NBS

NELSON BUILDING SOCIETY

ANNUAL REPORT 2016

NBS Board of Directors

PHIL ROBSON. CRAIG TAYLOR. PAUL BELL. GARRY DAYMAN. TREVOR CAMERON.

NBS

VISION

"Remain a viable standalone mutual entity that is trusted, preferred, and respected by our customers and communities".

The 154th 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 Fourth Annual General Meeting of Shareholders of the Nelson Building Society will be held at
The Nelson Building Society, 111 Trafalgar Street, Nelson on Wednesday 22nd June 2016 at 5.30pm.

Business

1. To receive the Directors report and Statement of Accounts
2. To appoint the Auditors for the ensuing year and fix their remuneration
3. To elect two Directors from:
   Trevor Cameron
   Craig Taylor
   Gaye Evans
4. 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 48 hours before the meeting. Proxy forms are available at the Society's offices during normal business hours.

A J Cadigan
Secretary

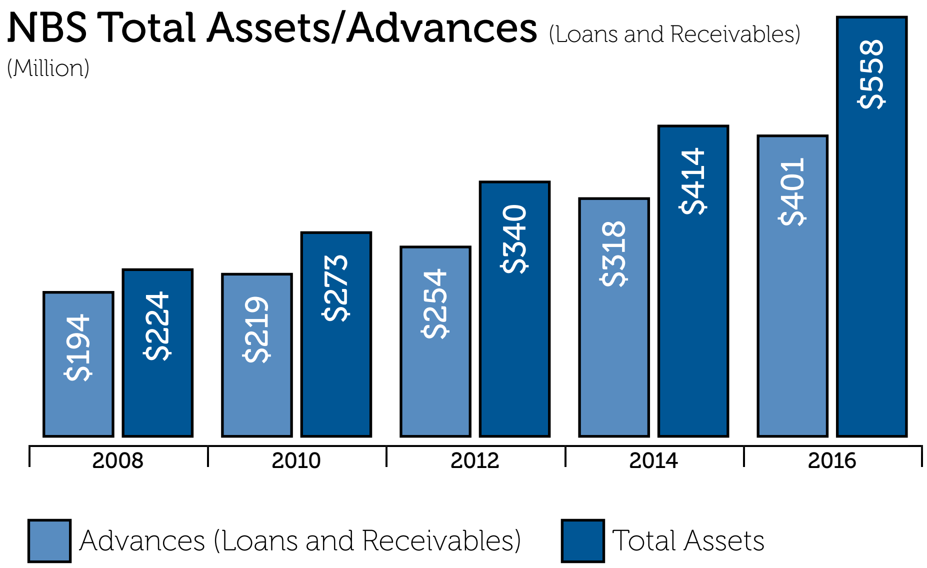
Chairman of Directors' & General Manager's Report 2016

New Zealand's Oldest Building Society.

On behalf of the NBS Board of Directors it gives us great pleasure to present the NBS Annual Report for 2016 to our clients.

After 154 years the Nelson Building Society continues to go from strength to strength and we are proud to be presenting this annual report which highlights another year of excellent results across the business.

NBS has experienced another year of continued growth, with total assets at 31 March 2016 of $558M (up 21%), and an operating surplus before taxation of $3.8M.



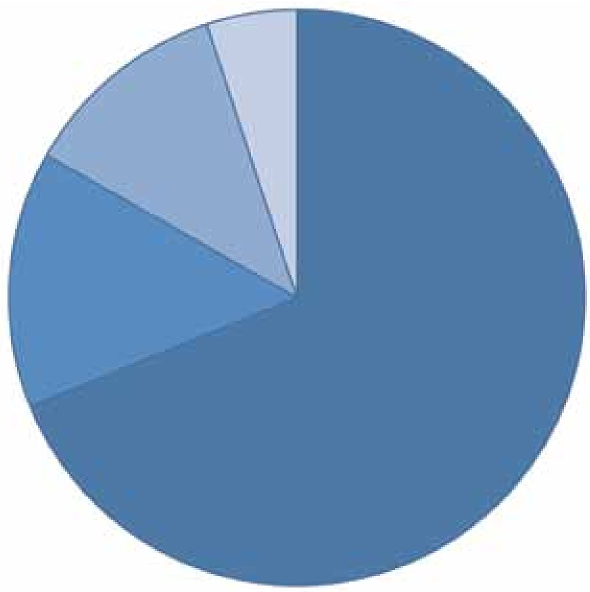
This success has been achieved through a combination of reasons including tight controls over expenses, a high performing branch network, and our loyal client base who continue to share our commitment to the NBS mutual banking model.

These success have been underpinned by NBS maintaining satisfactory operating margins in a competitive environment, whilst continuing our approach to risk management by retaining quality assets. The balance sheet of NBS remains strong and is well equipped to meet the inevitable challenges that lie ahead.

Lending by Category

For the Year Ended 31 March 2016

- Residential **69%**
- Commercial **14%**
- Agricultural **12%**
- Personal Lending & Consumer Finance **5%**



Client confidence in NBS remains high with Depositor re-investment rates amongst the highest in our industry sector.

Fitch Ratings an independent credit rating agency shares the same confidence in NBS and renewed our credit rating of BB+ with a stable outlook and highlighting our robust asset quality.

NBS remains fully compliant with all requirements of our various prudential supervisors including our Trustee, Auditor, Reserve Bank of New Zealand, and the Financial Markets Authority. The area of compliance is continually changing and NBS remains vigilant in monitoring our immediate and future compliance requirements.

Interest rates have been under pressure with the Official Cash Rate reductions resulting in unprecedented low deposit and lending rates. With continued pressure on the housing market there is an expectation the Reserve Bank of New Zealand may look to implement new rules around loan-to-value ratios or implement debt-to-income ratios. NBS has always adopted a conservative approach to loan-to-value ratios with lending criteria being a maximum of 80% on residential loans and 60% on commercial loans. For residential home loan clients NBS operates a debt-to-income ratio of 35% of the borrowers gross income. The Board are confident the current NBS lending criteria would comply with any proposed legislative change.

NBS has maintained its competitive stance in the housing market with the introduction of our latest offer to new home builds - with interest free lending for the first 16 weeks of construction.

The predominant residential markets that NBS operates in have seen strong growth in values with Nelson City home values increasing by 9.5% year-on-year with a median value of $451,000, and the Tasman District increasing by 6.9% year-on-year with a median price of $446,000*. The ever increasing demand, a shortage of listings, low interest rates, and out of town buyers entering the market have combined to see capital values continue to increase.

*Source - Quotable Value (as at 1 May 2016)

Chairman of Directors' & General Manager's Report 2016

Beyond the excellent financial results achieved by NBS for the year we continue to support the communities we operate in. Our support was spread between community and social groups, arts and environment, culture and education, sport and recreation. This financial year NBS contributed $468,265 of financial support, in addition to the use of our community vans, mobile eftpos terminals, marquees and inflatables to our local communities.

Community

We believe in it. We're part of it. We invest in it.

This years results would not be possible without the loyal support of NBS' most important assets, our clients and staff. The Board would like to acknowledge the hard working NBS staff throughout the network and appreciate the lengths to which they will go to provide our clients with market leading customer service.

In closing we would like to thank the Directors and the Executive Team for their support in performing their governance and management roles over the last 12 months.

The two Directors who retire by rotation are Mr Trevor Cameron and Mr Craig Taylor. Both Directors are eligible for re-election.

Garry Dayman
Chairman

Ken Beams
General Manager

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 (the 'Society') on pages 7 to 32, which comprise the statement of financial position as at 31 March 2016, 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. 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 on behalf of the Society for the preparation and fair presentation of these financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, 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 Society's preparation and fair presentation of the financial statements 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 services, and other assurance services such as Trustee reporting and the Members register audit. These services have not impaired our independence as auditor of the Society. 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 present fairly, in all material respects, the financial position of Nelson Building Society as at 31 March 2016, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Deloitte

Chartered Accountants

1 June 2016

WELLINGTON, NEW ZEALAND

This audit report relates to the financial statements of Nelson Building Society for the year ended 31 March 2016 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 the Society's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 1 June 2016 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 2016

		Year to 31/03/2016 $	Year to 31/03/2015 $
Income			
Interest Income Received From:			
Income from Mortgages & Personal Loans		24,470,024	22,469,404
Income from Consumer Lending		1,620,815	1,264,889
Income from Bank Deposits, Investments & Debentures		5,066,083	4,145,654
Total Interest Income		31,156,922	27,879,947
Deduct Finance Costs			
Interest on Term & Call Deposits		(18,944,751)	(16,307,626)
Consumer Lending Commission		(600,668)	(466,538)
		(19,545,419)	(16,774,164)
Net Interest Income		**11,611,503**	**11,105,783**
Add - Other Income			
Bad Debts Recovered		15,268	18,670
Transaction & Service Fees		772,915	748,335
Other Income		316,836	278,874
		1,105,019	**1,045,879**
Gross Contribution From Activities		**12,716,522**	**12,151,662**
Deduct Overhead Expenses			
Auditors Audit of Financial Statements		(69,000)	(57,500)
Anti Money Laundering Assurance Engagement		-	(14,955)
Trust Deed and Annual Return		(5,750)	(5,750)
Prospectus		-	(5,750)
Members Register		(5,750)	-
Taxation		(24,000)	(23,052)
Administration Expenses	Note 1	(3,429,514)	(3,314,490)
Amortisation & Depreciation		(863,780)	(805,565)
Directors Fees	Note 2	(148,000)	(148,000)
Operating Lease Costs		(313,501)	(341,091)
Personnel Costs		(3,245,645)	(3,146,502)
Provision for Credit Impairment	Note 7	(302,410)	(373,108)
Sponsorship		(468,265)	(329,302)
Total Expenses		**(8,875,615)**	**(8,565,065)**
Surplus Before Taxation		**3,840,907**	**3,586,597**
Income Tax Expense	Note 3	(1,087,468)	(1,009,542)
Net Surplus For The Year		**2,753,439**	**2,577,055**
Other Comprehensive income that will not be reclassified subsequently to Profit and Loss			
Gains on Revaluation of Property net of income tax		125,742	-
Total Comprehensive Income For The Year		**2,879,181**	**2,577,055**

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 2016

		Share Capital	Revaluation Reserves	Retained Earnings	Total
Balance as at 1 April 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 as at 31 March 2015		**14,362,500**	**1,000,610**	**15,359,393**	**30,722,503**
Net Surplus and Total Comprehensive Income		-	125,742	2,753,439	2,879,181
Shares Issued	Note 13	3,470,000	-	-	3,470,000
Shares Redeemed	Note 13	(100,000)	-	-	(100,000)
Dividends Paid	Note 14	-	-	(648,565)	(648,565)
Balance at 31 March 2016		**17,732,500**	**1,126,352**	**17,464,267**	**36,323,119**

Approval of Financial Statements for the Year Ended 31 March 2016

Authorised for Issue

The Directors authorised the issue of these financial statements on 1 June 2016.

Approval by Directors

The Directors are pleased to present the financial statements of Nelson Building Society for the year ended 31 March 2016.

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 2016

		As at 31/03/2016 $	As at 31/03/2015 $
Assets			
Cash and Cash Equivalents	Note 4	99,569,334	50,115,680
Term Deposits		52,530,902	44,543,141
Trade Receivables		60,358	49,000
Prepayments		1,612,737	728,242
Current Assets Held for Sale			
Land	Note 8	64,000	100,000
Loans and Receivables	Note 5		
Mortgages		381,789,490	350,012,350
Personal Loans		2,069,690	1,751,248
Consumer Lending		18,308,692	9,464,247
Less Provision for Credit Impairment	Note 7	(910,000)	(750,000)
Property			
Property, Plant & Equipment	Note 9	3,274,183	3,237,764
Intangible Assets			
Software	Note 10	297,475	454,170
		558,666,861	**459,705,842**
Liabilities			
Employee Entitlements		296,803	265,315
Trade and Other Payables		1,091,252	846,378
Current Tax Liabilities	Note 3	365,035	352,332
Borrowings	Note 16	520,545,403	427,505,472
Deferred Taxation	Note 11	45,249	13,842
		522,343,742	**428,983,339**
Net Assets		**36,323,119**	**30,722,503**
Equity			
Share Capital	Note 13	17,732,500	14,362,500
Retained Earnings	Note 14	17,464,267	15,359,393
Revaluation Reserve	Note 15	1,126,352	1,000,610
Attributable to Members of the Society		**36,323,119**	**30,722,503**

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 2016

		Year to 31/03/2016 $	Year to 31/03/2015 $
Cash Flows From Operating Activities			
Cash was provided from:			
Interest Received		30,479,066	27,618,469
Fees, Rents and Commissions		1,105,019	1,045,879
		31,584,085	28,664,348
Cash was disbursed to:			
Interest Paid		(18,702,182)	(15,973,563)
Operating Expenses		(8,465,153)	(8,036,376)
Income Taxes Paid	Note 3	(1,115,593)	(1,162,323)
		(28,282,928)	(25,172,262)
Net Cash Flows From Operating Activities before changes in Operating Assets		**3,301,157**	**3,492,086**
Redemption of Loans and Receivables		119,094,567	79,742,057
Issuance of Loans and Receivables		(160,034,594)	(122,143,534)
Net Increase in Borrowings		92,196,694	40,276,849
Net Cash Flows From Operating Activities		**54,557,824**	**1,367,458**
Cash Flows From Investing Activities			
Cash was provided from:			
Redemption of Investments		-	-
Term Deposits		-	-
Property, Plant & Equipment	Note 9	52,000	16,683
Assets Held for Resale		36,000	-
		88,000	**16,683**
Cash was disbursed to:			
Property, Plant & Equipment	Note 9	(417,452)	(743,339)
Intangible Assets	Note 10	(186,248)	(155,269)
Term Deposits		(7,309,905)	(7,894,479)
		(7,913,605)	(8,793,087)
Net Cash Flows (Used In)/from Investing Activities		**(7,825,605)**	**(8,776,404)**
Cash Flows From Financing Activities			
Cash was provided from:			
Issue of Shares	Note 13	3,470,000	2,680,000
		3,470,000	**2,680,000**
Cash was disbursed to:			
Dividends Paid	Note 14	(648,565)	(539,692)
Redemption of Shares	Note 13	(100,000)	(150,000)
Net Cash Flows from Financing Activities		**2,721,435**	**1,990,308**
Increase/(Decrease) in Cash Held		49,453,654	(5,418,638)
Add Opening Cash and Cash Equivalents		50,115,680	55,534,318
Closing Cash and Cash Equivalents	Note 4	**99,569,334**	**50,115,680**

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 2016

	Year to 31/03/2016 $	Year to 31/03/2015 $
Reconciliation Of Net Surplus To Cash Flows From Operating Activities		
Net Surplus	2,753,439	2,577,055
Non Cash Items		
Deferred Taxation	(40,828)	(84,368)
Depreciation and Amortisation	863,780	805,565
Loss on Disposal of Assets	6,172	43,339
Increase/(Decrease) in Provision for Credit Impairment	160,000	(110,000)
(Increase)/Decrease in Assets Held for Sale	-	(100,000)
Increase/(Decrease) in Accrued Interest on Borrowings	843,237	800,600
(Increase)/Decrease in Accrued Interest on Term Deposits	(677,856)	(261,478)
	1,154,505	1,093,658
Movement in Working Capital		
(Decrease)/Increase in Trade and Other Payables	244,874	(41,885)
Increase/(Decrease) in Taxation Payable	12,704	(68,413)
(Increase)/Decrease in Trade Receivables	(11,358)	(19,295)
Decrease/(Increase) in Prepayments	(884,495)	(93,987)
Increase in Employee Entitlements	31,488	44,953
Redemption in Loans and Receivables	119,094,567	79,742,057
(Issuance) in Loans and Receivables	(160,034,594)	(122,143,534)
Increase in Borrowings	92,196,694	40,276,849
	50,649,880	(2,303,255)
Net Cash Flows from Operating Activities	**54,557,824**	**1,367,458**

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

The financial statements were authorised by the directors on 1 June 2016.

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 in other comprehensive income or directly in equity, in which case the deferred tax or current tax is also recognised in other comprehensive income or directly in equity.

iv. Goods And Services Tax

Revenue, expense, liabilities and assets are recognised 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 become effective for periods beginning on or after 1 January 2018. These are expected to be adopted by NBS for the year ended 31 March 2019. NZ IFRS 16 Leases becomes effective for period beginning on or after 1 January 2019. This is expected to be adopted by NBS for the year ended 31 March 2020. The potential impact of these new standards have not been assessed.

Notes to the Financial Statements

For The Year Ended 31 March 2016

1. Administration Expenses

Administration Expense Comprises:	31/03/2016	31/03/2015
Branch Expenses	1,385,501	1,332,755
Marketing Expenses	441,504	422,214
Computer Expenses	957,270	955,480
Property Expenses	232,435	214,477
Professional Expenses	412,804	389,564
	3,429,514	**3,314,490**

2. Key Management Compensation

	31/03/2016	31/03/2015
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:	31/03/2016	31/03/2015
Salaries & Short-Term Employee Benefits	503,577	488,905
Post-employment benefits	37,903	39,724
Total Compensation of Key Management Personnel (Excluding Directors)	541,480	**528,629**

3. Taxation

	31/03/2016	31/03/2015
(a) Income Tax Recognised in the Profit and Loss		
Income Tax Expense Comprises:		
Current Tax Expense	1,165,037	1,052,332
Adjustments Recognised in Relation to the Current Tax of Prior Years	(36,741)	41,578
Deferred Tax Expense Relating to the Origination and Reversal of Temporary Differences	(78,170)	(37,500)
Adjustments Recognised in Relation to Deferred Tax of Prior Years	37,342	(46,868)
Total Income Tax Expense Recognised in the Profit and Loss	**1,087,468**	**1,009,542**
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	3,840,907	3,586,597
Taxation thereon at 28%	1,075,454	1,004,247
Non Deductable Expenses	11,412	10,585
Under/(Over) Provision of Income Tax in Previous Year	602	(5,290)
Income Tax Expense Recognised in the Profit and Loss	**1,087,468**	**1,009,542**
The tax rate used on the above reconciliation is the corporate tax rate of 28% (31 March 2015: 28%) payable by New Zealand companies under New Zealand tax law.		
(b) Current Tax Liability		
Balance at the Beginning of the Year	352,332	420,745
Taxation Expense	1,165,037	1,052,332
Adjustments Recognised in Relation to the Current Tax of Prior Year	(36,741)	41,578
Taxation Paid	(1,115,593)	(1,162,323)
Balance at End of Period	**365,035**	**352,332**
(c) Deferred Tax Balances		
Deferred Tax Liabilities Comprise:		
Temporary Differences (Note 11)	(45,249)	(13,842)
	(45,249)	**(13,842)**

4. Cash And Cash Equivalents

	31/03/2016	31/03/2015
Bank Deposits	96,413,015	47,818,727
Cash on Hand	3,156,319	2,296,953
	99,569,334	**50,115,680**

5. Loans And Receivables

		31/03/2016	31/03/2015
Secured		400,098,182	359,476,597
Unsecured		2,069,690	1,751,248
Gross Advances		**402,167,872**	**361,227,845**
Less Provisions for Credit Impairment	Note 7	(910,000)	(750,000)
Total Net Advances		**401,257,872**	**360,477,845**

6. Asset And Liability Categorisation

	31/03/2016	31/03/2015
Financial Assets:		
Loans and Receivables (including Cash and Cash Equivalents)	553,418,466	455,185,666
	553,418,466	**455,185,666**
Financial Liabilities:		
Financial Liabilities Held at Amortised Cost	521,636,655	428,351,850
	521,636,655	**428,351,850**

7. Provision For Credit Impairment

	31/03/2016 Provisions	31/03/2015 Provisions
Specific and Collective Provisions Against Loans and Receivables		
Balance at Beginning of the Period		
Collective	450,000	400,000
Specific	300,000	460,000
	750,000	860,000
New Provisions during the Period		
Collective	404,707	78,778
Specific	150,000	300,000
Provisions Reduced during the Period		
Collective	-	-
Specific	(252,297)	(5,670)
Balances Written Off during the Period		
Collective	(94,707)	(28,778)
Specific	(47,703)	(454,330)
Balance at End of the Period		
Collective	760,000	450,000
Specific	150,000	300,000
	910,000	**750,000**

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:

	31/03/2016	31/03/2015
Bad Debts Written Off for the Period	(142,410)	(483,108)
Add New Provisions Made	302,410	373,108
Movement in Provision for Credit Impairment	160,000	**(110,000)**

8. Asset Quality

	31/03/2016	31/03/2015
(a) Asset Quality Advances to Customers		
Past Due But Not Impaired	626,124	448,849
Impaired	150,000	-
Neither Past Due Nor Impaired	400,481,748	360,028,996
Total Carrying Amount	**401,257,872**	**360,477,845**

	31/03/2016		31/03/2015	
	Past Due Assets	Impaired	Past Due Assets	Impaired
b) Movements in Balances of Impaired and Past Due Assets				
Opening Balance	448,849	-	403,127	1,424,433
Assets Classified as Past Due/Impaired	643,471	150,000	455,182	-
Charges	-	-	3,541	-
Customer Repayments	(184,815)	-	(281,715)	(870,103)
Loan Balance Written Off	(142,410)	-	(28,778)	(454,330)
Assets no Longer Meeting Definition	(138,971)	-	(102,508)	(100,000)
Closing Balance	626,124	150,000	**448,849**	**-**

(c) Ageing of Past Due Assets	31/03/2016	31/03/2015
Past due 0-29 days	414,033	103,890
Past due 30-59 days	86,733	227,096
Past due 60-89 days	121,053	5,996
Past due 90 days+	4,305	111,867
Carrying Amount	626,124	**448,849**

The balance of Past Due Assets is in respect of housing loans and consumer lending. There are two housing loans in arrears, security of $525,000 is held over the outstanding balance of $354,072. (31 March 2015: One housing loan in arrears, security of $220,000 was held over the outstanding balance of $177,900). Consumer lending advances are secured by registered first chattel security. In most cases the Society has recourse for the debt against the car dealers and as such 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 there are no additional issues other than those disclosed above.

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.

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

	31/03/2016	31/03/2015
Current Assets Held for Sale		
Land	64,000	100,000
	64.000	**100,000**

The balance of Current Assets held for sale is in respect of Land. The Society has purchased land for resale. There are no Restructured Advances, additional real estate acquired through the enforcement of security or other assets acquired through the enforcement of securities included in these Financial Statements. (31 March 2015: $100,000).

9. Property, Plant & Equipment

	31/03/2016	31/03/2015
Freehold Land and Buildings		
Fair Value		
Balance at Beginning of the Period	1,833,213	1,833,213
Revaluation	96,787	-
Disposals	-	-
Balance at End of the Period	**1,930,000**	**1,833,213**
Depreciation and Impairment		
Balance at Beginning of the Period	50,594	-
Depreciation for the Period[1]	50,594	50,594
Accumulated Depreciation on Disposed Assets	-	-
Revaluation	(101,188)	-
Balance at End of the Period	-	50,594
Total Freehold Land and Buildings	**1,930,000**	**1,782,619**

	31/03/2016	31/03/2015
Computer Equipment		
Cost		
Balance at Beginning of the Period	999,632	902,164
Additions	78,094	172,000
Disposals	(23,679)	(74,532)
Balance at End of the Period	**1,054,047**	**999,632**
Depreciation and Impairment		
Balance at Beginning of the Period	727,713	668,863
Depreciation for the Period[1]	181,721	133,382
Accumulated Depreciation on Disposed Assets	(23,679)	(74,532)
Balance at End of the Period	885,755	727,713
Total Computer Equipment	**168,292**	**271,919**

	31/03/2016	31/03/2015
Other Assets		
Cost		
Balance at Beginning of the Period	2,279,371	1,892,032
Additions	339,358	571,339
Disposals	(175,098)	(184,000)
Balance at End of the Period	**2,443,631**	**2,279,371**

	31/03/2016	31/03/2015
Depreciation and Impairment		
Balance at Beginning of the Period	1,096,145	967,209
Depreciation for the Period[1]	288,521	252,914
Accumulated Depreciation on Disposed Assets	(116,926)	(123,978)
Balance at End of the Period	**1,267,740**	**1,096,145**
Total Other Assets	**1,175,891**	**1,183,226**
Total Property, Plant and Equipment	**3,274,183**	**3,237,764**

[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 2016. (31 March 2015: $Nil).

The land and buildings of the Society were valued by Murray Lauchlan of Duke & Cook, independent registered valuers, as at 31 March 2016. 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 2016 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:

	31/03/2016	31/03/2015
Freehold Land	16,550	16,550
Buildings	1,108,666	1,108,666
	1,125,216	**1,125,216**

10. Intangible Assets

	31/03/2016	31/03/2015
Software		
Cost		
Balance at Beginning of the Period	1,010,797	855,528
Additions	186,248	155,269
Disposals	(80,568)	-
Balance at End of the Period	**1,116,477**	**1,010,797**
Amortisation and Impairment		
Balance at Beginning of the Period	556,627	187,952
Amortisation for the Period[2]	342,944	368,675
Accumulated Depreciation on Disposed Assets	(80,569)	-
Balance at End of the Period	819,002	**556,627**
Total Software	**297,475**	**454,170**

[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 2016. (31 March 2015: $Nil).

11. Deferred Taxation

	Opening Balance	Charged to Income	Charged to Other Comprehensive Income	Closing Balance
31/03/2016				
Provision for Credit Impairment	238,560	16,240	-	254,800
Property, Plant and Equipment	(338,452)	30,770	(72,233)	(379,915)
Intangible Assets - Software	(22,525)	(1,164)	-	(23,689)
Employee Entitlements	51,888	8,590	-	60,478
Accrued Expenses	56,687	(13,610)	-	43,077
	(13,842)	**40,826**	**(72,233)**	**(45,249)**
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)**

12. Imputation Credit Account

	31/03/2016	31/03/2015
Imputation Credits Available for use at Balance Date	6,265,680	5,307,120

13. Share Capital

During the year ended 31 March 2016 3,370,000 (net) preference shares were issued for $1 each, fully paid. (31 March 2015 2,530,000 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 2016: 5.50%). The Society can cancel the payment of a dividend by giving the holder a Dividend Cancellation Notice. The holder of shares has no right to attend, vote or speak at general meetings nor do the shares carry any right to participate in any cash, bonus or other issues of shares declared or made by the Society. The shares may only be redeemed by the Society giving a Redemption Notice to the holders.

	31/03/2016		31/03/2015	
	Number of Shares	$	Number of Shares	$
Opening Balance	14,362,500	14,362,500	11,832,500	11,832,500
Shares Issued	3,470,000	3,470,000	2,680,000	2,680,000
Shares Redeemed	(100,000)	(100,000)	(150,000)	(150,000)
	3,370,000	3,370,000	2,530,000	2,530,000
Closing Balance	**17,732,500**	**17,732,500**	**14,362,500**	**14,362,500**

14. Retained Earnings

	31/03/2016	31/03/2015
Opening Balance	15,359,393	13,322,030
Net Surplus for the Year	2,753,439	2,577,055
Dividends	(648,565)	(539,692)
Closing Balance	**17,464,267**	**15,359,393**
Dividends Paid per Share	4.3 cents per Share	4.6 cents per Share

15. Revaluation Reserve - Property, Plant & Equipment

	31/03/2016	31/03/2015
Balance at Beginning of the Year	1,000,610	1,000,610
Revaluation	197,975	-
Deferred Taxation Liability	(72,233)	-
Balance at End of the Year	**1,126,352**	**1,000,610**

16. Borrowings

	31/03/2016	31/03/2015
Borrowings		
Call Borrowings - Depositors	112,263,628	79,830,550
Term Borrowings - Depositors	408,281,775	347,674,922
Total Borrowings	**520,545,403**	**427,505,472**

	31/03/2016	Weighted Average Interest Rate %	31/03/2015	Weighted Average Interest Rate %
Maturity Analysis Of Term And Current Borrowings				
Borrowings at Call	112,263,628	1.26	79,830,550	1.37
Between 0 and 1 year	347,710,639	4.04	259,285,792	4.50
Between 1 and 2 years	46,279,886	4.43	75,834,501	5.01
Between 2 and 5 years	14,291,250	4.23	12,554,629	5.21
Total Borrowings	**520,545,403**	**3.47**	**427,505,472**	**4.02**

All Borrowings are unsecured.

17. Commitments And Contingent Liabilities

The Society has a commitment for loans approved but not yet paid at 31 March 2016 of $18,695,400. (31 March 2015 for a total of $8,612,650).

The Society has entered into property leases in Westport, Greymouth and Takaka for 3 years commencing 15 November 2013, 1 May 2015 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:

	31/03/2016	31/03/2015
Less than 1 year	292,672	268,636
Between 1 and 2 years	262,752	247,645
Between 2 and 5 years	456,705	539,897
Greater than 5 years	137,986	272,144
	1,150,115	**1,328,322**

Sponsorship commitments beyond 31 March 2016 total $115,000. (31 March 2015: $317,500).

The Society had no contingent liabilities as at 31 March 2016. (31 March 20145 $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 2016: There was no one customer that individually comprised 10 per cent or more of the total revenue.

31 March 2015: 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	31/03/2016 Carrying Amount	31/03/2016 Fair Value	31/03/2015 Carrying Amount	31/03/2015 Fair Value
Cash and Cash Equivalents and Term Deposits	152,100,236	152,100,236	94,658,821	94,658,821
Loans and Receivables	401,257,872	401,948,552	360,477,845	360,230,010
Trade Receivables	60,358	60,358	49,000	49,000
Total Financial Assets	**553,418,466**	**554,109,146**	**455,185,666**	**454,937,831**
Financial Liabilities				
Borrowings	520,545,403	522,009,566	427,505,472	426,787,132
Trade and Other Payables	1,091,252	1,091,252	846,378	846,378
Total Financial Liabilities	**521,636,655**	**523,100,818**	**428,351,850**	**427,633,510**

Fair Value Hierarchy

Financial Assets	31/03/2016 Level 1	Level 2	Level 3	Fair Value
Loans and Receivables	-	401,948,552	-	401,948,552
Total Financial Assets	**-**	**401,948,552**	**-**	**401,948,552**
Financial Liabilities				
Borrowings	-	522,009,566	-	522,009,566
Total Financial Liabilities	**-**	**522,009,566**	**-**	**522,009,566**

Financial Assets	31/03/2015 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**

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 2016

	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	18,393,964	81,968,300	-	-	-	-	100,362,264
Term Deposits	-	-	48,171,429	6,236,285	-	-	54,407,714
Trade Receivables	60,358	-	-	-	-	-	60,358
Personal Loans	2,069,690	-	-	-	-	-	2,069,690
Consumer Lending	1,004,038	1,294,154	1,836,936	3,766,810	16,436,573	-	24,338,511
Mortgages & Interest	124,487,723	102,451,786	96,611,858	86,936,228	40,468,402	170,158,546	621,114,543
Provision for Credit Impairment	(910,000)	-	-	-	-	-	(910,000)
Total Monetary Assets	145,105,773	185,714,240	146,620,223	96,939,323	56,904,975	170,158,546	801,443,080
Liabilities							
Borrowings	112,263,628	205,308,890	151,082,297	47,740,548	14,559,879	-	530,955,242
Trade and Other Payables	1,091,252	-	-	-	-	-	1,091,252
Employee Entitlements	296,803	-	-	-	-	-	296,803
Current Tax Liabilities	-	365,035	-	-	-	-	365,035
Total Monetary Liabilities	**113,651,683**	**205,673,925**	**151,082,297**	**47,740,548**	**14,559,879**	**-**	**532,708,332**
Net Monetary Assets/ (Liabilities)	**31,454,090**	**(19,959,685)**	**(4,462,074)**	**49,198,775**	**42,345,096**	**170,158,546**	**268,734,748**
Unrecognised Loan Commitments	**(18,695,400)**	**-**	**-**	**-**	**-**	**-**	**(18,695,400)**
Net Liquidity Gap	**12,758,690**	**(19,959,685)**	**(4,462,074)**	**49,198,775**	**42,345,096**	**170,158,546**	**250,039,348**

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**

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.

	31/03/2016		31/03/2015	
% of Equity	Bank	Other	Bank	Other
10-19	-	3	1	6
20-29	1	-	2	-
30-39	1	-	1	-
40-49	2	-	-	-
50-59	-	-	-	-
60-69	-	-	1	-
70-79	-	-	-	-
80-89	-	-	-	-
90+	2	-	1	-

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.

	31/03/2016	31/03/2015
Residential	276,179,563	257,200,651
Commercial	57,788,604	51,917,665
Agriculture	46,911,323	40,144,034
Personal Lending	2,069,690	1,751,248
Consumer Finance	18,308,692	9,464,427
	401,257,872	360,477,845

The table below shows the level of lending by region.	Year to 31/03/2016	Year to 31/03/2015
Nelson	98,403,843	91,393,331
Tasman	169,499,482	152,537,811
West Coast	48,031,638	48,213,840
Golden Bay	56,844,237	44,943,680
Mid Canterbury	28,478,672	23,389,183
	401,257,872	360,477,845

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 88% of the borrowings can be repriced or mature within twelve months (31 March 2015: 80%).

At 31 March 2016 there were 728 fixed rate borrowings totalling $60,571,136 not reviewable within one year. (31 March 2015: 1080 fixed rate borrowings totalling $88,389,130). The table below shows the next interest maturity date for financial assets and liabilities excluding interest.

Interest Rate Repricing Schedule as at 31 March 2016

	Effective Interest Rate%	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	Greater than 2 Years	Total Carrying Amount
Monetary Assets							
Cash & Cash Equivalents	3.80%	18,393,964	81,175,370	-	-	-	99,569,334
Term Deposits	3.88%	-	-	46,619,833	5,911,069	-	52,530,902
Trade Receivables		60,358	-	-	-	-	60,358
Personal Loans	10.68%	2,069,690	-	-	-	-	2,069,690
Consumer Lending	11.24%	1,004,038	330,321	902,817	2,084,866	13,986,650	18,308,692
Mortgage Advances	6.03%	124,487,723	94,999,437	89,209,717	72,323,638	768,975	381,789,490
Provision for Credit Impairment		(910,000)	-	-	-	-	(910,000)
Total Monetary Assets		**145,105,773**	**176,505,128**	**136,732,367**	**80,319,573**	**14,755,625**	**553,418,466**
Liabilities							
Borrowings	3.47%	112,263,628	199,319,420	148,391,219	46,279,886	14,291,250	520,545,403
Trade and Other Payables		1,091,252	-	-	-	-	1,091,252
Total Monetary Liabilities		113,354,880	199,319,420	148,391,219	46,279,886	14,291,250	521,636,655
Net Monetary Assets/ (Liabilities)		**31,750,893**	**(22,814,292)**	**(11,658,852)**	**34,039,687**	**464,375**	**31,781,811**
Unrecognised Loan Commitments	6.13%	**(18,695,400)**	**-**	**-**	**-**	**-**	**(18,695,400)**
Net Liquidity Gap		**13,055,493**	**(22,814,292)**	**(11,658,852)**	**34,039,687**	**464,375**	**13,086,411**

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**

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 Capital Ratio as at 31 March 2016 is 10.17%. (31 March 2015: 10.33%), 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	
	31/03/2016	31/03/2015
Loans and advances outstanding at beginning of period	244,185	1,974,608
Net loans issued/(repaid) during the period	2,556,735	387,909
Loans no longer meeting definition	-	(2,118,332)
Loans and advances outstanding at end of period	**2,800,920**	**244,185**

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 2016. (31 March 2015: $Nil). The above Loans and Receivables are charged interest at current market rates.

(b) Deposits from Related Parties	Directors and Other Key Management Personnel	
	31/03/2016	31/03/2015
Deposits at beginning of period	808,877	2,244,215
Net deposits received/(repaid) during the period	(44,937)	191,045
Deposits no longer meeting definition	-	(1,626,383)
Deposits at end of period	**763,940**	**808,877**

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.

(d) Other Related Party Transaction

During the year, the Society entered into a sale transaction with a close family member of key management personnel for $22,000. There were no amounts outstanding at year end.

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 2016 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 $296,848. (31 March 2015: $250,914). 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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