(Decrease)/Increase in Provision for Credit Impairment	(110,000)	460,000
(Increase)/Decrease in Assets Held for Sale	(100,000)	-
Increase/(Decrease) in Accrued Interest on Borrowings	800,600	-
(Increase)/Decrease in Accrued Interest on Term Deposits	(261,478)	-
	1,093,658	1,052,052
Movement in Working Capital		
(Decrease)/Increase in Trade and Other Payables	(41,885)	(159,862)
(Decrease)/Increase in Taxation Payable	(68,413)	249,360
(Increase)/Decrease in Trade Receivables	(19,295)	(8,030)
(Increase)/Decrease in Prepayments	(93,987)	2,306
Increase in Employee Entitlements	44,953	22,187
Redemption in Loans and Receivables	79,742,057	93,326,411
(Issuance) in Loans and Receivables	(122,143,534)	(122,806,052)
Increase in Borrowings	40,276,849	33,865,838
	(2,303,255)	4,492,158
Net Cash Flows from Operating Activities	**1,367,458**	**7,737,547**

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 2013. 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 a Financial Markets Conduct Reporting Entity as defined in the Financial Markets Conduct Act 2013.

The financial statements were authorised by the directors on 26 May 2015.

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; and
- 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 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.

• Leases as Lessor

Operating lease rentals are included in the Statement of Comprehensive Income 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 at the date of disposal 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 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 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 Statement of Comprehensive Income 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 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 category:

- Loans and Receivables

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.

• 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 the Statement of Comprehensive Income 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 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 Statement of Comprehensive Income. Any revaluation deficit is recognised in the Statement of Comprehensive Income 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 Statement of Comprehensive Income 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 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.

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.

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.

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 9.
- **Impairment Analysis**
  Policy (vi) and Note 7 and Note 8.

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 and NZ IFRS 15 Revenue from Contracts with customers becomes effective for periods beginning on or after 1 January 2018 and 1 January 2017 respectively. These are expected to be adopted by NBS for the year ended 31 March 2019 and 31 March 2018 respectively. The potential impact of these new standards have not been assessed.

1. Administration Expenses

	31/03/2015	31/03/2014
Administration Expense Comprises:		
Branch Expenses	1,332,755	1,283,601
Marketing Expenses	422,214	358,549
Computer Expenses	955,480	594,767
Property Expenses	214,477	193,554
Professional Expenses	389,564	359,045
	3,314,490	**2,789,516**

2. Key Management Compensation

	31/03/2015	31/03/2014
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:	**31/03/2015**	**31/03/2014**
Salaries & Short-Term Employee Benefits	488,905	477,884
Post-employment benefits	39,724	39,827
Total Compensation of Key Management Personnel (Excluding Directors)	**528,629**	**517,711**

3. Taxation

	31/03/2015	31/03/2014
(a) Income Tax Recognised in the Statement of Comprehensive Income		
Income Tax Expense Comprises:		
Current Tax Expense	1,052,332	954,980
Adjustments Recognised in Relation to the Current Tax of Prior Years	41,578	5,572
Deferred Tax Expense Relating to the Origination and Reversal of Temporary Differences	(37,500)	(124,623)
Adjustments Recognised in Relation to Deferred Tax of Prior Years	(46,868)	38,162
Total Income Tax Expense Recognised in the Statement of Comprehensive Income	**1,009,542**	**874,091**
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	3,586,597	3,067,428
Taxation thereon at 28%	1,004,247	858,880
Non Deductable Expenses	10,585	9,639
(Over)/Under Provision of Income Tax in Previous Year	(5,290)	5,572
Income Tax Expense Recognised in the Statement of Comprehensive Income	**1,009,542**	**874,091**
The tax rate used on the above reconciliation is the corporate tax rate of 28% (31 March 2014: 28%) payable by New Zealand companies under New Zealand tax law.		
(b) Current Tax Liability		
Balance at the Beginning of the Year	420,745	171,385
Taxation Expense	1,052,332	954,980
Adjustments Recognised in Relation to the Current Tax of Prior Year	41,578	43,734
Taxation Paid	(1,162,323)	(749,354)
Balance at End of Period	**352,332**	**420,745**
(c) Deferred Tax Balances		
Deferred Tax Liabilities Comprise:		
Temporary Differences (Note 11)	(13,842)	(98,210)
	(13,842)	**(98,210)**

4. Cash And Cash Equivalents

	31/03/2015	31/03/2014
Bank Deposits	47,818,727	54,345,203
Cash on Hand	2,296,953	1,189,115
	50,115,680	**55,534,318**

5. Loans And Receivables

		31/03/2015	31/03/2014
Secured		359,476,597	317,497,197
Unsecured		1,751,248	1,329,171
Gross Advances		**361,227,845**	**318,826,368**
Less Provisions for Credit Impairment	Note 7	(750,000)	(860,000)
Total Net Advances		**360,477,845**	**317,966,368**

6. Asset And Liability Categorisation

	31/03/2015	31/03/2014
Financial Assets:		
Loans and Receivables (including Cash and Cash Equivalents)	455,185,666	409,917,575
	455,185,666	**409,917,575**
Financial Liabilities:		
Financial Liabilities Held at Amortised Cost	428,351,850	387,316,648
	428,351,850	**387,316,286**

7. Provision For Credit Impairment

	31/03/2015 Provisions	31/03/2014 Provisions
Specific and Collective Provisions Against Loans and Receivables		
Balance at Beginning of the Period		
Collective	400,000	300,000
Specific	460,000	100,000
	860,000	400,000
New Provisions during the Period		
Collective	78,778	117,787
Specific	294,330	360,000
Balances Written Off during the Period		
Collective	(28,778)	(17,787)
Specific	(454,330)	-
Balance at End of the Period		
Collective	450,000	400,000
Specific	300,000	460,000
	750,000	**860,000**

The collective provision is a provision for potential loss on mortgages, personal loans and consumer lending. 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 one mortgage which is currently in excess of the arranged overdraft limit. The Society holds security over all property however there is an expected shortfall between the anticipated sale proceeds and the carrying value of the loan.

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

	31/03/2015	31/03/2014
Bad Debts Written Off for the Period	(483,108)	(17,787)
Add New Provisions Made	373,108	477,787
Movement in Provision for Credit Impairment	**(110,000)**	**460,000**

8. Asset Quality

	31/03/2015	31/03/2014
(a) Asset Quality Advances to Customers		
Past Due But Not Impaired	448,849	403,127
Impaired	-	1,424,433
Neither Past Due Nor Impaired	360,028,996	316,138,808
Total Carrying Amount	**360,477,845**	**317,966,368**

	31/03/2015		31/03/2014	
	Past Due Assets	Impaired	Past Due Assets	Impaired
b) Movements in Balances of Impaired and Past Due Assets				
Opening Balance	403,127	1,424,433	1,070,765	-
Assets Classified as Past Due/Impaired	455,182	-	410,154	1,424,433
Charges	3,541	-	3,280	-
Customer Repayments	(281,715)	(870,103)	(667,200)	-
Loan Balance Written Off	(28,778)	(454,330)	(17,787)	-
Assets no Longer Meeting Definition	(102,508)	(100,000)	(396,085)	-
Closing Balance	**448,849**	**-**	**403,127**	**1,424,433**

(c) Ageing of Past Due Assets	31/03/2015	31/03/2014
Past due 0-29 days	103,890	370,679
Past due 30-59 days	227,096	31,079
Past due 60-89 days	5,996	1,369
Past due 90 days+	111,867	-
Carrying Amount	**448,849**	**403,127**

The balance of Past Due Assets is in respect of Consumer Lending. Consumer Lending advances are secured by registered chattel security. In most cases the Society has recourse for the debt against the car dealers 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.

As at 31 March 2015 there were no Impaired Assets. (31 March 2014: Security of $1,780,000 was held over the outstanding balance of $1,424,433).

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

	31/03/2015	31/03/2014
Current Assets Held for Sale		
Land	100,000	-
	100,000	**-**

The Society has acquired two titles of land through the enforcement of security. The balance of Current Assets held for sale is in respect of Land. Together the properties have an estimated fair value of $100,000. There are no Restructured Advances, additional real estate acquired through enforcement of security or other assets acquired through the enforcement of securities included in these Financial Statements. (31 March 2014: $Nil).

9. Property, Plant & Equipment

	31/03/2015	31/03/2014
Freehold Land and Buildings		
Fair Value		
Balance at Beginning of the Period	1,833,213	1,885,815
Revaluation	-	(50,726)
Disposals	-	(1,876)
Balance at End of the Period	**1,833,213**	**1,833,213**
Depreciation and Impairment		
Balance at Beginning of the Period	-	-
Depreciation for the Period[1]	50,594	50,726
Accumulated Depreciation on Disposed Assets	-	(767)
Revaluation	-	(49,959)
Balance at End of the Period	50,594	-
Total Freehold Land and Buildings	**1,782,619**	**1,833,213**

	31/03/2015	31/03/2014
Computer Equipment		
Cost		
Balance at Beginning of the Period	902,164	897,221
Additions	172,000	19,613
Disposals	(74,532)	(14,670)
Balance at End of the Period	**999,632**	**902,164**
Depreciation and Impairment		
Balance at Beginning of the Period	668,863	540,731
Depreciation for the Period[1]	133,382	142,802
Accumulated Depreciation on Disposed Assets	(74,532)	(14,670)
Balance at End of the Period	727,713	668,863
Total Computer Equipment	**271,919**	**233,301**

	31/03/2015	31/03/2014
Other Assets		
Cost		
Balance at Beginning of the Period	1,892,032	2,057,807
Additions	571,339	253,402
Disposals	(184,000)	(419,177)
Balance at End of the Period	**2,279,371**	**1,892,032**

	31/03/2015	31/03/2014
Depreciation and Impairment		
Balance at Beginning of the Period	967,209	1,015,849
Depreciation for the Period[1]	252,914	254,010
Accumulated Depreciation on Disposed Assets	(123,978)	(302,650)
Balance at End of the Period	**1,096,145**	**967,209**
Total Other Assets	**1,183,226**	**924,823**
Total Property, Plant and Equipment	**3,237,764**	**2,991,337**

[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 2015. (31 March 2014: $Nil).

The land and buildings of the Society 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 property as at 31 March 2014 was 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:

	31/03/2015	31/03/2014
Freehold Land	16,550	16,550
Buildings	1,108,666	1,108,666
	1,125,216	**1,125,216**

10. Intangible Assets

	31/03/2015	31/03/2014
Software		
Cost		
Balance at Beginning of the Period	855,528	297,220
Additions	155,269	710,145
Disposals	-	(151,837)
Balance at End of the Period	**1,010,797**	**855,528**
Amortisation and Impairment		
Balance at Beginning of the Period	187,952	189,055
Amortisation for the Period[2]	368,675	150,734
Accumulated Depreciation on Disposed Assets	-	(151,837)
Balance at End of the Period	**556,627**	**187,952**
Total Software	**454,170**	**667,576**

[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 2015. (31 March 2014: $Nil).

11. Deferred Taxation

	Opening Balance	Charged to Income	Charged to Equity	Closing Balance
31/03/2015				
Provision for Credit Impairment	240,800	(2,240)	-	238,560
Property, Plant and Equipment	(362,178)	23,726	-	(338,452)
Intangible Assets - Software	(19,960)	(2,565)	-	(22,525)
Employee Entitlements	39,301	12,587	-	51,888
Accrued Expenses	3,827	52,860	-	56,687
	(98,210)	**84,368**	**-**	**(13,842)**
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)**

12. Imputation Credit Account

	31/03/2015	31/03/2014
Imputation Credits Available for use at Balance Date	**5,307,120**	**4,683,517**

13. Share Capital

During the year ended 31 March 2015 2,530,000 (net) preference shares were issued for $1 each, fully paid. (31 March 2014 2,396,000 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 2015: 6.50%). 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.

	31/03/2015		31/03/2014	
	Number of Shares	$	Number of Shares	$
Opening Balance	11,832,500	11,832,500	9,436,500	9,436,500
Shares Issued	2,680,000	2,680,000	2,996,000	2,996,000
Shares Redeemed	(150,000)	(150,000)	(600,000)	(600,000)
	2,530,000	2,530,000	2,396,000	2,396,000
Closing Balance	**14,362,500**	**14,362,500**	**11,832,500**	**11,832,500**

14. Retained Earnings

	31/03/2015	31/03/2014
Opening Balance	13,322,030	11,563,676
Net Surplus for the Year	2,577,055	2,193,337
Dividends	(539,692)	(434,983)
Closing Balance	**15,359,393**	**13,322,030**
Dividends Paid per Share	3.8 cents per Share	3.7 cents per Share

15. Revaluation Reserve - Property, Plant & Equipment

	31/03/2015	31/03/2014
Balance at Beginning of the Year	1,000,610	1,000,610
Balance at End of the Year	**1,000,610**	**1,000,610**

16. Borrowings

	31/03/2015	31/03/2014
Borrowings		
Call Borrowings - Depositors	79,830,550	78,486,807
Term Borrowings - Depositors	347,674,922	307,941,215
Total Borrowings	**427,505,472**	**386,428,022**

	31/03/2015	Weighted Average Interest Rate %	31/03/2014	Weighted Average Interest Rate %
Maturity Analysis Of Term And Current Borrowings				
Borrowings at Call	79,830,550	1.37	78,486,807	1.32
Between 0 and 1 year	259,285,792	4.50	273,031,079	4.24
Between 1 and 2 years	75,834,501	5.01	23,555,786	4.58
Between 2 and 5 years	12,554,629	5.21	11,354,350	4.78
Total Borrowings	**427,505,472**	**4.02**	**386,428,022**	**3.68**

All Borrowings are unsecured.

17. Commitments And Contingent Liabilities

The Society has a commitment for loans approved but not yet paid at 31 March 2015 of $8,612,650. (31 March 2014 for a total of $10,934,850).

The Society has entered into property leases in Murchison, Westport, Greymouth and Takaka for 3 years commencing 1 January 2013, 15 November 2013, 1 May 2012 and 1 October 2014 respectively, with right of renewal for a further 3 years at the conclusion of the current lease periods. The Society has entered into property leases in Motueka and Ashburton for 6 years commencing 1 December 2014 and 10 October 2012, 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.

Lease commitments under non-cancellable operating leases:

	31/03/2015	31/03/2014
Less than 1 year	268,636	213,999
Between 1 and 2 years	247,645	111,717
Between 2 and 5 years	539,897	112,125
Greater than 5 years	272,144	-
	1,328,322	**437,841**

Sponsorship commitments beyond 31 March 2015 total $317,500. (31 March 2014: $Nil).

The Society had no contingent liabilities as at 31 March 2015. (31 March 2014: $Nil).

18. Segmental Analysis

Products and services from which reportable segments derive their revenues

The Society 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 surplus represents surplus 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

31 March 2015: There was no one customer that individually comprised 10 per cent or more of the total revenue.

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

19. 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,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

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.

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	31/03/2015 Carrying Amount	31/03/2015 Fair Value	31/03/2014 Carrying Amount	31/03/2014 Fair Value
Cash and Cash Equivalents and Term Deposits	94,658,821	94,658,821	91,921,502	91,921,502
Loans and Receivables	360,477,845	360,230,010	317,966,368	317,517,835
Trade Receivables	49,000	49,000	29,705	29,705
Total Financial Assets	**455,185,666**	**454,937,831**	**409,917,575**	**409,469,042**
Financial Liabilities				
Borrowings	427,505,472	426,787,132	386,428,022	386,367,022
Trade and Other Payables	846,378	846,378	888,264	888,264
Total Financial Liabilities	**428,351,850**	**427,633,510**	**387,316,286**	**387,255,286**

Fair Value Hierarchy

31/03/2015 Financial Assets	Level 1	Level 2	Level 3	Fair Value
Loans and Receivables	-	360,230,010	-	360,230,010
Total Financial Assets	**-**	**360,230,010**	**-**	**360,230,010**
Financial Liabilities				
Borrowings	-	426,787,132	-	426,787,132
Total Financial Liabilities	**-**	**426,787,132**	**-**	**426,787,132**

31/03/2014 Financial Assets	Level 1	Level 2	Level 3	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**

20. 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, 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 2015

	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	7,563,042	43,056,008	-	-	-	-	50,619,050
Term Deposits	-	-	46,520,292	-	-	-	46,520,292
Trade Receivables	49,000	-	-	-	-	-	49,000
Personal Loans	1,751,248	98,691	95,608	160,231	139,382	143	2,245,303
Consumer Lending	67,443	1,524,009	1,456,932	3,333,621	6,926,384	79,736	13,388,125
Mortgages & Interest	103,895,466	75,179,839	97,069,460	86,938,807	21,129,233	26,816,935	411,029,740
Provision for Credit Impairment	(750,000)	-	-	-	-	-	(750,000)
Total Monetary Assets	**112,576,199**	**119,858,547**	**145,142,292**	**90,432,659**	**28,194,999**	**26,896,814**	**523,101,510**
Liabilities							
Borrowings	79,830,550	163,102,955	105,796,261	78,353,716	12,895,968	-	439,979,450
Trade and Other Payables	846,378	-	-	-	-	-	846,378
Employee Entitlements	265,315	-	-	-	-	-	265,315
Current Tax Liabilities	-	352,332	-	-	-	-	352,332
Total Monetary Liabilities	**80,942,243**	**163,455,287**	**105,796,261**	**78,353,716**	**12,895,968**	**-**	**441,443,475**
Net Monetary Assets/ (Liabilities)	**31,633,956**	**(43,596,740)**	**39,346,031**	**12,078,943**	**15,299,031**	**26,896,814**	**81,658,035**
Unrecognised Loan Commitments	**(8,612,650)**	**-**	**-**	**-**	**-**	**-**	**(8,612,650)**
Net Liquidity Gap	**23,021,306**	**(43,596,740)**	**39,346,031**	**12,078,943**	**15,299,031**	**26,896,814**	**73,045,385**

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
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**

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.

21. 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, 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 secured by registered chattel security. In most cases the Society also has recourse for the debt against the car dealer.

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. 67% of all Loans and Receivables are in the Nelson and Tasman Regions, the remaining 33% 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.

	31/03/2015		31/03/2014	
% of Equity	Bank	Other	Bank	Other
10-19	1	6	-	7
20-29	2	-	1	-
30-39	1	-	1	-
40-49	-	-	1	-
50-59	-	-	-	-
60-69	1	-	-	-
70-79	-	-	-	-
80-89	-	-	-	-
90+	1	-	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.

	31/03/2015	31/03/2014
Residential	257,200,651	233,506,106
Commercial	51,917,665	40,701,680
Agriculture	40,144,034	33,310,312
Personal Lending	1,751,248	1,329,171
Consumer Finance	9,464,427	9,119,099
	360,477,845	317,966,368

The table below shows the level of lending by region.	Year to 31/03/2015	Year to 31/03/2014
Nelson	91,393,331	84,562,981
Tasman	152,537,811	135,191,447
West Coast	48,213,840	45,326,375
Golden Bay	44,943,680	35,508,919
Mid Canterbury	23,389,183	17,376,646
	360,477,845	317,966,368

22. 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 80% of the borrowings can be repriced or mature within twelve months (31 March 2014: 66%).

At 31 March 2015 there were 900 fixed rate borrowings totalling $90,091,384 not reviewable within one year. (31 March 2014: 519 fixed rate borrowings totalling $102,229,809). The table below shows the next interest maturity date for financial assets and liabilities excluding interest.

Interest Rate Repricing Schedule as at 31 March 2015

	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	4.38%	7,563,042	42,552,638	-	-	-	50,115,680
Term Deposits	4.76%	-	-	44,543,141	-	-	44,543,141
Trade Receivables		49,000	-	-	-	-	49,000
Personal Loans	11.27%	1,751,248	-	-	-	-	1,751,248
Consumer Lending	12.41%	67,443	705,593	737,543	2,186,969	5,766,699	9,464,247
Mortgage Advances	6.62%	103,895,466	70,885,441	93,093,726	79,397,373	2,740,344	350,012,350
Provision for Credit Impairment		(750,000)	-	-	-	-	(750,000)
Total Monetary Assets		**112,576,199**	**114,143,672**	**138,374,410**	**81,584,342**	**8,507,043**	**455,185,666**
Liabilities							
Borrowings	4.02%	79,830,550	156,867,510	102,418,282	75,834,501	12,554,629	427,505,472
Trade and Other Payables		846,378	-	-	-	-	846,378
Total Monetary Liabilities		**80,676,928**	**156,867,510**	**102,418,282**	**75,834,501**	**12,554,629**	**428,351,850**
Net Monetary Assets/ (Liabilities)		**31,899,271**	**(42,723,838)**	**35,956,128**	**5,749,841**	**(4,047,586)**	**26,833,816**
Unrecognised Loan Commitments	7.31%	**(8,612,650)**	**-**	**-**	**-**	**-**	**(8,612,650)**
Net Liquidity Gap		**23,286,621**	**(42,723,838)**	**35,956,128**	**5,749,841**	**(4,047,586)**	**18,221,166**

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
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
Total Monetary Liabilities		**79,375,071**	**177,849,519**	**95,181,560**	**23,555,786**	**11,354,350**	**387,316,286**
Net Monetary Assets/ (Liabilities)		**47,958,198**	**(82,489,929)**	**(15,191,737)**	**78,748,435**	**(6,423,678)**	**22,601,289**
Unrecognised Loan Commitments	6.71%	**(10,934,850)**	**-**	**-**	**-**	**-**	**(10,934,850)**
Net Liquidity Gap		**37,023,348**	**(82,489,929)**	**(15,191,737)**	**78,748,435**	**(6,423,678)**	**11,666,439**

23. Currency Risk

The Society is not exposed to currency risk.

24. 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 2015 was 10.33%. (31 March 2014: 9.80%), 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 requirement 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.

25. 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	
	31/03/2015	31/03/2014
Loans and advances outstanding at beginning of period	1,974,608	2,426,462
Net loans issued/(repaid) during the period	387,909	(451,854)
Loans no longer meeting definition	(2,118,332)	-
Loans and advances outstanding at end of period	**244,185**	**1,974,608**

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 2015. (31 March 2014: $Nil). The above Loans and Receivables are charged interest at current market rates.

(b) Deposits from Related Parties

	Directors and Other Key Management Personnel	
	31/03/2015	31/03/2014
Deposits at beginning of period	2,244,215	2,142,835
Net deposits received/(repaid) during the period	191,045	101,380
Deposits no longer meeting definition	(1,626,383)	-
Deposits at end of period	**808,877**	**2,244,215**

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.

26. 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 2015 it is estimated that a general increase of one percentage point in interest rates would increase the Society's surplus before income tax and equity by $250,914. (31 March 2014: $277,961). 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.

27. Subsequent Events

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

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