NELSON BUILDING SOCIETY ANNUAL REPORT 2018

VISION

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

The 156th 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 Sixth Annual General Meeting of Shareholders of the Nelson Building Society will be held at The Nelson Building Society, 209 Queen Street, Richmond on Wednesday 27th June 2018 at 5.30pm.

Business

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

A J Cadigan
Secretary

Chairman of Directors' & General Manager's Report 2018

Nelson Building Society has completed its 156th year in operation and is proud to be presenting the Annual report for the fiscal year end 31 March 2018.

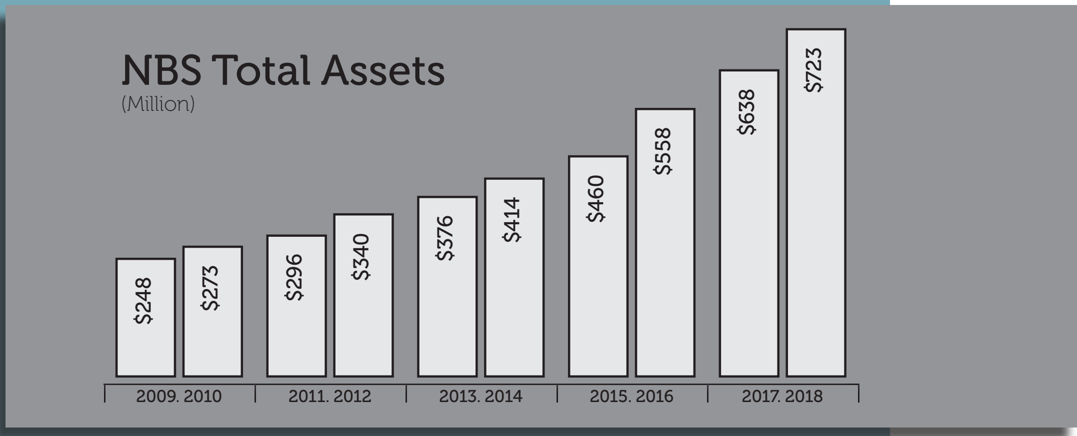
The reported year has delivered a profit of $5.5m before tax and dividends. Whilst continuing with our growth strategy our total assets grew by 13.2% taking the total assets to $723m.

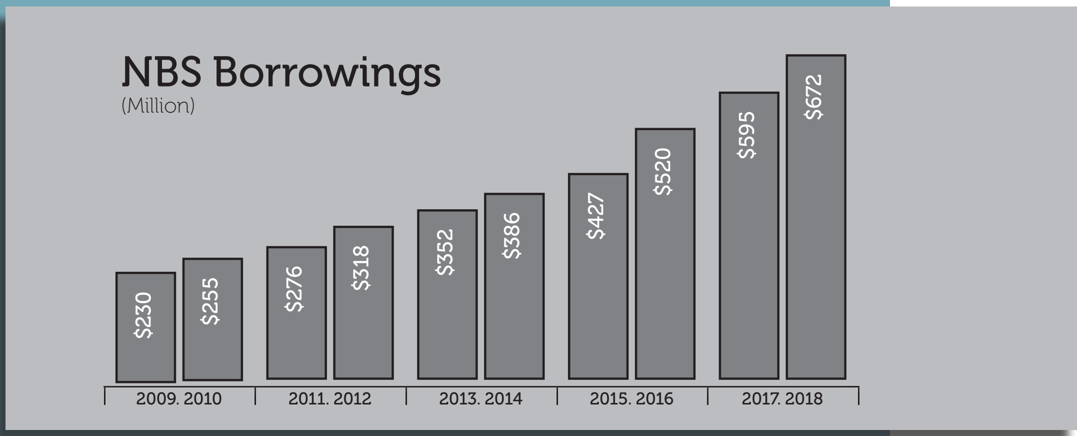
Garry Dayman
Chairman

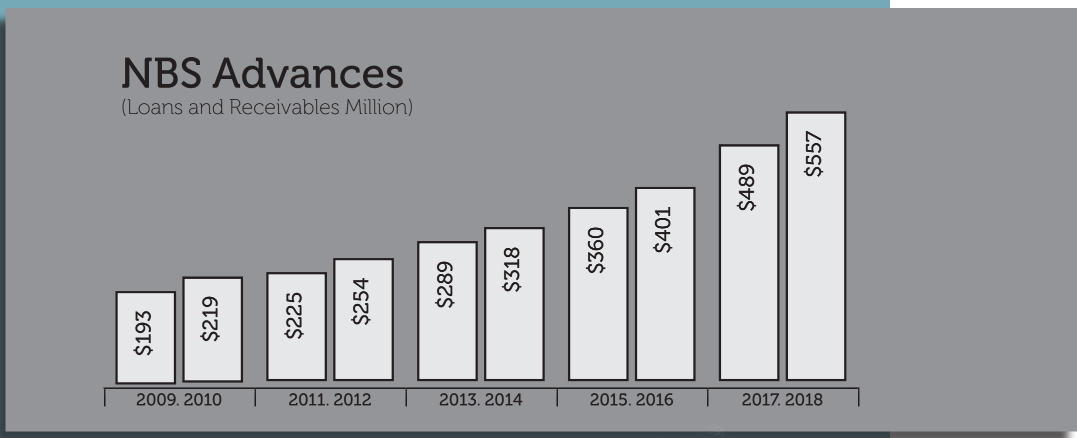
Total advances (loans and receivables) increased by 14.0% during the year with a closing balance of $557m and the majority of loans secured by registered first mortgage. This trend has followed the last decade of growth. Amidst continued strong growth the society has maintained a capital ratio of 10.09% for the year.

Our investors have endorsed their confidence in the society by continuing to renew their investments at exceptionally high rates, which have also been maintained over the last decade. During the year total borrowings increased by 12.9% to a total of $672m.

Ken Beams
General Manager


NBS Total Assets
(Million)
$248
$273
$296
$340
$376
$414
$460
$558
$638
$723
2009. 2010
2011. 2012
2013. 2014
2015. 2016
2017. 2018


NBS Borrowings
(Million)
$230
$255
$276
$318
$352
$386
$427
$520
$595
$672
2009. 2010
2011. 2012
2013. 2014
2015. 2016
2017. 2018


NBS Advances
(Loans and Receivables Million)
$193
$219
$225
$254
$289
$318
$360
$401
$489
$557
2009. 2010
2011. 2012
2013. 2014
2015. 2016
2017. 2018

NBS is proud to have achieved these results whilst maintaining prudent lending policy and continuing to comply with all legislative requirements by our prudential supervisors.

Key Results

Total Assets
$723m **13.2%**

Total Lending
$557m **14.0%**

Total Deposits
$672m **12.9%**

Total Funds Under Management
$1.2b **13.4%**

These financial results were achieved by a combination of an effective cost to income ratio, tight control of expenses, and prudent management by the executive team.

Nelson Building Society has maintained its credit rating by Fitch Ratings of BB+ with a stable outlook.

NBS clients have been significant advocates of the society by referring family members, friends, and associates to the organisation. Referrals have been the main source of new business to NBS over the past 12 months, proving the best form of marketing is a completely satisfied client.

NBS staff continue to provide financial services to our clients via our branch network in a friendly and ethical manner delivering exceptional customer service and being tuned in to the financial needs of our clients. This is the major point of difference to our competitors and NBS clients can expect this high level of client care to continue.

Chairman of Directors' & General Manager's Report 2018

The past year has seen a continuation of the Nelson Building Society philosophy of supporting the communities in which we operate. Our support was spread between community and social groups, arts and environment, culture and education, sport and recreation. In addition to NBS branded products, the use of our community vans, mobile eftpos terminals, marquees and inflatables, NBS has contributed $500,875 of financial support to 223 groups.

$500,875

223 groups supported

67 groups x 2 community vans = 598 days used

What lies ahead for NBS

- A continued investment in technology to provide our clients with the products required for modern day banking.
- Strong governance and leadership from NBS Board and Executive.
- A desire to provide service levels that exceed our clients expectations.
- Controlled growth as we share in the goal of economic prosperity of our client base.
- To maintain the four cornerstones of NBS - Trust, Integrity, Honesty and Respect.

The Board acknowledge the efforts of all staff and management in what has been another very good year for NBS.

The Directors retiring by rotation who are both eligible for re-election without nomination are Mr Paul Bell and Mr Craig Taylor.

Garry Dayman
Chairman

Ken Beams
General Manager

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 2018, 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 9 to 32, present fairly, in all material respects, the financial position of the Society as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

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

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

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

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

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 will 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
25 May 2018

This audit report relates to the financial statements of Nelson Building Society (the 'Society') for the year ended 31 March 2018 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 25 May 2018 to confirm the information included in the audited financial statements presented on this website.

Statement of Comprehensive Income

For The Year Ended 31 March 2018

		Year to 31/03/2018 $	Year to 31/03/2017 $
Income			
Interest Income Received From:			
Income from Mortgages & Personal Loans		27,061,996	24,916,055
Income from Consumer Lending		5,759,859	3,839,497
Income from Bank Deposits, Investments & Debentures		5,608,450	4,278,278
Total Interest Income		38,430,305	33,033,830
Deduct Finance Costs			
Interest on Term & Call Deposits		(21,108,517)	(18,369,094)
Consumer Lending Commission		(2,154,744)	(1,303,998)
		(23,263,261)	(19,673,092)
Net Interest Income		**15,167,044**	**13,360,738**
Add - Other Income			
Bad Debts Recovered		83,637	60,752
Transaction & Service Fees		866,073	801,545
Other Income		359,582	321,843
		1,309,292	**1,184,140**
Gross Contribution From Activities		**16,476,336**	**14,544,878**
Deduct Overhead Expenses			
Auditors Renumeration	Note 2	(99,707)	(138,460)
Administration Expenses	Note 1	(4,251,194)	(3,702,198)
Amortisation & Depreciation		(794,784)	(826,204)
Directors Fees	Note 20	(176,550)	(148,000)
Operating Lease Costs		(338,404)	(316,828)
Personnel Costs		(3,813,621)	(3,638,254)
Provision for Credit Impairment	Note 7	(962,189)	(329,707)
Sponsorship		(500,875)	(410,598)
Total Expenses		**(10,937,324)**	**(9,510,249)**
Surplus Before Taxation		**5,539,012**	**5,034,629**
Income Tax Expense	Note 3	(1,566,377)	(1,425,024)
Net Surplus For The Year		**3,972,635**	**3,609,605**
Other Comprehensive income that will not be reclassified subsequently to Profit and Loss			
Gains on Revaluation of Property net of income tax		146,504	101,227
Total Comprehensive Income For The Year		**4,119,139**	**3,710,832**

The Notes to the Financial Statements (pages 14 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 2018

	Share Capital $	Revaluation Reserves $	Retained Earnings $	Total $
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	3,602,000	-	-	3,602,000
Shares Redeemed	(1,054,000)	-	-	(1,054,000)
Dividends Paid	-	-	(751,571)	(751,571)
Balance as at 31 March 2017	**20,280,500**	**1,227,579**	**20,322,301**	**41,830,380**
Net Surplus and Total Comprehensive Income	-	146,504	3,972,635	4,119,139
Shares Issued	4,668,000	-	-	4,668,000
Shares Redeemed	(670,000)	-	-	(670,000)
Dividends Paid	-	-	(875,368)	(875,368)
Balance at 31 March 2018	**24,278,500**	**1,374,083**	**23,419,568**	**49,072,151**

Dividends paid per share 5.5 (2017: 5.5).

Approval of Financial Statements for the Year Ended 31 March 2018

Authorised for Issue

The Directors authorised the issue of these financial statements on 25 May 2018.

Approval by Directors

The Directors are pleased to present the financial statements of Nelson Building Society for the year ended 31 March 2018.

K J Beams	**G R Dayman**	**P A Bell**
General Manager	Chairman of Directors	Deputy Chairman of Directors

The Notes to the Financial Statements (pages 14 to 32) form part of and should be read in conjunction with these financial statements.

Statement of Financial Position

As at 31 March 2018

		As at 31/03/2018 $	As at 31/03/2017 $
Assets			
Cash and Cash Equivalents	Note 4	72,581,183	94,641,711
Term Deposits		89,755,037	51,113,915
Trade Receivables		20,903	26,001
Prepayments		20,844	-
Loans and Receivables	Note 5		
Mortgages		495,163,747	442,715,304
Personal Loans		2,707,379	2,676,613
Consumer Lending		60,484,492	44,119,684
Less Provision for Credit Impairment	Note 7	(1,331,215)	(711,643)
Property			
Property, Plant & Equipment	Note 9	3,284,553	3,198,190
Intangible Assets			
Software	Note 10	341,479	701,836
		723,028,402	638,481,611
Liabilities			
Employee Entitlements		316,439	281,430
Trade and Other Payables		1,180,284	856,411
Current Tax Liabilities	Note 3	781,520	389,365
Borrowings	Note 12	671,721,505	594,998,716
Deferred Taxation	Note 3	(43,497)	125,309
		673,956,251	596,651,231
Net Assets		49,072,151	41,830,380
Equity			
Share Capital	Note 11	24,278,500	20,280,500
Retained Earnings		23,419,568	20,322,301
Revaluation Reserve		1,374,083	1,227,579
Attributable to Members of the Society		49,072,151	41,830,380

The Notes to the Financial Statements (pages 14 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 2018

		Year to 31/03/2018 $	Year to 31/03/2017 $
Cash Flows From Operating Activities			
Cash was provided from:			
Interest Received		37,526,658	33,627,613
Other Income		1,309,292	1,184,140
		38,835,950	34,811,753
Cash was disbursed to:			
Interest and Commission Paid		(23,284,859)	(20,445,919)
Operating Expenses		(9,202,727)	(8,821,366)
Income Taxes Paid	Note 3	(1,400,000)	(1,359,999)
		(33,887,586)	(30,627,284)
Net Cash Flows From Operating Activities before changes in Operating Assets		**4,948,364**	**4,184,469**
Redemption of Loans and Receivables		144,636,985	119,597,379
Issuance of Loans and Receivables		(213,481,002)	(205,610,873)
Net Increase in Borrowings		76,744,387	75,226,140
Net Cash Flows From Operating Activities		**12,848,734**	**(6,602,885)**
Cash Flows From Investing Activities			
Cash was provided from:			
Term Deposits		-	823,204
Sale of Property, Plant & Equipment		60,451	43,760
Assets Held for Resale	Note 9	-	64,000
		60,451	**930,964**
Cash was disbursed to:			
Purchase of Property, Plant & Equipment	Note 9	(354,870)	(294,929)
Purchase of Intangible Assets	Note 10	-	(757,202)
Term Deposits		(37,737,475)	-
		(38,092,345)	(1,052,131)
Net Cash Flows (Used In)/from Investing Activities		**(38,031,894)**	**(121,167)**
Cash Flows From Financing Activities			
Cash was provided from:			
Issue of Shares	Note 11	4,668,000	3,602,000
		4,668,000	**3,602,000**
Cash was disbursed to:			
Dividends Paid	Note 11	(875,368)	(751,571)
Redemption of Shares	Note 11	(670,000)	(1,054,000)
Net Cash Flows from Financing Activities		**3,122,632**	**1,796,429**
Increase/(Decrease) in Cash Held		(22,060,528)	(4,927,623)
Add Opening Cash and Cash Equivalents		94,641,711	99,569,334
Closing Cash and Cash Equivalents	Note 4	**72,581,183**	**94,641,711**

The Notes to the Financial Statements (pages 14 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 2018

	Year to 31/03/2018 $	Year to 31/03/2017 $
Reconciliation Of Net Surplus To Cash Flows From Operating Activities		
Net Surplus	3,972,635	3,609,605
Non Cash Items		
Deferred Taxation	(225,778)	40,694
Depreciation and Amortisation	794,784	826,204
Loss on Disposal of Assets	(22,893)	(5,616)
Increase/(Decrease) in Provision for Credit Impairment	619,572	(198,357)
Increase/(Decrease) in Accrued Interest on Borrowings	(21,598)	(772,827)
(Increase)/Decrease in Accrued Interest on Term Deposits	(903,647)	593,783
	240,440	483,881
Movement in Working Capital		
Increase/(Decrease) in Trade and Other Payables	323,873	(234,833)
Increase/(Decrease) in Taxation Payable	392,155	24,330
(Increase)/Decrease in Trade Receivables	5,098	34,357
(Increase)/Decrease in Prepayments	(20,844)	282,502
Increase/(Decrease) in Employee Entitlements	35,009	(15,373)
Redemption of Loans and Receivables	144,636,985	119,597,379
(Issuance) of Loans and Receivables	(213,481,002)	(205,610,873)
Net Increase in Borrowings	76,744,387	75,226,140
	8,635,661	(10,696,371)
Net Cash Flows from Operating Activities	**12,848,734**	**(6,602,885)**

The Notes to the Financial Statements (pages 14 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 25 May 2018.

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 cost and are recorded in the Statement of Financial Position inclusive of accrued interest. Interest payable on borrowings is recognised using the effective interest rate method.

• 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:

- Impairment

  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

NZ IFRS 9 Financial Instruments establishes the principles for classification and measurement, hedge accounting, and impairment of financial assets/liabilities and it will become effective on 1 January 2018 and will be adopted in the year ended 31 March 2019.

Key Requirements of NZ IFRS 9:

- All recognised financial assets within the scope of NZ IFRS 9 are required to be subsequently measured at amortised cost or fair value.
- In relation to impairment of financial assets, NZ IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under NZ IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

The Society does not currently have any hedge accounting arrangements, therefore this element of NZ IFRS 9 is anticipated to have no material affect.

The significant impact of NZ IFRS 9 relates to the new impairment model, where all other assets and liabilities will continue to measured on the same basis as NZ IAS 39.

Mortgages, Consumer Loans, and Consumer Lending will be subject to the impairment provisions of NZ IFRS 9.

The Society will assess the credit risk of these loan balances at a disaggregated level and recognise respective lifetime and 12-month expected credit losses.

To date the Society has started developing models to assess the impact of NZ IFRS 9 on the impairment of mortgages, consumer loans and consumer lending and does not expect this to have a material effect on the financial statements.

• NZ IFRS 15 Revenue from Contracts with Customers

NZ IFRS 15 Revenue from Contracts with Customers establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, based on a 5-step approach for revenue recognition. It will become effective on 1 January 2018 and will be adopted in the year ended 31 March 2019.

Under NZ IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Based on preliminary analysis, the directors do not anticipate that the implementation of NZ IFRS 15 will have a significant impact on the financial statements of the Society.

• NZ IFRS 16 Leases

NZ IFRS 16 Leases introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It becomes effective on 1 January 2018 and will be adopted in the year ended 31 March 2020.

NZ IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. The distinction between operating leases (off balance sheet) and finance leases (on balance sheet) is removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

As at 31 March 2018, the Society has non-cancellable operating lease commitments of $797,000. Certain information is disclosed as operating lease commitments in Note 13. A preliminary assessment indicates that the standard will have a material impact on the amounts recognised in the Society's financial statements. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete their review.

• Other

The Society has reviewed all other Standards, Interpretations and Amendments to existing Standards in issue not yet effective and, except as noted above, does not expect these Standards to have a material effect on the financial statements of the Society.

There are no new standards and amendments effective for the first time in this reporting period which have had a material impact on these financial statements.

1. Administration Expenses

	31/03/2018	31/03/2017
Administration Expense Comprises:		
Branch Expenses	1,698,010	1,551,661
Marketing Expenses	534,921	505,356
Computer Expenses	1,312,541	988,729
Property Expenses	248,700	227,364
Professional Expenses	457,022	429,088
	4,251,194	**3,702,198**

2. Auditors Remuneration

	31/03/2018	31/03/2017
Audit of Financial Statements	71,875	70,725
Trust Deed (Agreed upon procedures) and Annual Report	8,050	19,550
Review of Prospectus	-	5,750
Members Register - Other Assurance	5,750	8,050
Taxation Compliance - Annual Return	8,500	12,148
Taxation Consultancy	5,532	22,237
	99,707	**138,460**

3. Taxation

	31/03/2018	31/03/2017
(a) Income Tax Recognised in the Profit and Loss		
Income Tax Expense Comprises:		
Current Tax Expense	1,763,871	1,350,941
Adjustments Recognised in Relation to the Current Tax of Prior Years	28,284	33,389
Deferred Tax Expense Relating to the Origination and Reversal of Temporary Differences	(197,494)	74,049
Adjustments Recognised in Relation to Deferred Tax of Prior Years	(28,284)	(33,355)
Total Income Tax Expense Recognised in the Profit and Loss	**1,566,377**	**1,425,024**
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	5,539,012	5,034,629
Taxation thereon at 28%	1,550,923	1,409,696
Non Deductable Expenses	15,454	15,294
Under/(Over) Provision of Income Tax in Previous Year	-	34
Income Tax Expense Recognised in the Profit and Loss	**1,566,377**	**1,425,024**

The tax rate used on the above reconciliation is the corporate tax rate of 28% (31 March 2017: 28%) payable by New Zealand companies under New Zealand tax law.

	31/03/2018	31/03/2017
(b) Current Tax Liability		
Balance at the Beginning of the Year	389,365	365,035
Taxation Expense	1,763,871	1,350,941
Adjustments Recognised in Relation to the Current Tax of Prior Year	28,284	33,389
Taxation Paid	(1,400,000)	(1,360,000)
Balance at End of Period	**781,520**	**389,365**

		31/03/2018	31/03/2017
(c) Deferred Tax Balances			
Opening Balance		(125,309)	(45,249)
Charge to Income		225,778	(40,694)
Charged to Comprehensive Income		(56,972)	(39,366)
Closing Balance - Asset/(Liability)		**43,497**	**(125,309)**
(d) Imputation Credit Account			
Imputation Credits Available for use at Balance Date		**8,388,964**	**7,324,342**

4. Cash And Cash Equivalents

	31/03/2018	31/03/2017
Bank Deposits	69,904,137	92,295,850
Cash on Hand	2,677,046	2,345,861
	72,581,183	**94,641,711**

Guarantees of $1,515,000 have been issued by WNZL on behalf of the Society (2017: $15,000).

5. Loans And Receivables

		31/03/2018	31/03/2017
Secured		555,648,239	486,834,988
Unsecured		2,707,379	2,676,613
Gross Advances		**558,355,618**	**489,511,601**
Less Provisions for Credit Impairment	Note 7	(1,331,215)	(711,643)
Total Net Advances		**557,024,403**	**488,799,958**

6. Asset And Liability Categorisation

	31/03/2018	31/03/2017
Financial Assets:		
Loans and Receivables (including Cash and Cash Equivalents)	719,381,526	634,581,585
	719,381,526	**634,581,585**
Financial Liabilities:		
Financial Liabilities Held at Amortised Cost	672,901,789	595,855,127
	672,901,789	**595,855,127**

7. Provision For Credit Impairment

	31/03/2018 Provisions	31/03/2017 Provisions
Specific and Collective Provisions Against Loans and Receivables		
Balance at Beginning of the Period		
Collective	711,643	760,000
Specific	-	150,000
	711,643	910,000
New Provisions during the Period		
Collective	578,189	422,032
Specific	384,000	-
Provisions Reduced during the Period		
Collective	-	-
Specific	-	(92,325)

	31/03/2018 Provisions	31/03/2017 Provisions
Balances Written Off during the Period		
Collective	(342,617)	(470,389)
Specific	-	(57,675)
Balance at End of the Period		
Collective	947,215	711,643
Specific	384,000	-
	1,331,215	**711,643**

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 specific provision relates to one mortgage, which is currently in liquidation and several individaul consumer lending loans. 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:

	31/03/2018	31/03/2017
Bad Debts Written Off for the Period	(342,617)	(528,064)
Provisions Reduced During the Period	-	(92,325)
Add New Provisions Made	962,189	422,032
Movement in Provision for Credit Impairment	**619,572**	**(198,357)**

8. Asset Quality

	31/03/2018	31/03/2017
(a) Asset Quality Advances to Customers		
Past Due But Not Impaired	3,067,242	253,790
Impaired	1,589,809	-
Neither Past Due Nor Impaired	553,698,567	489,257,811
Gross Carrying Amount	**558,355,618**	**489,511,601**

	31/03/2018		31/03/2017	
	Past Due Assets	Impaired	Past Due Assets	Impaired
b) Movements in Balances of Impaired and Past Due Assets				
Opening Balance	253,790	-	626,124	150,000
Assets Classified as Past Due/Impaired	3,306,555	1,589,809	697,058	-
Customer Repayments	(53,306)	-	(415,046)	-
Loan Balance Written Off	(342,617)	-	(470,389)	(57,675)
Assets no Longer Meeting Definition	(97,180)	-	(183,957)	(92,325)
Closing Balance	**3,067,242**	**1,589,809**	**253,790**	**-**

	31/03/2018	31/03/2017
(c) Ageing of Past Due Assets		
Past due 0-29 days	1,384,196	114,039
Past due 30-59 days	519,622	57,950
Past due 60-89 days	76,849	23,229
Past due 90 days+	1,086,575	58,572
Carrying Amount	**3,067,242**	**253,790**

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

9. Property, Plant & Equipment

	31/03/2018	31/03/2017
Freehold Land and Buildings		
Fair Value		
Balance at Beginning of the Period	2,020,000	1,930,000
Revaluation	168,019	90,000
Disposals	(18,019)	-
Balance at End of the Period	**2,170,000**	**2,020,000**
Depreciation and Impairment		
Balance at Beginning of the Period	-	-
Depreciation for the Period[1]	50,194	50,593
Accumulated Depreciation on Disposed Assets	(14,736)	-
Revaluation	(35,458)	(50,593)
Balance at End of the Period	-	-
Total Freehold Land and Buildings	**2,170,000**	**2,020,000**

	31/03/2018	31/03/2017
Computer Equipment		
Cost		
Balance at Beginning of the Period	1,163,729	1,054,047
Additions	87,796	109,682
Disposals	(283,518)	-
Balance at End of the Period	**968,007**	**1,163,729**
Depreciation and Impairment		
Balance at Beginning of the Period	1,023,601	885,755
Depreciation for the Period[1]	117,770	137,846
Accumulated Depreciation on Disposed Assets	(283,518)	-
Balance at End of the Period	857,853	1,023,601
Total Computer Equipment	**110,154**	**140,128**

	31/03/2018	31/03/2017
Other Assets		
Cost		
Balance at Beginning of the Period	2,517,618	2,443,631
Additions	267,074	185,247
Disposals	(157,720)	(111,260)
Balance at End of the Period	**2,626,972**	**2,517,618**
Depreciation and Impairment		
Balance at Beginning of the Period	1,479,556	1,267,740
Depreciation for the Period[1]	266,462	284,924
Accumulated Depreciation on Disposed Assets	(123,445)	(73,108)
Balance at End of the Period	**1,622,573**	**1,479,556**
Total Other Assets	**1,004,399**	**1,038,062**
Total Property, Plant and Equipment	**3,284,553**	**3,198,190**

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

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

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

	31/03/2018	31/03/2017
Freehold Land	16,550	16,550
Buildings	449,156	502,632
	465,706	**519,182**

10. Intangible Assets

	31/03/2018	31/03/2017
Software		
Cost		
Balance at Beginning of the Period	1,873,680	1,116,477
Additions	-	757,203
Disposals	(243,304)	-
Balance at End of the Period	**1,630,376**	**1,873,680**
Amortisation and Impairment		
Balance at Beginning of the Period	1,171,843	819,002
Amortisation for the Period[2]	360,358	352,841
Accumulated Amortisation on Disposed Assets	(243,304)	-
Balance at End of the Period	1,288,897	1,171,843
Total Software	**341,479**	**701,836**

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

11. Share Capital

During the year ended 31 March 2018 3,998,000 (net) preference shares were issued for $1 each, fully paid. (31 March 2017 2,548,000 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 2018: 5.50% (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.

12. Borrowings

	31/03/2018	31/03/2017
Borrowings		
Call Borrowings - Depositors	149,251,251	120,089,723
Term Borrowings - Depositors	522,470,254	474,908,993
Total Borrowings	**671,721,505**	**594,998,716**

	31/03/2018	Weighted Average Interest Rate %	31/03/2017	Weighted Average Interest Rate %
Maturity Analysis Of Term And Current Borrowings				
Borrowings at Call	149,251,251	1.10	120,089,723	1.08
Between 0 and 1 year	446,026,285	3.62	431,653,536	3.70
Between 1 and 2 years	60,579,393	3.90	34,918,456	3.80
Between 2 and 5 years	15,864,576	4.03	8,337,001	3.84
Total Borrowings	**671,721,505**	**3.09**	**594,998,716**	**3.17**

All Borrowings are unsecured.

13. Commitments And Contingent Liabilities

The Society has a commitment for loans approved but not yet paid at 31 March 2018 of $22,895,810. (31 March 2017 for a total of $16,147,000).

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 2017 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:

	31/03/2018	31/03/2017
Less than 1 year	263,436	297,713
Between 1 and 2 years	222,348	199,392
Between 2 and 5 years	311,604	398,112
Greater than 5 years	-	45,995
	797,388	**941,212**

Sponsorship commitments beyond 31 March 2018 total $316,250 (31 March 2017: $57,000).

The Society had no contingent liabilities as at 31 March 2018 (31 March 2017: $Nil).

14. Fair Value

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

Methodologies

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

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

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

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

There have been no transfers between levels during the year.

The following methods have been used:

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

The fair value of cash and cash equivalents, term deposits, trade debtors and trade payables approximate the carrying value due to their short term nature.

Loans and Receivables

For variable rate advances the carrying amount is a reasonable estimate of fair value. For fixed rate advances fair values have been estimated using the discounted cash flow approach by reference to current interest rates for the term of the original fixing. Loans and Receivables are classified as Level 2 within the fair value hierarchy.

Borrowings

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

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

	31/03/2018		31/03/2017	
Financial Assets	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Cash Equivalents and Term Deposits	162,336,220	162,336,220	145,755,626	145,755,626
Loans and Receivables	557,024,403	557,132,814	488,799,958	488,577,150
Trade Receivables	20,903	20,903	26,001	26,001
Total Financial Assets	**719,381,526**	**719,489,937**	**634,581,585**	**634,358,777**
Financial Liabilities				
Borrowings	671,721,505	672,651,123	594,998,716	594,889,351
Trade and Other Payables	1,180,284	1,180,284	856,411	856,411
Total Financial Liabilities	**672,901,789**	**673,831,407**	**595,855,127**	**595,745,762**

15. Liquidity Risk

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

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

To meet both expected and unexpected fluctuations in operating cash flows the Society maintains a stock of liquid investments which it considers from analysis of historical 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 2018

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

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**

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.

16. Credit Risk Exposure

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

Financial instruments which potentially subject the Society to credit risk are mortgages, personal loans, consumer lending, 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. 68% of all Loans and Receivables are in the Nelson and Tasman Regions, the remaining 32% are in the West Coast, Golden Bay and Mid Canterbury Regions. The service and product provision for each branch is similar, the class of customer, methods of distribution and regulatory environment is consistent in all branchs.

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.

	31/03/2018		31/03/2017	
% of Equity	Bank	Other	Bank	Other
10-19	-	4	1	2
20-29	1	-	1	1
30-39	-	-	1	-
40-49	-	-	-	-
50-59	1	-	-	-
60-69	-	-	-	-
70-79	-	-	1	-
80-89	-	-	1	-
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.

	31/03/2018	31/03/2017
Residential	366,692,726	313,930,023
Commercial	78,394,203	77,940,843
Agriculture	48,745,603	50,132,795
Personal Lending	2,707,379	2,676,613
Consumer Finance	60,484,492	44,119,684
	557,024,403	488,799,958

The table below shows the level of lending by region.	Year to 31/03/2018	Year to 31/03/2017
Nelson	151,503,114	134,547,543
Tasman	226,403,218	190,022,334
West Coast	56,448,152	54,264,184
Golden Bay	60,797,209	61,068,338
Mid Canterbury	61,872,710	48,897,559
	557,024,403	**488,799,958**

Information about Major Customers

At 31 March 2018 there was no one customer that individually comprised 10 per cent or more of the Total Revenue (2017: Nil).

17. Interest Rate Risk

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

Interest rates on term borrowings are all fixed until their respective maturity dates. Over 88% of the borrowings can be repriced or mature within twelve months (31 March 2017: 92%).

At 31 March 2018 there were 978 fixed rate borrowings totalling $76,443,969 not reviewable within one year. (31 March 2017: 686 fixed rate borrowings totalling $43,255,457). The table below shows the next interest maturity date for financial assets and liabilities excluding interest.

Interest Rate Repricing Schedule as at 31 March 2018

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

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**

18. Currency Risk

The Society is not exposed to currency risk.

19. Capital Adequacy

An exemption notice, number 2011/259 dated 21 July 2011, and subsequent amendment dated 30 October 2015, 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 2018 is 10.09%. (31 March 2017: 9.33%), as calculated under the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2017.

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 2017."

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

20. Related Parties

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

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

(a) Loans and Advances to Related Parties	Directors and Other Key Management Personnel	
	31/03/2018	**31/03/2017**
Loans and advances outstanding at beginning of period	777,034	2,800,920
Net loans issued/(repaid) during the period	116,821	482,887
Loans no longer meeting definition	-	(2,506,773)
Loans and advances outstanding at end of period	**893,855**	**777,034**

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 2018. (31 March 2017: $Nil). The above Loans and Receivables are charged interest at current market rates.

(b) Deposits from Related Parties	Directors and Other Key Management Personnel	
	31/03/2018	**31/03/2017**
Deposits at beginning of period	883,033	763,940
Net deposits received during the period	168,876	119,093
Deposits at end of period	**1.051,909**	**883,033**

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

(c) Key Management Compensation (Excluding Directors) Comprised

	31/03/2018	31/03/2017
Salaries and Short-Term Employee Benefits	479,015	512,885
Post-Employment Benefits	42,433	40,677
Total Compensation of Key Management (Excluding Directors)	**521,448**	**553,562**

(d) Directors Fees

	31/03/2018	31/03/2017
Amounts Received, or Due and Receivable by Directors	176,550	148,000

(e) Other Related Party Transactions

During the 12 month period ending 31 March 2018, the Society entered into transactions with related parties involving; rental of commercial property, motor vehicle transactions and human resource consultancy (31 March 2017: motor vehicle transactions). There were no amounts outstanding at period-end.

21. Sensitivity Analysis

In managing interest rate risk the Society aims to reduce the impact of short term fluctuations. Over the long term, however, permanent changes in interest rates will have an impact on surplus. At 31 March 2018 it is estimated that a general increase of one percentage point in interest rates on loans and reveivables and borrowings would increase the Society's surplus before income tax and equity by $747,209. (31 March 2017: $360,728). This analysis has been applied against all call and term deposits and interest received on mortgage advances, personal loans, investments, bank deposits and consumer lending and borrowings.

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

22. Subsequent Events

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

WIN A CAR *is back*

Pictured left: March 2018 Target Account Winners, Erin and Paul Fetz of Murchison in their brand new Subaru XV .

Pictured below: NBS TAKAKA - Branch Manager Dean Lund with the December 2017 Target Account Winner Andrea Bickley in her brand new Subaru XV.

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