NBS

NELSON BUILDING SOCIETY

2017

ANNUAL REPORT

NBS

VISION

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

The 155th 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 Limited
Head Office	111 Trafalgar Street PO Box 62 Nelson 7040

Notice Of Annual General Meeting

Notice is hereby given that the One Hundred and Fifty Fifth Annual General Meeting of Shareholders of the Nelson Building Society will be held at The Nelson Building Society, 111 Trafalgar Street, Nelson on Wednesday 28th June 2017 at 5.30pm.

Business

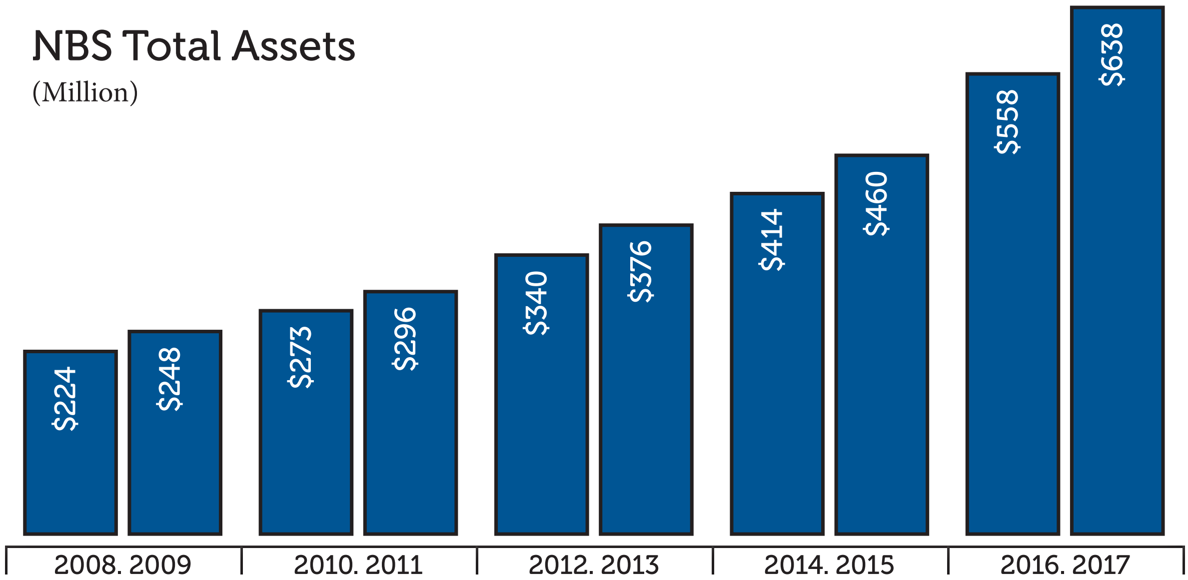
1. To receive the Director's Report and Statement of Accounts.
2. To appoint the Auditors for the ensuing year and fix their remuneration
3. General Business.

A J Cadigan
Secretary

Chairman of Directors' & General Manager's Report 2017

After 155 years of proud history we are pleased to announce another outstanding result for NBS for the year to 31 March 2017 with a net profit before tax achievement of $5.034m.

The last decade has seen NBS's Total Assets grow on average in excess of 10% per annum.



Our Performance

The NBS Banking model continues to perform well, with great results being achieved through our strong branch network and dedicated staff. NBS Managers and Personal Bankers are empowered with delegated authorities to make client based decisions, which is the envy of other financial institutions.

Key Results

Total Assets
$638m 14.3%

Total Lending
$489m 21.4%

Total Deposits
$595m 14.3%

Total Funds Under Management
$1.088b 17.4%

The Board and Management remain focused on NBS maintaining a strong balance sheet with high levels of liquidity, placing NBS in a position to meet all requirements of our client base moving forward.

The continuation of support for the communities in which we operate have, and will always be a top priority for NBS. This support is displayed in many forms, from sponsorships to community vehicles and marquees.

Shots from Nelson Events & the NBS Strider Hands, the Around Brunner Cycle Event in Greymouth and the Run Mahana Event.

Chairman of Directors' & General Manager's Report 2017

Financial Performance

The NBS profit result for the year of $5.034m (up 31.1%) is a record result in our history.

This has been achieved through a combination of factors including an increase in revenue while maintaining tight controls over operating expenses.

The result is even more satisfying considering the competitive banking environment NBS staff operate in on a daily basis.

All eight NBS branches have made significant contributions to the overall position of the business during the past 12 months.

For the safeguard of NBS clients, prudential supervision of NBS is provided by the Board, the Trustee, the Financial Markets Authority, and the Reserve Bank of New Zealand. NBS remains fully compliant with all Trust Deed and supervisory requirements.

International Rating Agency Fitch have analysed NBS and issued a Rating of BB+ with a stable outlook.

Our Future

With a desire to continue our growth strategy, NBS is presented with challenges to meet and maintain our minimum capital requirements. The Reserve Bank is currently reviewing the capital requirements for banks so it is an opportune time for us to make a submission as a non bank deposit taker to explore new opportunities that could be used to raise capital.

The NBS Board will continue to work diligently on behalf of our clients in providing governance and support to management. The Board conduct a full NBS performance and strategy meeting on a monthly basis where all NBS performance measures are reviewed.

Looking ahead the Board is focussed on capital requirements and keeping NBS technology up to date for the benefit of our valued client base.

The Directors retiring by rotation are Mr Garry Dayman and Mr Phil Robson. Both are eligible for re-election without nomination, and as such we declare them re-elected.

Garry Dayman
Chairman

Ken Beams
General Manager

NBS Family Fun Day - Meet the Makos tug of war.

Independent Auditor's Report

To The Members of Nelson Building Society

Deloitte.

Opinion

We have audited the financial statements of Nelson Building Society (the 'Society'), which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, on pages 7 to 32, present fairly, in all material respects, the financial position of the Society as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

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

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

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

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

Other information

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

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

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

Directors' responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6. This description forms part of our auditor's report.

Restriction on use

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

Deloitte Limited

Michael Wilkes, Partner
for Deloitte Limited
Christchurch, New Zealand

24 May 2017

This audit report relates to the financial statements of Nelson Building Society (the 'Society') for the year ended 31 March 2017 included on the Society's website. The Directors are responsible for the maintenance and integrity of the Society's website. We have not been engaged to report on the integrity of the Society's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 24 May 2017 to confirm the information included in the audited financial statements presented on this website.

Statement of Comprehensive Income

For The Year Ended 31 March 2017

		Year to 31/03/2017 $	Year to 31/03/2016 $
Income			
Interest Income Received From:			
Income from Mortgages & Personal Loans		24,916,055	24,470,024
Income from Consumer Lending		3,839,497	1,620,815
Income from Bank Deposits, Investments & Debentures		4,278,278	5,066,083
Total Interest Income		33,033,830	31,156,922
Deduct Finance Costs			
Interest on Term & Call Deposits		(18,369,094)	(18,944,751)
Consumer Lending Commission		(1,303,998)	(600,668)
		(19,673,092)	(19,545,419)
Net Interest Income		**13,360,738**	**11,611,503**
Add - Other Income			
Bad Debts Recovered		60,752	15,268
Transaction & Service Fees		801,545	772,915
Other Income		321,843	316,836
		1,184,140	**1,105,019**
Gross Contribution From Activities		**14,544,878**	**12,716,522**
Deduct Overhead Expenses			
Auditors Renumeration	Note 3	(138,460)	(104,500)
Administration Expenses	Note 1	(3,702,198)	(3,429,514)
Amortisation & Depreciation		(826,204)	(863,780)
Directors Fees	Note 2	(148,000)	(148,000)
Operating Lease Costs		(316,828)	(313,501)
Personnel Costs		(3,638,254)	(3,245,645)
Provision for Credit Impairment	Note 8	(329,707)	(302,410)
Sponsorship		(410,598)	(468,265)
Total Expenses		**(9,510,249)**	**(8,875,615)**
Surplus Before Taxation		**5,034,629**	**3,840,907**
Income Tax Expense	Note 4	(1,425,024)	(1,087,468)
Net Surplus For The Year		**3,609,605**	**2,753,439**
Other Comprehensive income that will not be reclassified subsequently to Profit and Loss			
Gains on Revaluation of Property net of income tax		101,227	125,742
Total Comprehensive Income For The Year		**3,710,832**	**2,879,181**

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 2017

		Share Capital $	Revaluation Reserves $	Retained Earnings $	Total $
Balance as at 1 April 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 14	3,470,000	-	-	3,470,000
Shares Redeemed	Note 14	(100,000)	-	-	(100,000)
Dividends Paid	Note 15	-	-	(648,565)	(648,565)
Balance as at 31 March 2016		**17,732,500**	**1,126,352**	**17,464,267**	**36,323,119**
Net Surplus and Total Comprehensive Income		-	101,227	3,609,605	3,710,832
Shares Issued	Note 14	3,602,000	-	-	3,602,000
Shares Redeemed	Note 14	(1,054,000)	-	-	(1,054,000)
Dividends Paid	Note 15	-	-	(751,571)	(751,571)
Balance at 31 March 2017		**20,280,500**	**1,227,579**	**20,322,301**	**41,830,380**

Approval of Financial Statements for the Year Ended 31 March 2017

Authorised for Issue

The Directors authorised the issue of these financial statements on 24 May 2017.

Approval by Directors

The Directors are pleased to present the financial statements of Nelson Building Society for the year ended 31 March 2017.

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 2017

		As at 31/03/2017 $	As at 31/03/2016 $
Assets			
Cash and Cash Equivalents	Note 5	94,641,711	99,569,334
Term Deposits		51,113,915	52,530,902
Trade Receivables		26,001	60,358
Prepayments		-	282,502
Assets Held for Sale			
Land	Note 9	-	64,000
Loans and Receivables	Note 6		
Mortgages		442,715,304	381,789,490
Personal Loans		2,676,613	2,069,690
Consumer Lending		44,119,684	19,638,927
Less Provision for Credit Impairment	Note 8	(711,643)	(910,000)
Property			
Property, Plant & Equipment	Note 10	3,198,190	3,274,183
Intangible Assets			
Software	Note 11	701,836	297,475
		638,481,611	**558,666,861**
Liabilities			
Employee Entitlements		281,430	296,803
Trade and Other Payables		856,411	1,091,252
Current Tax Liabilities	Note 4	389,365	365,035
Borrowings	Note 17	594,998,716	520,545,403
Deferred Taxation	Note 12	125,309	45,249
		596,651,231	**522,343,742**
Net Assets		**41,830,380**	**36,323,119**
Equity			
Share Capital	Note 14	20,280,500	17,732,500
Retained Earnings	Note 15	20,322,301	17,464,267
Revaluation Reserve	Note 16	1,227,579	1,126,352
Attributable to Members of the Society		**41,830,380**	**36,323,119**

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 2017

		Year to 31/03/2017 $	Year to 31/03/2016 $
Cash Flows From Operating Activities			
Cash was provided from:			
Interest Received		33,627,613	30,479,066
Other Income		1,184,140	1,105,019
		34,811,753	31,584,085
Cash was disbursed to:			
Interest Paid		(20,445,919)	(18,702,182)
Operating Expenses		(8,821,366)	(7,835,114)
Income Taxes Paid	Note 4	(1,359,999)	(1,115,593)
		(30,627,284)	(27,652,889)
Net Cash Flows From Operating Activities before changes in Operating Assets		**4,184,469**	**3,931,196**
Redemption of Loans and Receivables		119,597,379	118,464,528
Issuance of Loans and Receivables		(205,610,873)	(160,034,594)
Net Increase in Borrowings		75,226,140	92,196,694
Net Cash Flows From Operating Activities		**(6,602,885)**	**54,557,824**
Cash Flows From Investing Activities			
Cash was provided from:			
Term Deposits		823,204	-
Sale of Property, Plant & Equipment	Note 10	43,760	52,000
Assets Held for Resale	Note 9	64,000	36,000
		930,964	**88,000**
Cash was disbursed to:			
Purchase of Property, Plant & Equipment	Note 10	(294,929)	(417,452)
Purchase of Intangible Assets	Note 11	(757,202)	(186,248)
Term Deposits		-	(7,309,905)
		(1,052,131)	(7,913,605)
Net Cash Flows (Used In)/from Investing Activities		**(121,167)**	**(7,825,605)**
Cash Flows From Financing Activities			
Cash was provided from:			
Issue of Shares	Note 14	3,602,000	3,470,000
		3,602,000	**3,470,000**
Cash was disbursed to:			
Dividends Paid	Note 15	(751,571)	(648,565)
Redemption of Shares	Note 14	(1,054,000)	(100,000)
Net Cash Flows from Financing Activities		**1,796,429**	**2,721,435**
Increase/(Decrease) in Cash Held		(4,927,623)	49,453,654
Add Opening Cash and Cash Equivalents		99,569,334	50,115,680
Closing Cash and Cash Equivalents	Note 5	**94,641,711**	**99,569,334**

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 2017

	Year to 31/03/2017 $	Year to 31/03/2016 $
Reconciliation Of Net Surplus To Cash Flows From Operating Activities		
Net Surplus	3,609,605	2,753,439
Non Cash Items		
Deferred Taxation	40,694	(40,828)
Depreciation and Amortisation	826,204	863,780
Loss on Disposal of Assets	(5,616)	6,172
Increase/(Decrease) in Provision for Credit Impairment	(198,357)	160,000
Increase/(Decrease) in Accrued Interest on Borrowings	(772,827)	843,237
(Increase)/Decrease in Accrued Interest on Term Deposits	593,783	(677,856)
	483,881	1,154,505
Movement in Working Capital		
Increase/(Decrease) in Trade and Other Payables	(234,833)	244,874
Increase/(Decrease) in Taxation Payable	24,330	12,704
(Increase)/Decrease in Trade Receivables	34,357	(11,358)
(Increase)/Decrease in Prepayments	282,502	(254,456)
Increase/(Decrease) in Employee Entitlements	(15,373)	31,488
Redemption in Loans and Receivables	119,597,379	118,464,528
(Issuance) in Loans and Receivables	(205,610,873)	(160,034,594)
Net Increase in Borrowings	75,226,140	92,196,694
	(10,696,371)	50,649,880
Net Cash Flows from Operating Activities	**(6,602,885)**	**54,557,824**

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 ("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. 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 24 May 2017.

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, consumer lending and debit card facilities.

Particular Accounting Policies

i. Revenue Recognition

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

• Interest Income

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

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

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

• 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.

ii. Expense Recognition

• Interest Expense

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

• Losses on Loans and Receivables Carried at Amortised Cost

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

• Leasing

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

• Commissions and Other Fees

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

iii. Taxation

Income Tax

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

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

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

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

iv. Goods And Services Tax

Revenue, expense, liabilities and assets are recognised gross of the amount of goods and services tax ('GST'). GST is recoverable in direct proportion to the Society's commercial 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 contractual maturity within six 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 profit and loss. Any revaluation deficit is recognised in the profit and loss unless it directly offsets a previous surplus of the same asset recognised in the asset revaluation reserve. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to a particular asset being disposed is transferred to retained earnings.

• Depreciation

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

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

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

• Intangible Assets

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

vi. 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 and consumer lending 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) or the value of the collateral, 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 10.

- Impairment Analysis

  Policy (vi) and Note 8 and Note 9.

xi. Changes In Accounting Policies

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

xii. Standards And Interpretations In Issue But Not Yet Effective

NZ IFRS 9 Financial Instruments 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 2017

1. Administration Expenses

Administration Expense Comprises:	31/03/2017	31/03/2016
Branch Expenses	1,551,661	1,385,501
Marketing Expenses	505,356	441,504
Computer Expenses	988,729	957,270
Property Expenses	227,364	232,435
Professional Expenses	429.088	412,804
	3,702,198	**3,429,514**

2. Key Management Compensation

	31/03/2017	31/03/2016
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:	**31/03/2017**	**31/03/2016**
Salaries & Short-Term Employee Benefits	512,885	503,577
Post-employment benefits	40,677	37,903
Total Compensation of Key Management Personnel (Excluding Directors)	**553,562**	**541,480**

3. Auditors Remuneration

	31/03/2017	31/03/2016
Audit of Financial Statements	70,725	69,000
Trust Deed and Annual Report	19,550	5,750
Prospectus	5,750	-
Members Register	8,050	5,750
Taxation Certificate	12,148	24,000
Taxation Consultancy	22,237	-
	138,460	**104,500**

4. Taxation

	31/03/2017	31/03/2016
(a) Income Tax Recognised in the Profit and Loss		
Income Tax Expense Comprises:		
Current Tax Expense	1,350,941	1,165,037
Adjustments Recognised in Relation to the Current Tax of Prior Years	33,389	(36,741)
Deferred Tax Expense Relating to the Origination and Reversal of Temporary Differences	74,049	(78,170)
Adjustments Recognised in Relation to Deferred Tax of Prior Years	(33,355)	37,342
Total Income Tax Expense Recognised in the Profit and Loss	**1,425,024**	**1,087,468**

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

	31/03/2017	31/03/2016
Surplus before tax	5,034,629	3,840,907
Taxation thereon at 28%	1,409,696	1,075,454
Non Deductable Expenses	15,294	11,412
Under/(Over) Provision of Income Tax in Previous Year	34	602
Income Tax Expense Recognised in the Profit and Loss	**1,425,024**	**1,087,468**

The tax rate used on the above reconciliation is the corporate tax rate of 28% (31 March 2016: 28%) payable by New Zealand companies under New Zealand tax law.

		31/03/2017	31/03/2016
(b) Current Tax Liability			
Balance at the Beginning of the Year		365,035	352,332
Taxation Expense		1,350,941	1,165,037
Adjustments Recognised in Relation to the Current Tax of Prior Year		33,389	(36,741)
Taxation Paid		(1,360,000)	(1,115,593)
Balance at End of Period		**389,365**	**365,035**
(c) Deferred Tax Balances			
Deferred Tax Liabilities Comprise:			
Temporary Differences (Note 12)		(125,309)	(45,249)
		(125,309)	**(45,249)**

5. Cash And Cash Equivalents

	31/03/2017	31/03/2016
Bank Deposits	92,295,850	96,413,015
Cash on Hand	2,345,861	3,156,319
	94,641,711	**99,569,334**

6. Loans And Receivables

		31/03/2017	31/03/2016
Secured		486,834,988	401,428,417
Unsecured		2,676,613	2,069,690
Gross Advances		**489,511,601**	**403,498,107**
Less Provisions for Credit Impairment	Note 8	(711,643)	(910,000)
Total Net Advances		**488,799,958**	**402,588,107**

7. Asset And Liability Categorisation

	31/03/2017	31/03/2016
Financial Assets:		
Loans and Receivables (including Cash and Cash Equivalents)	634,581,585	554,748,701
	634,581,585	**544,748,701**
Financial Liabilities:		
Financial Liabilities Held at Amortised Cost	595,855,127	521,636,655
	595,855,127	**521,636,655**

8. Provision For Credit Impairment

	31/03/2017 Provisions	31/03/2016 Provisions
Specific and Collective Provisions Against Loans and Receivables Balance at Beginning of the Period		
Collective	760,000	450,000
Specific	150,000	300,000
	910,000	750,000
New Provisions during the Period		
Collective	422,032	404,707
Specific	-	150,000
Provisions Reduced during the Period		
Collective	-	-
Specific	(92,325)	(252,297)

	31/03/2017 Provisions	31/03/2016 Provisions
Balances Written Off during the Period		
Collective	(470,389)	(94,707)
Specific	(57,675)	(47,703)
Balance at End of the Period		
Collective	711,643	760,000
Specific	-	150,000
	711,643	**910,000**

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

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

	31/03/2017	31/03/2016
Bad Debts Written Off for the Period	(528,064)	(142,410)
Provisions Reduced During the Period	(92,325)	(252,297)
Add New Provisions Made	422,032	554,707
Movement in Provision for Credit Impairment	**(198,357)**	**160,000**

9. Asset Quality

	31/03/2017	31/03/2016
(a) Asset Quality Advances to Customers		
Past Due But Not Impaired	253,790	626,124
Impaired	-	150,000
Neither Past Due Nor Impaired	489,257,811	402,721,983
Gross Carrying Amount	**489,511,601**	**403,498,107**

	31/03/2017		31/03/2016	
	Past Due Assets	Impaired	Past Due Assets	Impaired
b) Movements in Balances of Impaired and Past Due Assets				
Opening Balance	626,124	150,000	448,849	-
Assets Classified as Past Due/Impaired	697,058	-	643,471	150,000
Customer Repayments	(415,046)	-	(184,815)	-
Loan Balance Written Off	(470,389)	(57,675)	(142,410)	-
Assets no Longer Meeting Definition	(183,957)	(92,325)	(138,971)	-
Closing Balance	**253,790**	**-**	**626,124**	**150,000**

(c) Ageing of Past Due Assets	31/03/2017	31/03/2016
Past due 0-29 days	114,039	414,033
Past due 30-59 days	57,950	86,733
Past due 60-89 days	23,229	121,053
Past due 90 days+	58,572	4,305
Carrying Amount	**253,790**	**626,124**

The balance of Past Due Assets is in respect of consumer lending. Consumer lending advances are secured by a registered charge over the vehicle. It is not considered necessary to determine the fair value of the collateral as the balance is reviewed regularly and the Society is satisfied that there is adequte provisioning to cover potential loss. There are no additional issues other than those disclosed above.

(d) Restructured Assets, Assets Acquired Through Enforcement of Securities and Assets Held for Sale

	31/03/2017	31/03/2016
Assets Held for Sale		
Land	-	64,000
	-	**64.000**

As at 31 March 2017 Assets held for sale are $Nil (31 March 2016: $64,000). 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.

10. Property, Plant & Equipment

	31/03/2017	31/03/2016
Freehold Land and Buildings		
Fair Value		
Balance at Beginning of the Period	1,930,000	1,833,213
Revaluation	90,000	96,787
Disposals	-	-
Balance at End of the Period	**2,020,000**	**1,930,000**
Depreciation and Impairment		
Balance at Beginning of the Period	-	50,594
Depreciation for the Period[1]	50,593	50,594
Accumulated Depreciation on Disposed Assets	-	-
Revaluation	(50,593)	(101,188)
Balance at End of the Period	-	-
Total Freehold Land and Buildings	**2,020,000**	**1,930,000**

	31/03/2017	31/03/2016
Computer Equipment		
Cost		
Balance at Beginning of the Period	1,054,047	999,632
Additions	109,682	78,094
Disposals	-	(23,679)
Balance at End of the Period	**1,163,729**	**1,054,047**
Depreciation and Impairment		
Balance at Beginning of the Period	885,755	727,713
Depreciation for the Period[1]	137,846	181,721
Accumulated Depreciation on Disposed Assets	-	(23,679)
Balance at End of the Period	1,023,601	885,755
Total Computer Equipment	**140,128**	**168,292**

	31/03/2017	31/03/2016
Other Assets		
Cost		
Balance at Beginning of the Period	2,443,631	2,279,371
Additions	185,247	339,358
Disposals	(111,260)	(175,098)
Balance at End of the Period	**2,517,618**	**2,443,631**

	31/03/2017	31/03/2016
Depreciation and Impairment		
Balance at Beginning of the Period	1,267,740	1,096,145
Depreciation for the Period[1]	284,924	288,521
Accumulated Depreciation on Disposed Assets	(73,108)	(116,926)
Balance at End of the Period	**1,479,556**	**1,267,740**
Total Other Assets	**1,038,062**	**1,175,891**
Total Property, Plant and Equipment	**3,198,190**	**3,274,183**

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

The land and buildings of the Society were valued by Murray Lauchlan of Duke & Cook, independent registered valuers, as at 31 March 2017. 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 2017 was 6.25%. A significant increase/decrease in the rental capitalisation rate would result in an decrease/increase to the fair value of the land and buildings.

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

	31/03/2017	31/03/2016
Freehold Land	16,550	16,550
Buildings	502,632	553,225
	519,182	**569,775**

11. Intangible Assets

	31/03/2017	31/03/2016
Software		
Cost		
Balance at Beginning of the Period	1,116,477	1,010,797
Additions	757,203	186,248
Disposals	-	(80,568)
Balance at End of the Period	**1,873,680**	**1,116,477**
Amortisation and Impairment		
Balance at Beginning of the Period	819,002	556,627
Amortisation for the Period[2]	352,841	342,944
Accumulated Amortisation on Disposed Assets	-	(80,569)
Balance at End of the Period	1,171,843	819,002
Total Software	**701,836**	**297,475**

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

12. Deferred Taxation

	Opening Balance	Charged to Income	Charged to Other Comprehensive Income	Closing Balance
31/03/2017				
Provision for Credit Impairment	254,800	(55,540)	-	199,260
Property, Plant and Equipment	(379,915)	11,726	(39,366)	(407,555)
Intangible Assets - Software	(23,689)	21,309	-	(2,380)
Employee Entitlements	60,478	5,316	-	65,794
Accrued Expenses	43,077	(23,505)	-	19,572
	(45,249)	**(40,694)**	**(39,366)**	**(125,309)**
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)**

13. Imputation Credit Account

	31/03/2017	31/03/2016
Imputation Credits Available for use at Balance Date	**7,324,342**	**6,265,680**

14. Share Capital

During the year ended 31 March 2017 2,548,000 (net) preference shares were issued for $1 each, fully paid. (31 March 2016 3,370,000 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 2017: 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.

	31/03/2017		31/03/2016	
	Number of Shares	$	Number of Shares	$
Opening Balance	17,732,500	17,732,500	14,362,500	14,362,500
Shares Issued	3,602,000	3,602,000	3,470,000	3,470,000
Shares Redeemed	(1,054,000)	(1,054,000)	(100,000)	(100,000)
	2,548,000	2,548,000	3,370,000	3,370,000
Closing Balance	**20,280,500**	**20,280,500**	**17,732,500**	**17,732,500**

15. Retained Earnings

	31/03/2017	31/03/2016
Opening Balance	17,464,267	15,359,393
Net Surplus for the Year	3,609,605	2,753,439
Dividends	(751,571)	(648,565)
Closing Balance	**20,322,301**	**17,464,267**
Dividends Paid per Share	5.5 cents per Share	4.3 cents per Share

16. Revaluation Reserve - Property, Plant & Equipment

	31/03/2017	31/03/2016
Balance at Beginning of the Year	1,126,352	1,000,610
Revaluation	140,593	197,975
Deferred Taxation Liability	(39,366)	(72,233)
Balance at End of the Year	**1,227,579**	**1,126,352**

17. Borrowings

	31/03/2017	31/03/2016
Borrowings		
Call Borrowings - Depositors	120,089,723	112,263,628
Term Borrowings - Depositors	474,908,993	408,281,775
Total Borrowings	**594,998,716**	**520,545,403**

	31/03/2017	Weighted Average Interest Rate %	31/03/2016	Weighted Average Interest Rate %
Maturity Analysis Of Term And Current Borrowings				
Borrowings at Call	120,089,723	1.08	112,263,628	1.26
Between 0 and 1 year	431,653,536	3.70	347,710,639	4.04
Between 1 and 2 years	34,918,456	3.80	46,279,886	4.43
Between 2 and 5 years	8,337,001	3.84	14,291,250	4.23
Total Borrowings	**594,998,716**	**3.17**	**520,545,403**	**3.47**

All Borrowings are unsecured.

18. Commitments And Contingent Liabilities

The Society has a commitment for loans approved but not yet paid at 31 March 2017 of $16,147,000. (31 March 2016 for a total of $18,695,400).

The Society has entered into property leases in Murchison, Westport, Greymouth and Takaka for 3 years commencing 01 January 2016, 15 November 2016, 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:

	31/03/2017	31/03/2016
Less than 1 year	297,713	292,672
Between 1 and 2 years	199,392	262,752
Between 2 and 5 years	398,112	456,705
Greater than 5 years	45,995	137,986
	941,212	**1,150,115**

Sponsorship commitments beyond 31 March 2017 total $57,500 (31 March 2016: $115,000).

The Society had no contingent liabilities as at 31 March 2017 (31 March 2016: $Nil).

19. 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 2017: There was no one customer that individually comprised 10 per cent or more of the total revenue.

31 March 2016: There was no one customer that individually comprised 10 per cent or more of the total revenue.

20. Fair Value

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

Methodologies

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

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

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

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

There have been no transfers between levels during the year.

The following methods have been used:

Cash and Cash Equivalents

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	31/03/2017 Carrying Amount	31/03/2017 Fair Value	31/03/2016 Carrying Amount	31/03/2016 Fair Value
Cash and Cash Equivalents and Term Deposits	145,755,626	145,755,626	152,100,236	152,100,236
Loans and Receivables	488,799,958	488,577,150	402,588,107	403,278,787
Trade Receivables	26,001	26,001	60,358	60,358
Total Financial Assets	**634,581,585**	**634,358,777**	**554,748,701**	**555,439,381**
Financial Liabilities				
Borrowings	594,998,716	594,889,351	520,545,403	522,009,566
Trade and Other Payables	856,411	856,411	1,091,252	1,091,252
Total Financial Liabilities	**595,855,127**	**595,745,762**	**521,636,655**	**523,100,818**

Fair Value Hierarchy

Financial Assets	31/03/2017 Level 1	Level 2	Level 3	Fair Value
Loans and Receivables	-	488,577,150	-	488,577,150
Total Financial Assets	**-**	**488,577,150**	**-**	**488,577,150**
Financial Liabilities				
Borrowings	-	594,889,351	-	594,889,351
Total Financial Liabilities	**-**	**594,889,351**	**-**	**594,889,351**

Financial Assets	31/03/2016 Level 1	Level 2	Level 3	Fair Value
Loans and Receivables	-	403,278,787	-	403,278,787
Total Financial Assets	**-**	**403,278,787**	**-**	**403,278,787**
Financial Liabilities				
Borrowings	-	522,009,566	-	522,009,566
Total Financial Liabilities	**-**	**522,009,566**	**-**	**522,009,566**

21. 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.

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 2017

	On Call Demand	Within 6 Months	6 Months to 1 Year	1 to 2 Years	2 to 5 Years	Greater than 5 Years	Total
Monetary Assets							
Cash & Cash Equivalents	14,655,772	80,786,244	-	-	-	-	95,442,016
Term Deposits	-	-	52,296,735	-	-	-	52,296,735
Trade Receivables	26,001	-	-	-	-	-	26,001
Personal Loans	-	159,304	262,752	933,818	2,059,957	15,021	3,430,852
Consumer Lending	-	2,469,692	3,647,365	8,674,213	43,752,674	-	58,543,944
Mortgages & Interest	52,323,381	20,852,524	17,779,614	40,847,975	97,610,099	516,151,646	745,565,239
Provision for Credit Impairment	(711,643)	-	-	-	-	-	(711,643)
Total Monetary Assets	**66,293,511**	**104,267,764**	**73,986,466**	**50,456,006**	**143,422,730**	**516,166,667**	**954,593,144**
Liabilities							
Borrowings	120,089,723	280,801,219	159,414,411	35,699,377	8,517,586	-	604,522,316
Trade and Other Payables	856,411	-	-	-	-	-	856,411
Employee Entitlements	281,430	-	-	-	-	-	281,430
Current Tax Liabilities	-	389,365	-	-	-	-	389,365
Total Monetary Liabilities	**121,227,564**	**281,190,584**	**159,414,411**	**35,699,377**	**8,517,586**	**-**	**606,049,522**
Net Monetary Assets/ (Liabilities)	**(54,934,053)**	**(176,922,820)**	**(85,427,945)**	**14,756,629**	**134,905,144**	**516,166,667**	**348,543,622**
Unrecognised Loan Commitments	**(16,147,000)**	**-**	**-**	**-**	**-**	**-**	**(16,147,000)**
Net Liquidity Gap	**(71,081,053)**	**(176,922,820)**	**(85,427,945)**	**14,756,629**	**134,905,144**	**516,166,667**	**332,396,622**

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
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	-	165,796	190,342	606,548	1,687,572	-	2,650,258
Consumer Lending	-	1,343,081	1,949,481	3,875,767	17,023,355	711,357	24,903,041
Mortgages & Interest	43,468,861	13,265,844	11,116,808	33,010,238	107,615,892	467,733,464	676,211,107
Provision for Credit Impairment	(910,000)	-	-	-	-	-	(910,000)
Total Monetary Assets	**61,013,183**	**96,743,021**	**61,428,060**	**43,728,838**	**126,326,819**	**468,444,821**	**857,684,742**
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)	**(52,638,500)**	**(108,930,904)**	**(89,654,237)**	**(4,011,710)**	**111,766,940**	**468,444,821**	**324,976,410**
Unrecognised Loan Commitments	**(18,695,400)**	**-**	**-**	**-**	**-**	**-**	**(18,695,400)**
Net Liquidity Gap	**(71,333,900)**	**(108,930,904)**	**(89,654,237)**	**(4,011,710)**	**111,766,940**	**468,444,821**	**306,281,010**

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.

The on-call and within 6 month calculations have been reassessed and updated in 2016 to reflect the contractual maturity of call products.

Loans and Receivables

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

22. 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 gross 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 credit risk on Loans and Receivables is limited to the security held. Personal advances are generally secured by way of guarantee. The majority of consumer lending advances are secured by a registered charge over the asset.

In the normal course of business, the Society incurs credit risk from debtors. The Society has a credit policy, which is used to manage its exposure to unsecured advances. There are no significant concentrations of credit risk in any of the above areas. The majority of the Society's Loans and Receivables are invested in residential mortgages. 66% of all Loans and Receivables are in the Nelson and Tasman Regions, the remaining 34% 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.

	31/03/2017		31/03/2016	
% of Equity	Bank	Other	Bank	Other
10-19	1	2	-	3
20-29	1	1	1	-
30-39	1	-	1	-
40-49	-	-	2	-
50-59	-	-	-	-
60-69	-	-	-	-
70-79	1	-	-	-
80-89	1	-	-	-
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.

	31/03/2017	31/03/2016
Residential	313,930,023	276,179,563
Commercial	77,940,843	57,788,604
Agriculture	50,132,795	46,911,323
Personal Lending	2,676,613	2,069,690
Consumer Finance	44,119,684	19,638,927
	488,799,958	402,588,107

The table below shows the level of lending by region.	Year to 31/03/2017	Year to 31/03/2016
Nelson	134,547,543	99,734,078
Tasman	190,022,334	169,499,482
West Coast	54,264,184	48,031,638
Golden Bay	61,068,338	56,844,237
Mid Canterbury	48,897,559	28,478,672
	488,799,958	402,588,107

23. 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 92% of the borrowings can be repriced or mature within twelve months (31 March 2016: 88%).

At 31 March 2017 there were 686 fixed rate borrowings totalling $43,255,457 not reviewable within one year. (31 March 2016: 728 fixed rate borrowings totalling $60,571,136). The table below shows the next interest maturity date for financial assets and liabilities excluding interest.

Interest Rate Repricing Schedule as at 31 March 2017

	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	3.27%	14,655,772	79,985,939	-	-	-	94,641,711
Term Deposits	3.71%	-	-	51,113,915	-	-	51,113,915
Trade Receivables		26,001	-	-	-	-	26,001
Personal Loans	10.46%	2,672,362	-	-	4,251	-	2,676,613
Consumer Lending	10.60%	1,975,636	283,929	1,480,817	4,553,105	35,826,197	44,119,684
Mortgage Advances	5.42%	139,287,287	90,945,304	89,642,784	122,825,029	14,900	442,715,304
Provision for Credit Impairment		(711,643)	-	-	-	-	(711,643)
Total Monetary Assets		**157,905,415**	**171,215,172**	**142,237,516**	**127,382,385**	**35,841,097**	**634,581,585**
Liabilities							
Borrowings	3.17%	120,089,723	273,813,402	157,840,134	34,918,456	8,337,001	594,998,716
Trade and Other Payables		856,411	-	-	-	-	856,411
Total Monetary Liabilities		**120,946,134**	**273,813,402**	**157,840,134**	**34,918,456**	**8,337,001**	**595,855,127**
Net Monetary Assets/ (Liabilities)		**36,959,281**	**(102,598,230)**	**(15,602,618)**	**92,463,929**	**27,504,096**	**38,726,458**
Unrecognised Loan Commitments	5.50%	**(16,147,000)**	**-**	**-**	**-**	**-**	**(16,147,000)**
		20,812,281	**(102,598,230)**	**(15,602,618)**	**92,463,929**	**27,504,096**	**22,579,458**

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	15,316,885	19,638,927
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**	**16,085,860**	**554,748,701**
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**	**1,794,610**	**33,112,046**
Unrecognised Loan Commitments	6.13%	**(18,695,400)**	**-**	**-**	**-**	**-**	**(18,695,400)**
		13,055,493	**(22,814,292)**	**(11,658,852)**	**34,039,687**	**1,794,610**	**14,416,646**

24. Currency Risk

The Society is not exposed to currency risk.

25. Capital Adequacy

An exemption notice, number 2011/259 dated 21 July 2011, and subsequent amendment date 30 October 2016, 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 2017 is 9.33%. (31 March 2016: 10.17%), 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.

26. Related Parties

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

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	
	31/03/2017	31/03/2016
Loans and advances outstanding at beginning of period	2,800,920	244,185
Net loans issued/(repaid) during the period	482,887	2,556,735
Loans no longer meeting definition	(2,506,773)	-
Loans and advances outstanding at end of period	**777,034**	**2,800,920**

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 2017. (31 March 2016: $Nil). The above Loans and Receivables are charged interest at current market rates.

(b) Deposits from Related Parties

	Directors and Other Key Management Personnel	
	31/03/2017	31/03/2016
Deposits at beginning of period	763,940	808,877
Net deposits received/(repaid) during the period	119,093	(44,937)
Deposits no longer meeting definition	-	-
Deposits at end of period	**883,033**	**763,940**

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 12 month period ending 31 March 2017, the Society entered into no transactions with related parties (31 March 2016: $22,000). There were no amounts outstanding at period-end.

27. 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 2017 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 $360,728. (31 March 2016: $296,848). 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.

28. Subsequent Events

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

Pictured above (left to right) NBS RICHMOND - Carol Schuppan. Personal Banker, Toni Lane. Branch Manager, Ruth Frost. Customer Service Officer, Barb Finn. Customer Service Officer, and Rebecca Gibb. Personal Banker.

Pictured below (left to right) NBS MOTUEKA - Brenda Thomson. Customer Service Officer, Jen Giles. Personal Banker, Paula Fleming. Customer Serice Officer, Ammie McHardy. Personal Banker, and Philippa Thain. Customer Service Officer.

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