NBS

Banking for life

> “I would like to acknowledge the success of the Tasman Rugby Union, and the Tasman Mako franchise. The Mako were undefeated in 2019 and are the national Mitre 10 Cup Champions. A truly outstanding season by all players, management, and administrators.
> ‘FinzUp’ to everyone involved.”

Tony Cadigan – NBS Chief Executive Officer

The 158th 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
Chief Executive Officer	A J Cadigan
Secretary	H M Ibbotson
Solicitor	Buddle Findlay & 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 Eighth Annual General Meeting of Shareholders of the Nelson Building Society will be held at The Nelson Building Society, 209 Queen Street, Richmond on Wednesday 15th July 2020 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
CEO

“NBS offer good old-fashioned service. They take the stress out of day-to-day business.”

Chris Inglis - Tasman Bay Plumbing

I’ve been doing my personal and business banking with NBS for about four years now. They’re easy to deal with, really friendly, and very quick. They look at the whole picture and tailor solutions to suit your needs.

We weren’t happy with our original bank and knew we needed to change to be able to grow the business. My accountant suggested we look at NBS. With the old bank, it was just hard work. They were a big corporate.

I’ve been running Tasman Bay Plumbing for 15 years now and we have about 25 staff. It’s important to bank with people who understand your business. We have bills that need to be paid and sometimes we’re still waiting to get paid. NBS can help us out with cashflow and make it happen very easily.

If I need anything, I just call my personal banker. It’s much easier than going through a call centre dealing with someone who doesn’t know you.

The thing with NBS is that they’re local. They offer good old-fashioned service. There’s no paperwork going out of town and up the food chain. Everything gets dealt with straight away. They take the stress out of day-to-day business.

Chris Inglis - Tasman Bay Plumbing

Both my husband and I are self-employed. I'm a personal trainer and he's a builder. We moved all our banking over to NBS about three years ago when we were building our first home in Motueka. NBS were very accommodating. Due to the fluctuations in our income, both being self-employed, it was really difficult. Also, we didn't have a fixed price contract because we were doing the build ourselves.

After six months, we'd almost given up. I walked into NBS and explained our situation. The response was 'no problem, we can sort it'. After looking at the paperwork that same day, they said 'we can pretty much approve your mortgage overnight'. We were over the moon. I could have kicked myself for not going in earlier.

During the build, NBS was great to deal with. Some banks don't release funds until certain milestones are achieved, but NBS was flexible around site checks. We didn't know exactly when things would be finished because we were juggling the build with our day jobs.

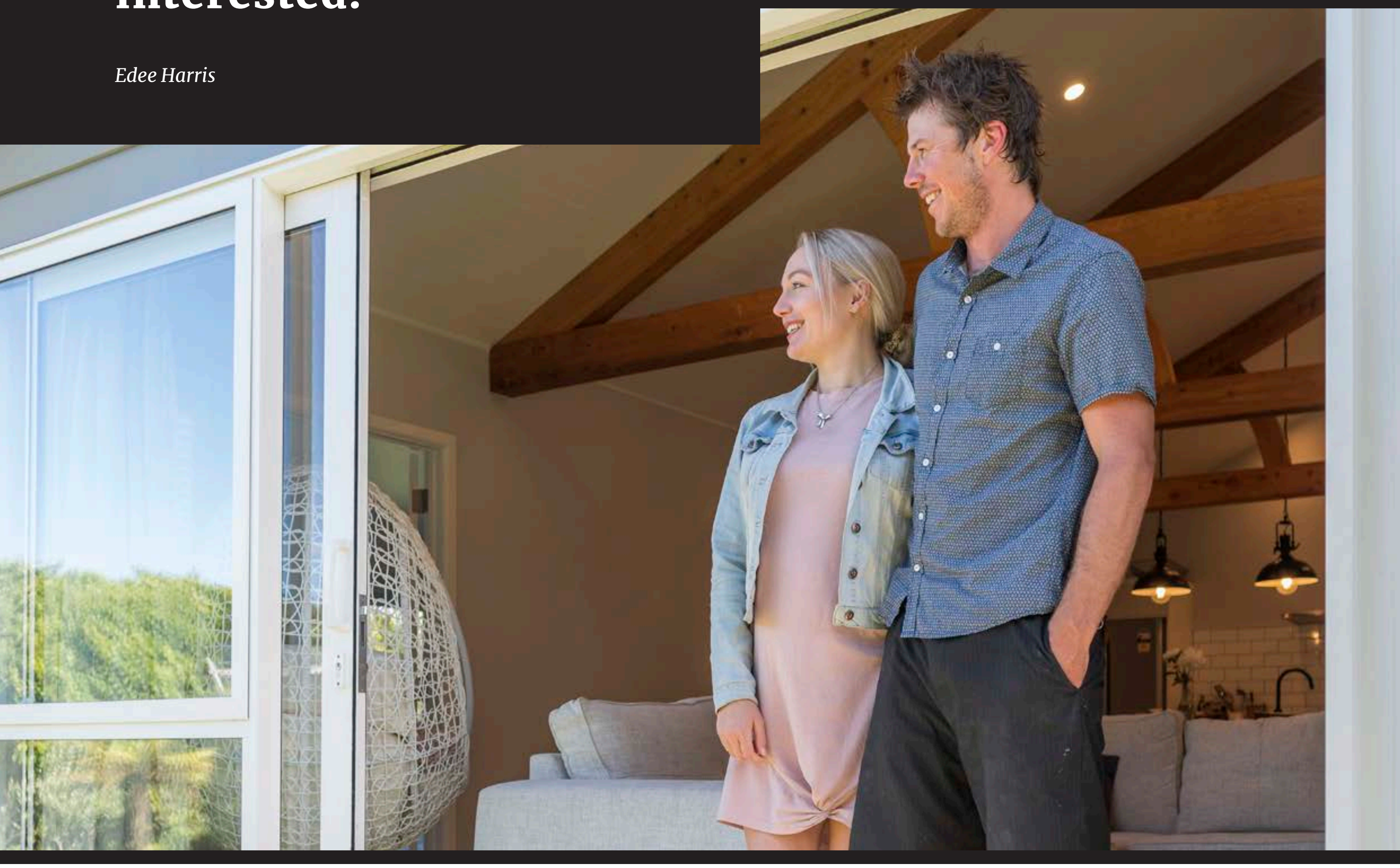
Banking with NBS has a number of benefits. When we shifted our accounts, they matched the existing deal we had on our business account. If I have a question about anything, they're happy to help. It really has that personal side. You can set up a meeting, rather than talking to a machine or being put on hold. And it's much more convenient having your own personal banker. You feel looked after. I've never had to wait for anything at NBS.

I recommend NBS to my friends all the time – for the convenient, stress-free service. Staff at NBS get to know you on a personal level. They ask us about our wedding and the build, and they are genuinely interested. You feel like you're not just a number.

Edee Harris and Ryan Bolton

"Staff at NBS get to know you on a personal level. And they are genuinely interested."

Edee Harris



"The NBS model fits well with our local family owned business.

We're both proud to support the West Coast."

Anne Ellery - Ellerys 100%

A few years ago our family business changed ownership and we were looking at our finances. We needed to make changes with the business but found it difficult to sort through. We changed to NBS because they're local and we'd heard good things about them in the community.

It's so much harder to source a loan when you can't talk to someone face-to-face and explain your situation. After meeting with NBS, the transition was easy. We ended up moving all our personal banking as well and all our family members came across too.

We really like that NBS supports the West Coast directly, through all the community and sport groups that it is involved with. We see NBS staff at all the community-based events and they always stop to say hi. The NBS model fits well with our local family owned business Ellerys 100%. We're both proud to support the West Coast. It just doesn't make sense to be with a bank that invests off-shore.

Everything with NBS is easy. When paying our creditors with bulk payments, they were proactive in showing us how easy it is. They actually visited us and we worked through it together at my computer. Working face-to-face makes all the difference. In our small town, it's great to have the branch right here.

The staff are very friendly and helpful. You never have to wait and you're always met with a smile. It's the personal approach that makes such a difference.

Being able to explain how our business works and what we need is really important to us. We're not like those big city stores – it doesn't have to go to head office first. We're flexible and nimble, and we want the same with banking – and we get that from NBS. They offer solutions, It feels like they're working for us. We're not just an account. We're a person and they want to meet our needs.

Anne Ellery - Ellerys 100%

We moved to Marahau from Christchurch in 2015, partly because of the earthquakes. I was doing social community work in the east part of the city, which was basically wiped out. The work just wasn't there anymore. We'd recently had our first child and had to reassess everything. We decided to move to Marahau where Lena's parents live. The idea was to create a new life, start a business and build a house. We wanted to give our children a really nice childhood and have a real nudge at life.

We were staying in a house in Marahau and had started a horse-trekking business, Abel Tasman Horse Trekking, then Cyclone Gita came through and took out the house and the pasture for our horses. We could've lost the kids – a slip moved the house by around 10 metres. We were blessed that we were out looking at the stormy sea because we'd been stuck inside all day. We lost all our possessions and were effectively homeless, moving around six times the following year and even lived in a tent for a bit. It was a difficult time.

For several months, we tried unsuccessfully to get funds from all of the bigger banks to build our own house. Then we tried the Motueka branch of NBS, and they said: "We can work with that". That was massive for us, it was such a huge weight off our shoulders. It meant we could really move forward with our lives. We found some land that was safe from these kinds of storms on my wife's parent's property, built with Chris Butler Builders and moved in July 2019.

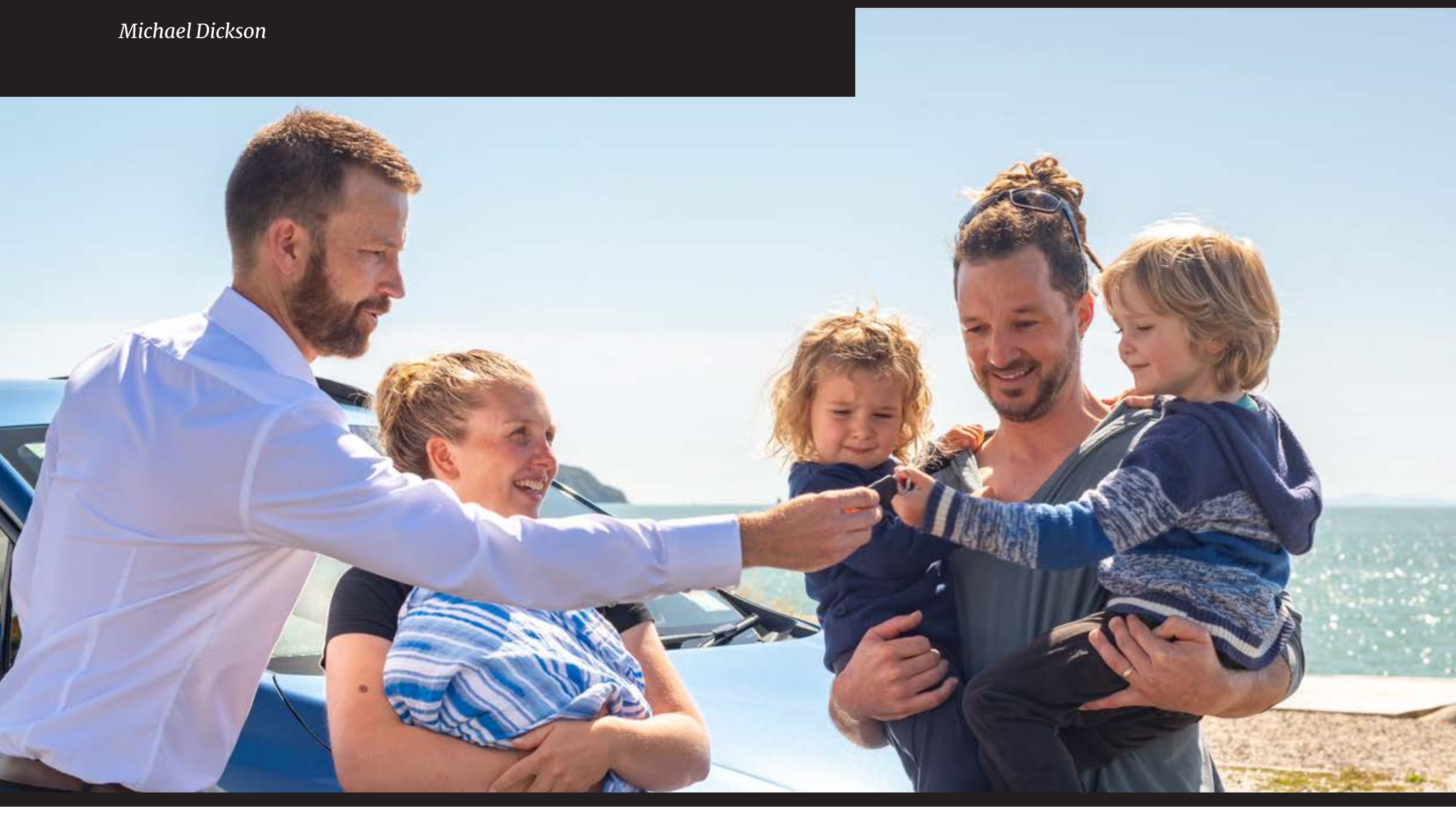
Winning the Subaru XV Sport was a massive surprise! We'd opened a Target Account at NBS and were told we'd be entered into the car draw. I didn't think anything of it. We only had one car, and with three kids in the country, I'd been saying to Lena that we needed another car. NBS contacted my father-in-law and he teed up the surprise at a local café in Marahau. He asked us to meet him for coffee, but I knew something was up. I thought maybe he'd teed up Santa for the kids. The coffee came out and one of the coffee cups was turned upside down. The barista was pretty excited. He told me to check out what was underneath the cup. It was a set of keys! Greg from NBS then slid in and pointed out the car. We had no idea! It was fantastic. It's a boyhood fantasy winning a brand-new car. All the driver assist functions are blowing my mind! We've had a difficult period with a lot of challenges, so it really means a lot.

Michael and Lena Dickson
December 2019 Target Account Winners

"Winning the Subaru XV Sport was a massive surprise!

It's a boyhood dream winning a brand new car."

Michael Dickson



Chairman's Report

Nelson Building Society (NBS) has completed its 158th year in operation and is proud to be presenting the Annual Report for the year ended 31 March 2020.

"We have the people, systems, a heritage of 158 years, and a willing desire to continue supporting our clients and communities."

Garry Dayman – Chairman of Directors'

Chairman of Directors'
Garry Dayman

I'm proud to be part of the wider NBS team, providing a truly local banking experience while delivering continued growth and a profit exceeding last years' result. We exist to benefit our clients and the wider community, and achieve this by providing a competitive range of banking services, and delivering a superior level of personal service. We support our communities through sponsorships and grants, which this year totalled $660,810. It's a model that provides NBS with a unique advantage in a competitive and challenging environment.

NBS has continued to perform strongly, delivering a profit before taxation of $8.6 million (this result was up on last year). The Board had a number of strategic objectives this year asking the CEO and his team to deliver on a number of key financial targets, which included maintaining market cost to income ratios while ensuring the quality of our loan book remained strong. I am pleased to report that these objectives were achieved and contributed to the end of year profit result.

NBS is by far the largest non-bank (NBDT) in New Zealand with funds under management of $1.46 billion and 37,923 deposit and lending accounts. A key strategy for NBS, put in place by the Board over the last 10 years, has been to obtain full transactional personal and business banking clients. Despite our size we deliver an on-line banking service, a mobile app. with increasing features, and on-line business banking connectivity.

Our digital banking services, and their on-going development, are key to NBS continuing to satisfy existing clients and to attract new business.

NBS Board of Directors

Craig Taylor, Phil Robson, Paul Bell, Garry Dayman, and Trevor Cameron

I'd like to acknowledge the Directors for their contributions to NBS. They are passionate and experienced locals, each bringing their own expertise and experience to the Board. Their main responsibilities, in overseeing the strategic goals of NBS and being heavily focused on governance issues, are substantial. The Board Charter is currently undergoing a detailed review and it is clear that going forward NBS Directors will all have increased responsibilities in relation to compliance, risk and audit. I want to acknowledge and thank them for their on-going work and commitment to NBS.

Our connection to the not-for-profit sectors in the Nelson, Tasman, West Coast and Mid-Canterbury regions is strong and continues to grow. We are confident that the sponsorship support we provide at a local level makes a real difference. I feel great satisfaction when locals congratulate me on our wider community support.

As we look to the future, our main goals are to continue delivering sustainable growth and profits that will provide benefits to all NBS stakeholders.

The most significant and immediate challenge for NBS will be to manage the economic impact from the COVID-19 global pandemic.

I am pleased to report that NBS has already, and will continue to spend, substantial time and resources to ensure we successfully navigate the implications of COVID-19.

We have the people, systems, a heritage of 158 years, and a willing desire to continue supporting our clients and communities.

CEO's Report

I am pleased to report on a very good trading year (our 158th) for NBS. A year where the Board set several key objectives including a conservative growth strategy, a strong continuation of community support, and the establishment of a sustainable method of capital raising.

NBS Chief Executive Officer
Tony Cadigan

The growth in assets for NBS for the year to 31 March 2020 was 4%, with total assets increasing to $865M. Whilst this ensures NBS remains by far the largest Non-Bank Deposit Taker in New Zealand, the result is well below our historical double digit growth figures. The strategy to deliver lower growth has been deliberate, as we take stock of the business and look to strengthen key financial results and ratios. The profit before taxation result for the fiscal year is our best since 1862 at $8.6M. This is an excellent result given the competitive environment we operate in on a daily basis.

Our presence in the community has really gone to another level in the past 12 months. NBS is everywhere, from the local bowling club, to the golf club, to the local football team, and so many more.

I would like to acknowledge the success of the Tasman Rugby Union, and the Tasman Mako franchise. The Mako were undefeated in 2019 and are the national Mitre 10 Cup Champions. A truly outstanding season by all players, management, and administrators. 'FinzUp' to everyone involved.

During 2019/20 NBS became involved as a sponsor of 2 local groups we are extremely proud to support, The Nelson Tasman Hospice, and the Nelson Marlborough Rescue Helicopter Trust. Both groups are extremely professional organisations and perform extraordinary and essential roles in our region.

In August 2019, the Reserve Bank of New Zealand provided their authorisation for NBS to issue our Perpetual Preference Shares (PPS) without limit (previously capped at 50%). PPS has been used by NBS for well over a decade as a method of raising capital. The number of shares issued are detailed within this Annual Report.

"It's very rewarding to lead a team who understand the role NBS plays locally and our philosophy of, 'Community - We believe. We invest'."

Tony Cadigan - NBS Chief Executive Officer

NBS would like to acknowledge and thank the Reserve Bank of New Zealand, who were prepared to work with us to find a practical and sustainable capital raising solution. NBS is also pleased to report that international rating agency Fitch reaffirmed our BB+ 'outlook stable' rating during the financial year. Based on our current size, we consider the current rating from Fitch to be the best available for NBS.

One aspect that has been really pleasing this year is the direct feedback from NBS staff members regarding the not-for-profit groups NBS supports. The staff are proud of the difference NBS is making in their communities. It's very rewarding to lead a team who understand the role NBS plays locally and our philosophy of, 'Community - We believe. We invest'.

I would like to acknowledge the NBS Board and staff for the way in which they represent NBS. From the Chairman of the Board to our newest recruit, we are all proud to work for an organisation with such a strong community focus.

COVID-19

During the final weeks of this financial year the world was rocked by a global pandemic, resulting in our country being placed on full Alert Level 4 lockdown. The financial fallout from the lockdown will have wide and varied ramifications to the New Zealand economy, and to NBS clients.

These are unprecedented times but NBS has successfully navigated other significant challenges during its 158 year history. We'll be calling on all of our previous experiences to guide us through this period of uncertainty.

NBS has taken the prudent step of significantly increasing our doubtful debt provisioning position, as no doubt we and our clients, will experience financial pressure in the year ahead.

NBS will continue to do what we do best - supporting our staff, clients, and communities.

Key Results 2020

Total Assets	Total Lending	Total Deposits
$865m	$680m	$789m

Your Executive, Our Vision

NBS Executive
Toni M. Lane, Anne Cox, Helen Ibbotson, Howie Timms, Garry Hammond, and Rangi O'Brien

Profit before Tax

$8.6m

Total Community Support

$660,810

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

Opinion

We have audited the financial statements of Nelson Building Society (the 'Society'), which comprise the statement of financial position as at 31 March 2020, 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 15 to 48, present fairly, in all material respects, the financial position of the Society as at 31 March 2020, 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

• Provision for expected credit loss

(Refer to Notes 7 and 8)

The Expected Credit Loss (ECL) impairment model under NZ IFRS 9 takes into account forward looking information reflecting potential future economic events. This has resulted in the Society developing models which are reliant on large volumes of data, as well as significant estimates around probability of default ('PoD'), loss given default ('LgD') and exposure at default ('EAD').

We consider the risk around the determination of expected credit losses to be a key audit matter because:

- Loans and Receivables, including mortgages, personal and consumer loans, are financially significant account balances;
- The model used to calculate ECLs are inherently complex and judgement is applied in determining the correct form of the model to be applied;
- Judgement is applied in determining the most appropriate information and datasets to be used as inputs to the models and requires us to challenge the appropriateness of management's assumptions in the calculation of the provision;
- There are a number of key assumptions made by the Society as inputs into the models (e.g.: statistical and economic forecasts used to determine forward looking loan PoD and LgD rates);
- Specific provisions are based on the application of management judgement with the assessment of expected future cash flows being inherently uncertain and judgemental as they are principally derived from estimating the timing and proceeds from the future sale of property securing loans.

Impact of COVID-19

Note 8 of the financial statements describes the increased estimation uncertainty arising from the potential impacts of Covid 19 on the Societys ECL. These disclosures include key judgements and assumptions in relation to the ECL model inputs and the interdependencies between those inputs, and highlight the significant increased provision at 31 March 2020.

As described in note 8, the underlying forecasts and assumptions are subject to uncertainties which are often outside the control of the Society. Actual economic conditions are likely to be different from those forecast since anticpated events frequently do not occur as expected, and the effect of those differences may significantly impact resulting accounting estimates.

How our audit addressed the key audit matter

We assessed the assumptions used to develop the models and, more broadly, the NZ IFRS 9 framework implemented by the Society. We performed the following audit procedures, amongst others:

- Assessed the methodology and approach taken by the Society against the requirements of NZ IFRS 9;
- Considered the integrity of the data used as input into the ECL model. This included challenging each lending segment's PoD and LgD rates, which were judgementally applied by management, and selecting inputs used in the model and agreeing to supporting documentation;
- Benchmarking ECL rates against the historic losses incurred by the Society and comparator analysis against other relevant financial institutions;
- Assessed the reasonableness of forward looking information (i.e. macroeconomic forecasts) by validating against relevant supporting evidence.
- Obtained evidence to understand the reaonably possible impact of Covid 19 on the loan portfolio, along with the anticipated impact on key assumptions used in the ECL determination;
- Re-performing the specific impairment provision calculation for a sample of individual mortgages;
- Assessing loans in arrears not specifically provided for, to determine whether they were being appropriately monitored and reflected in the provision for expected credit loss, and
- Evaluating the extent and appropriateness of disclosures in note 8 in relation to the specific assumptions and sensitivities arising from the Covid 19 pandemic on the ECL model.

We assessed the disclosure of expected credit losses in the financial statements for compliance with NZ IFRS 9.

Key audit matter

• Operation of IT systems and controls

Nelson Building Society is heavily dependent on complex IT systems for the processing and recording of significant volumes of transactions and other core banking activity.

For significant financial statement balances, such as finance receivables and deposits, our audit involves an assessment of the design of Nelson Building Society's internal control environment relevant to the preparation of these financial statements. There are some areas of the audit where we seek to test and place reliance on IT systems, automated controls and reporting.

The effective operation of these controls is dependent upon Nelson Building Society's general IT control environment, which incorporates controls relevant to IT system changes and development, IT operations, developer and user access controls.

How our audit addressed the key audit matter

Our audit procedures, amongst others, included:

- Gaining an understanding of business processes, key controls, and IT systems relevant to significant financial statement balances, including technology services that are provided by a third party.
- Assessing the design and operating effectiveness of IT control environment, including core banking IT systems, key automated controls and reporting.
- Evaluating general IT controls relevant to IT system changes and development, IT operations, developer and user access controls.

Our procedures included evaluating and testing the design and operating effectiveness of certain controls over the continued integrity of the IT systems that are relevant to financial reporting.

We also carried out tests, on a sample basis, of system functionality that was key to our audit testing in order to assess the accuracy of certain system calculations, the generation of certain reports and the operation of certain system enforced access controls.

Where we noted design or operating effectiveness matters relating to IT systems and application controls relevant to our audit, we performed alternative or additional audit procedures.

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-2

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

Mike Hawken, Partner
for Deloitte Limited
Christchurch, New Zealand
16 June 2020

This audit report relates to the financial statements of Nelson Building Society (the 'Society') for the year ended 31 March 2020 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 16 June 2020 to confirm the information included in the audited financial statements presented on this website.

Statement of Comprehensive Income

For The Year Ended 31 March 2020

		Year to 31/03/2020 $	Year to 31/03/2019 $
Income			
Interest Income Received From:			
Income from Mortgages & Personal Loans		32,748,871	31,212,201
Income from Consumer Lending		8,175,637	7,075,098
Income from Bank Deposits, Investments & Debentures		5,499,646	5,610,395
Total Interest Income		46,424,154	43,897,694
Deduct Finance Costs			
Interest on Term & Call Deposits		(21,651,334)	(23,102,775)
Consumer Lending Commission		(3,187,657)	(2,701,245)
		(24,838,991)	(25,804,020)
Net Interest Income		**21,585,163**	**18,093,674**
Add - Other Income			
Bad Debts Recovered		12,766	6,216
Transaction & Service Fees		1,328,056	941,194
Other Income		425,213	356,938
		1,766,035	1,304,348
Gross Contribution From Activities		**23,351,198**	**19,398,022**
Deduct Overhead Expenses			
Auditors Remuneration	Note 2	(107,525)	(114,300)
Administration Expenses	Note 1	(4,895,180)	(4,484,794)
Amortisation & Depreciation		(672,690)	(778,984)
Right of Use Asset Depreciation		(314,543)	-
Right of Use Asset Interest		(38,712)	-
Operating Lease Costs		-	(369,630)
Directors Fees	Note 21	(212,575)	(205,100)
Personnel Costs		(4,403,571)	(4,211,732)
Provision for Credit Impairment	Note 7	(3,435,638)	(788,706)
Sponsorship		(660,810)	(548,080)
Total Expenses		**(14,741,244)**	**(11,501,326)**
Surplus Before Taxation		**8,609,954**	**7,896,696**
Income Tax Expense	Note 3	(2,439,538)	(2,247,253)
Net Surplus For The Year		**6,170,416**	**5,649,443**
Other Comprehensive income that will not be reclassified subsequently to Profit and Loss			
Gains on Revaluation of Property Net of Income Tax		-	-
Total Comprehensive Income for the Year		**6,170,416**	**5,649,443**

The Notes to the Financial Statements (pages 20 to 48) form part of and should be read in conjunction with these financial statements.

Statement of Changes in Equity

For The Year Ended 31 March 2020

	Share Capital $	Revaluation Reserves $	Retained Earnings $	Total $
Balance as at 31 March 2018	**24,278,500**	**1,374,083**	**23,419,568**	**49,072,151**
Net Surplus and Total Comprehensive Income	-	-	5,649,443	5,649,443
Shares Net Movement	4,790,000	-	-	4,790,000
Dividends Paid	-	-	(1,045,236)	(1,045,236)
Balance as at 31 March 2019	**29,068,500**	**1,374,083**	**28,023,775**	**58,466,358**
Net Surplus and Total Comprehensive Income	-	-	6,170,416	6,170,416
Shares Net Movement	9,980,000	-	-	9,980,000
Dividends Paid	-	-	(1,231,061)	(1,231,061)
Balance at 31 March 2020	**39,048,500**	**1,374,083**	**32,963,130**	**73,385,713**

Dividends paid per share 5.00 (2019: 5.50).

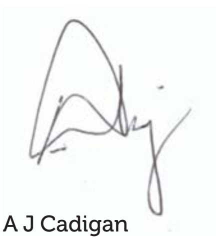
Approval of Financial Statements for the Year Ended 31 March 2020

Authorised for Issue

The Directors authorised the issue of these financial statements on 16 June 2020.

Approval by Directors

The Directors are pleased to present the financial statements of Nelson Building Society for the year ended 31 March 2020.



A J Cadigan
Chief Executive Officer

G R Dayman
Chairman of Directors

P A Bell
Deputy Chairman of Directors

Statement of Financial Position

As at 31 March 2020

		As at 31/03/2020 $	As at 31/03/2019 $
Assets			
Cash and Cash Equivalents	Note 4	88,449,819	101,040,777
Term Deposits		95,350,949	83,366,702
Trade Receivables		28,594	600
Prepayments		761,430	132,000
Deferred Taxation	Note 3	881,783	36,097
Loans and Receivables	Note 5		
Mortgages		595,627,943	567,453,187
Personal Loans		2,175,211	2,665,303
Consumer Lending		82,218,681	71,714,148
Less Provision for Credit Impairment	Note 7	(4,209,626)	(1,330,885)
		675,812,209	640,501,753
Property			
Property, Plant & Equipment	Note 9	3,346,254	3,462,498
Right of Use Asset	Note 14	591,349	-
Intangible Assets			
Software	Note 10	305,445	312,616
		865,527,832	828,853,043
Liabilities			
Employee Entitlements		297,236	271,911
Trade and Other Payables		1,013,272	1,416,067
Lease Liability	Note 14	612,756	-
Current Tax Liabilities	Note 3	1,137,773	752,549
Borrowings	Note 12	789,081,082	767,946,158
		792,142,119	770,386,685
Net Assets		73,385,713	58,466,358
Equity			
Share Capital	Note 11	39,048,500	29,068,500
Retained Earnings		32,963,130	28,023,775
Revaluation Reserve		1,374,083	1,374,083
Total Equity		73,385,713	58,466,358

The Notes to the Financial Statements (pages 20 to 48) form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows

For The Year Ended 31 March 2020

		Year to 31/03/2020 $	Year to 31/03/2019 $
Cash Flows From Operating Activities			
Cash was Provided From:			
Interest Received		46,856,892	43,632,079
Other Income		1,766,035	1,304,348
		48,622,927	44,936,427
Cash was Disbursed To:			
Interest Paid		(25,517,644)	(25,073,989)
Operating Expenses		(11,832,694)	(10,626,396)
Income Taxes Paid	Note 3	(2,900,000)	(2,268,824)
		(40,250,338)	(37,969,209)
Net Cash Flows From Operating Activities Before Changes in Operating Assets		**8,372,589**	**6,967,218**
Redemption of Loans and Receivables		195,911,855	170,898,525
Issuance of Loans and Receivables		(234,101,052)	(254,375,545)
Net Increase in Borrowings		21,813,577	95,494,622
Net Cash Flows From Operating Activities		**(8,003,031)**	**18,984,820**
Cash Flows From Investing Activities			
Cash was Provided From:			
Term Deposits		-	6,653,950
Sale of Property, Plant & Equipment	Note 9	109,862	56,000
		109,862	**6,709,950**
Cash was Disbursed To:			
Purchase of Property, Plant & Equipment	Note 9	(455,297)	(674,289)
Purchase of Intangible Assets	Note 10	(242,598)	(305,651)
Term Deposits		(12,416,985)	-
		(13,114,880)	(979.940)
Net Cash Flows (Used In)/From Investing Activities		**(13,005,018)**	**5,730,010**
Cash Flows From Financing Activities			
Cash was Provided From:			
Shares Net Movement	Note 11	9,980,000	4,790,000
		9,980,000	**4,790,000**
Cash was Disbursed To:			
Dividends Paid	Note 11	(1,231,061)	(1,045,236)
Repayment of Lease Liabilities		(331,848)	-
Net Cash Flows from Financing Activities		**8,417,091**	**3,744,764**
Increase/(Decrease) in Cash Held		(12,590,958)	28,459,594
Add Opening Cash and Cash Equivalents		101,040,777	72,581,183
Closing Cash and Cash Equivalents	Note 4	**88,449,819**	**101,040,777**

The Notes to the Financial Statements (pages 20 to 48) form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows

For The Year Ended 31 March 2020

	Year to 31/03/2020 $	Year to 31/03/2019 $
Reconciliation Of Net Surplus To Cash Flows From Operating Activities		
Net Surplus	6,170,416	5,649,443
Non Cash Items		
Deferred Taxation	(845,686)	7,400
Depreciation and Amortisation	672,690	778,984
Loss on Disposal of Assets	38,758	(4,126)
Right of Use Asset Depreciation	314,543	-
Right of Use Asset Interest	38,712	-
Increase/(Decrease) in Provision for Credit Impairment	2,878,741	(330)
Increase/(Decrease) in Accrued Interest on Borrowings	(678,653)	730,031
(Increase)/Decrease in Accrued Interest on Term Deposits	432,738	(265,615)
	2,851,843	1,246,344
Movement in Working Capital		
Increase/(Decrease) in Trade and Other Payables	(402,795)	235,783
Increase/(Decrease) in Taxation Payable	385,224	(28,971)
(Increase)/Decrease in Trade Receivables	(27,994)	20,303
(Increase)/Decrease in Prepayments	(629,430)	(111,156)
Increase/(Decrease) in Employee Entitlements	25,325	(44,528)
Redemption of Loans and Receivables	195,911,855	170,898,525
(Issuance) of Loans and Receivables	(234,101,052)	(254,375,545)
Net Increase in Borrowings	21,813,577	95,494,622
	(17,025,290)	12,089,033
Net Cash Flows From Operating Activities	**(8,003,031)**	**18,984,820**

The Notes to the Financial Statements (pages 20 to 48) 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) was established in 1862 and is a profit-oriented mutual entity incorporated in New Zealand under the Building Societies Act 1965. The Society is a financial institution which provides retail banking type services to the community. Banking services include personal and commercial loans, investments, mortgages and electronic banking.

The Society's financial statements have been prepared in accordance with Generally Accepted Accounting Practice ('GAAP') in New Zealand. They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable financial reporting standards as appropriate for profit orientated entities. The financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

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 16 June 2020.

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. Historical 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.

• Loan Origination fees

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.

• Fee and Commission Income

Fees and commission income from contracts with clients is measured based on the consideration specified in the contracts with the client. The Society recognises revenue when it transfers control over a service to a client.

The Society provides banking type services to retail and corporate clients including account management, provision of overdraft facilities, foreign exchange and servicing fees. Fees for ongoing account management are charged to the clients account on a monthly basis. Transaction based fees for interchange foreign currency transactions and overdrafts are charged to the clients account when the exchange takes place. Servicing fees are charged on a monthly basis and are based on fixed and variable rates.

Revenue from account servicing and servicing fees is recognised over time as the services are provided to the clients. Revenue related to transactions is recognised at the point in time when the transaction takes place.

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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.

• 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

• Classification of Financial Assets

Management determines the classification of its financial assets at initial recognition. The classification depends on the Society's business model for managing the financial assets and the contractual terms of the cash flows. The Society reclassifies financial assets when and only when its business model for managing those assets changes.

The Society's financial assets are measured in their entirety at amortised cost as they are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

• Recognition and Measurement of Financial Assets

Financial Assets are recognised when the Society becomes party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognised on trade-date or the date on which the Society commits to purchase or sell the asset.

Financial instruments are measured initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the instrument.

Subsequent to initial recognition the Society measures financial assets at amortised cost, using the effective interest rate method less expected credit losses.

• Derecognition of Financial Assets

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.

For financial assets measured at amortised cost, a gain or loss is recognised in profit and loss when the financial asset is derecognised or impaired.

Any gain or loss arising from derecognition is recognised directly in profit and loss and presented in other gains (losses).

• Loans and Receivables

Loans and Receivables cover all forms of lending to clients such as mortgages, consumer loans and personal loans. They are accounted for as financial assets at amortised cost and subsequently measured at amortised cost using the effective interest rate method, less expected credit loss allowance where applicable.

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, less impairment where applicable.

• 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 amortised cost.

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

• Term Deposits

Term deposits are recorded at amortised cost using the effect interest rate method.

Impairment

At the end of each reporting period, the Society performs an impairment assessment based on expected credit loss on financial assets measured at amortised cost.

• Measuring ECL - Explanation of Inputs, Assumptions and Estimation Techniques

The expected credit loss (ECL) is recognised on either a 12 month or lifetime basis. Lifetime basis are used only where a significant increase in credit risk has occurred since initial recognition or a financial instrument is considered to be credit impaired. Expected credit losses are the discounted product of the weighted average of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) where:

- PD represents the consideration of forward-looking information on the likelihood of a borrower defaulting on its financial obligation in the future
- LGD represents an estimate of loss arising after consideration of forward-looking information on the Society's expectation. It is expressed as a percentage of EAD
- EAD is based on the total amount of risk exposure on and off balance sheet at the time of default. The exposure is determined by the repayment plan according to different types of product

The Society applies a four-stage model in accordance with NZ IFRS 9 to measure expected credit losses associated with its debt instruments measured at amortised cost. The four stage model is as follows:

Stage 1	Not deteriorated	ECL is based on the 12 month expected credit losses that may occur in the 12 months after reporting date. The expectation is estimated by using a combination of historical losses and forward-looking analysis over the entire loan book. Stage 1 includes financial assets belonging to clients with a low risk of default that have a strong capacity to meet contractual cash flows (interest and/or principal repayments).
Stage 2	Deteriorated: Accounts more than 30 days in arrears	Lifetime ECL is the result from possible default events over the expected life of a financial instrument that are objective and measurable. When such an event occurs the financial asset is moved from Stage 1 to Stage 2. Increase in credit risk is presumed if the loan and advances are more than 30 days past due in making contractual repayment or when there is reasonable and/or supportable information that there is an increase in the risk of default occurring on the asset as at the reporting date.
Stage 3	Credit Impairments	When objective evidence of credit impairment emerges with one or more events having a detrimental impact on future cash flows the financial asset is moved to Stage 3. The Society considers observable data indicating there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets.. Loans and advances are deemed credit impaired when they are over 90 days past due in making a contractual repayments and/or when there is objective evidence of the events that indicate the borrower is in significant financial difficulty and/or the Society has exhausted all options to rehabilitate a debt and expects to incur a loss. The Loan to Value Ratio (LVR) is monitored to evaluate whether proceeds from the sale of the security would satisfy the value of the outstanding financial asset. Impaired assets are specifically provided for on an individual basis.
Stage 4	Loss	Financial assets are written off when the Society has exhausted all of its powers in respect of the security held and there are no further avenues to recover the amounts, outstanding to the Society.

At the end of each reporting period, the Society assesses whether there has been a significant increase in credit risk since initial recognition by comparing the risk of default occurring over the expected life between that of the reporting date to that of the date of initial recognition.

The Society assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type (mortgage, consumer and/or personal loans) credit risk ratings, collateral and other relevant factors.

The Society considers its historical loss experience and adjusts this for current observable data. In addition, the Society uses reasonable and supportable forecast of future economic conditions including experienced judgement to estimate the amount of an expected credit loss. NZ IFRS 9 introduces the use of macroeconomic factors which include, but are not limited to, unemployment, interest rates, inflation and property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward-looking information increases the level of judgement as to how changes in these macroeconomic factors will effect ECL.

The methodology and assumptions underlying the ECL calculation, such as maturity profile of PDs, how collateral values change, and forecast of future economic conditions are reviewed annually.

If in a subsequent period, the credit quality improves and reverses any previously assessed increase in credit risk since origination, the provision for expected credit loss reverts from a full lifetime ECL to 12 months ECL.

• Nature and Effect of Modifications on the Measurement of Expected Credit Losses

The Society sometimes renegotiates or otherwise modifies contracts with counterparties. The revised terms may alter the timing of the contractual cash flow and do not result in derecognition of the original loan and the same effective interest is earned by the Society. In these cases, the Society assesses whether a significant increase in credit risk has occurred, based on comparing the risk of default occurring under the revised terms as at the reporting period with that as at the date of initial recognition under the original terms.

• 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.

• Leases

The Society has applied NZ IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under NZ IAS 17.

The details of accounting policies under both NZ IAS 17 and NZ IFRS 16 are presented separately below.

Policies Applicable From 1 April 2019 - The Society as a Lessee

The Society assesses whether a contract is or contains a lease at inception of the contract. The Society recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). For these leases, the Society recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of:

- Fixed lease payments included in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Statement of Financial Position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the leases liability using the effective interest rate method and by reducing the carrying amount to reflect the lease payments made.

The Society remeasures the lease liability and makes a corresponding adjustment to the related right of use asset whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchases option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate, or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate unless the lease payments change is due to a change in a variable interest rate, in which case a revised discount rate is used.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Society made no adjustments during the period.

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Society incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under NZ IAS 37. To the extent that the costs relate to a right of use asset, the costs are included in the related right of use asset.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that the Society expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right of use assets are presented as a separate line in the Statement of Financial Position.

The Society applies NZ IAS 36 to determine whether a right of use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right of use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'other expenses' in the Statement of Comprehensive Income.

As a practical expedient, NZ IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Society has not used this practical expedient. For contracts containing a lease component and one or more additional lease or non-lease components, the Society allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Policies Applicable Before 1 April 2019

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.

vi. Liabilities

The Society classifies its financial liabilities at amortised cost.

• 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.

• Derecognition of Financial Liabilities

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

• 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 other provisions in respect of employees' services and are measured at the amounts expected to be paid when the liabilities are settled.

vii. 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.

viii. 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 clients and reflect the activities of those clients rather than the Society. These include client borrowings.

ix. 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 Analysis

For the year ended 31 March 2020, the significant accounting estimates and judgements of NZ IFRS 9 used by the Society include the measurement of expected credit losses.

The measurement of the expected credit loss allowance is based on the standard's expected credit loss (ECL) model, as against an incurred credit loss model under NZ IAS 39 Financial Instruments: Recognition and Measurement. This requires the use of complex models and significant assumptions about economic conditions and credit behaviour (eg the likelihood of clients defaulting and the resulting losses).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of expected credit losses
- Establishing the number and relative weightings of forward looking scenarios for each type of product/market and the associated expected credit losses;
- Establishing groups of similar financial assets for the purpose of measuring expected credit losses; and
- Fair value of the collateral of Land and Buildings.

x. Changes In Accounting Policies

The following standards have been adopted from 1 April 2019 and have been applied in preparation of these financial statements:

• NZ IFRS 16 Leases

NZ IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right of use asset and a lease liability at commencement for all leases, except for short-term leases when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 14. The impact of the adoption of NZ IRFS 16 on the Society's financial statements is described below.

The Society has applied NZ IFRS 16 using the cumulative catch up approach which:

- Required the Society to recognise the cumulative effect of initially applying NZ IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under NZ IAS 17 and IFRIC 4.

• Impact of the New Definition of a Lease

The Society has made use of the practical expedient available on transition to NZ IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with NZ IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 April 2019. The change in definition of a lease mainly relates to the concept of control. NZ IFRS 16 determines whether a contract contains a lease on the basis of whether the client has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risk and reward' in NZ IAS 17 and IFRIC 4. The Society applies the definition of a lease and related guidance set out in NZ IFRS 16 to all lease contracts entered into or changed after 1 April 2019 (whether the lessor or a lessee in the lease contract). In preparation for the first time application of NZ IFRS 16, the Society has carried out an implementation project. The project has shown that the new definition in NZ IFRS 16 will not significantly change the scope of contract that meet the definition of a lease for the Society.

• Impact on Lessee Accounting

NZ IFRS 16 changes how the Society accounts for leases previously classified as operating leases under NZ IAS 17, which were off balance sheet. Applying NZ IFRS 16 for all leases (except as noted below), the Society:

- Recognises right of use assets and lease liabilities in the Statement of Financial Position, initially measured at the present value of the future lease payments, with the right of use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with NZ IFRS 16: C8 (b)(ii);
- Recognises depreciation of right of use assets and interest in lease liabilities in the Statement of Comprehensive Income;
- Separates the total amount of cash paid into a principal portion presented within financing activities and interest presented within financing activities in the Statement of Cash Flows.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the effect interest method and by reducing the carrying amount to reflect the lease payments made.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right of use assets and lease liabilities whereas under NZ IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis. Under NZ IFRS 16, the right of use assets are tested for impairment in accordance with NZ IAS 36.

For short-term leases (lease term of 12 months or less), the Society has opted to recognise a lease expense on a straight line basis as permitted by NZ IFRS 16. This expense is presented within 'other expenses' in the Statement of Comprehensive Income.

The Society has used the following practical expedients when applying the cumulative catch up approach to leases previously classified as operating leases by NZ IAS 17:

- The Society has applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- The Society has adjusted the right of use asset at the date of initial application by the amount of provision for onerous leases recognised under NZ IAS 37 in the Statement of Financial Position immediately before the date of initial application as an alternative to performing an impairment review.
- The Society has elected not to recognise right of use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Society has excluded initial direct costs from the measurement of the right of use asset at the date of initial application.
- The Society has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

• Financial Impact of Initial Application of NZ IFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the Statement of Financial Position on 1 April 2019 is 5.32%.

The following table shows the operating lease commitments disclosed applying NZ IAS 17 at 31 March 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the Statement of Financial Position at the date of initial application.

Impact on Retained Earnings as at 1 April 2019

Operating lease commitments at 31 March 2019	780,428
Effect of discounting the above amounts	(29,304)
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously in operating lease commitments	154,768
Lease liabilities recognised at 1 April 2019	905,892

The Society has recognised $905,892 of right of use assets and $905,892 of lease liabilities upon transition to NZ IFRS 16.

1. Administration Expenses

	31/03/2020	31/03/2019
Administration Expense Comprises:		
Branch Expenses	2,008,711	1,798,812
Marketing Expenses	674,607	589,891
Computer Expenses	1,364,930	1,367,704
Property Expenses	299,167	249,752
Professional Expenses	547,765	478,635
	4,895,180	**4,484,794**

2. Auditors Remuneration

	31/03/2020	31/03/2019
Audit of Financial Statements	78,375	74,750
Trust Deed (Agreed upon procedures) and Annual Report	8,625	8,050
NZ IFRS and Compliance of Key Audit Matters	5,000	17,250
Members Register - Other Assurance	6,325	5,750
Taxation Compliance - Annual Return	9,200	8,500
	107,525	**114,300**

The Auditor of the Society is Deloitte

3. Taxation

	31/03/2020	31/03/2019
(a) Income Tax Recognised in the Profit and Loss		
Income Tax Expense Comprises:		
Current Tax Expense	3,286,186	2,243,640
Adjustments Recognised in Relation to the Current Tax of Prior Years	(962)	(3,787)
Deferred Tax Expense Relating to the Origination and Reversal of Temporary Differences	(845,899)	(10,479)
Adjustments Recognised in Relation to Deferred Tax of Prior Years	213	17,879
Total Income Tax Expense Recognised in the Profit and Loss	**2,439,538**	**2,247,253**
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	8,609,954	7,896,696
Taxation Thereon at 28%	2,410,787	2,211,075
Non Deductable Expenses	29,500	22,086
Under/(Over) Provision of Income Tax in Previous Year	(749)	14,092
Income Tax Expense Recognised in the Profit and Loss	**2,439,538**	**2,247,253**

The tax rate used on the above reconciliation is the corporate tax rate of 28% (31 March 2019: 28%) payable by New Zealand companies under New Zealand tax law.

	31/03/2020	31/03/2019
(b) Current Tax Liability		
Balance at the Beginning of the Year	752,549	781,520
Taxation Expense	3,286,186	2,243,640
Adjustments Recognised in Relation to the Current Tax of Prior Year	(962)	(3,787)
Taxation Paid	(2,900,000)	(2,268,824)
Balance at End of Period	**1,137,773**	**752,549**

		31/03/2020	31/03/2019
(c) Deferred Tax Balances			
Opening Balance		36,097	43,497
Charge to Income		845,686	(7,400)
Charged to Comprehensive Income		-	-
Closing Balance - Asset/(Liability)		**881,783**	**36,097**
(d) Imputation Credit Account			
Imputation Credits Available for use at Balance Date		**13,078,484**	**10,298,249**

4. Cash And Cash Equivalents

	31/03/2020	31/03/2019
Bank Deposits	85,984,962	98,898,296
Cash on Hand	2,464,857	2,142,481
	88,449,819	**101,040,777**

Guarantees of $1,500,000 have been issued by Westpac New Zealand Limited on behalf of the Society (2019: $1,500,000).

5. Loans And Receivables

		31/03/2020	31/03/2019
Secured		677,846,624	639,167,335
Unsecured		2,175,211	2,665,303
Gross Advances		**680,021,835**	**641,832,638**
Less Provisions for Credit Impairment	Note 7	(4,209,626)	(1,330,885)
Total Net Advances		**675,812,209**	**640,501,753**

6. Asset And Liability Categorisation

	31/03/2020	31/03/2019
Financial Assets:		
Financial Assets at Amortised Cost (including Cash and Cash Equivalents)	859,641,571	824,909,832
	859,641,571	**824,909,832**
Financial Liabilities:		
Financial Liabilities Held at Amortised Cost	790,094,354	769,362,225
	790,094,354	**769,362,225**

7. Provision For Expected Credit Loss

	31/03/2020 Provisions	31/03/2019 Provisions
Specific and Collective Provisions Against Loans and Receivables Balance at Beginning of the Period		
Collective	1,017,980	947,215
Specific	312,905	384,000
	1,330,885	1,331,215
New Provisions during the Period		
Collective	3,361,942	226,862
Specific	158,800	561,844
Provisions Reduced during the Period		
Collective	-	-
Specific	(85,104)	-
Balances Written Off during the Period		
Collective	(329,096)	(156,097)
Specific	(227,801)	(632,939)
Balance at End of the Period		
Collective	4,050,826	1,017,980
Specific	158,800	312,905
	4,209,626	**1,330,885**

The collective provision provides for expected credit loss on mortgages, personal loans and consumer lending. Collateral is held by way of registered first mortgage over real property, registered first charge over vehicles, and general security agreements over the assets and cash flows of business clients.

The specific provision relates to one mortgage, which is currently in arrears. The Society holds security over all property however there is an expected shortfall between the anticipated sale proceeds and the carrying value of the loans.

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

	31/03/2020	31/03/2019
Bad Debts Written Off for the Period	(556,897)	(789,036)
Provisions Reduced During the Period	(85,104)	-
Add New Provisions Made	3,520,742	788,706
Movement in Provision for Credit Impairment	**2,878,741**	**(330)**

8. Asset Quality

(a) Asset Quality Advances to Customers	31/03/2020	31/03/2019
Past Due But Not Impaired	6,442,137	4,403,436
Impaired	623,341	565,090
Neither Past Due Nor Impaired	672,956,357	636,864,112
Gross Carrying Amount	**680,021,835**	**641,832,638**

	31/03/2020		31/03/2019	
b) Movements in Balances of Impaired and Past Due Assets	Past Due Assets	Impaired	Past Due Assets	Impaired
Opening Balance	4,403,436	565,090	3,067,242	1,589,809
Assets Classified as Past Due/Impaired	6,100,236	623,341	4,204,119	565,090
Client Repayments and Recoveries	(2,970,854)	(337,289)	(1,943,799)	(956,870)
Loan Balance Written Off	(329,096)	(227,801)	(156,097)	(632,939)
Assets no Longer Meeting Definition	(761,585)	-	(768,029)	-
Closing Balance	**6,442,137**	**623,341**	**4,403,436**	**565,090**

(c) Ageing of Past Due Assets	31/03/2020	31/03/2019
Past due 0-29 days	1,818,446	2,182,173
Past due 30-59 days	3,250,953	1,073,133
Past due 60-89 days	339,816	562,334
Past due 90 days+	1,032,922	585,796
Carrying Amount	**6,442,137**	**4,403,436**

The balance of Past Due Assets is in respect of housing, commercial and consumer lending. Past due assets are secured by way of registered first mortgage over real property, registered first charge over vehicles, and general security agreements over the assets and cash flows of business clients. The fair value of the collateral is reviewed and the Society is satisfied there is adequate provisioning to cover potential loss.

Provisions for Expected Credit Loss

	Stage 1 Collective Provision 12 month ECL	Stage 2 Collective Provision Lifetime ECL Not Credit Impaired	Stage 3 Collective Provision Lifetime ECL Credit Impaired	Collective Provision	Credit Impaired Lifetime ECL	Total Provision
Mortgages						
Balance as at 1 April 2018	**-**	**-**	**-**	**495,295**	**300,000**	**795,295**
Restated for Adoption of New Accounting Standards	494,403	205	687	(495,295)	-	-
New Provisions Charged to Income Statement	71,971	(20)	(514)	-	528,563	600,000
Use of Provision	-	-	-	-	(578,563)	(578,563)
Reversal of Previously Recognised Provision	-	-	-	-	-	-
Balance as at 31 March 2019	**566,374**	**185**	**173**	**-**	**250,000**	**816,732**
New Provisions Charged to Income Statement	1,179,912	72,693	25,015	-	100,000	1,377,619
Use of Provision	(210,649)	-	-	-	(14,896)	(225,545)
Reversal of Previously Recognised Provision	-	-	-	-	(85,104)	(85,104)
Balance as at 31 March 2020	**1,535,637**	**72,878**	**25,188**	**-**	**250,000**	**1,883,702**
Gross Carrying Value of Mortgages						
Balance at Beginning of Period	**566,599,847**	**185,467**	**172,873**	**-**	**495,000**	**567,453,187**
Balance at End of Period	**593,768,795**	**1,171,707**	**187,657**	**-**	**499,847**	**595,628,006**
Consumer Lending and Personal Loans						
Balance as at 1 April 2018	**-**	**-**	**-**	**451,920**	**84,000**	**535,920**
Restated for Adoption of New Accounting Standards	323,600	44,940	83,380	(451,920)	-	-
New Provisions Charged to Income Statement	52,192	(5,300)	(26,359)	-	168,173	188,706
Use of Provision	(21,205)	-	-	-	(189,268)	(210,473)
Reversal of Previously Recognised Provision	-	-	-	-	-	-
Balance as at 31 March 2019	**354,587**	**39,640**	**57,021**	**-**	**62,905**	**514,153**
New Provisions Charged to Income Statement	1,796,567	196,533	91,223	-	58,800	2,143,123
Use of Provision	(173,025)	(49,673)	(45,749)	-	(62,905)	(331,352)
Reversal of Previously Recognised Provision	-	-	-	-	-	-
Balance as at 31 March 2020	**1,978,129**	**186,500**	**102,495**	**-**	**58,800**	**2,325,924**
Gross Carrying Value of Consumer Lending and Personal Loans						
Balance at Beginning of Period	**70,264,265**	**3,632,173**	**412,923**	**-**	**70,090**	**74,379,451**
Balance at End of Period	**83,833,911**	**372,999**	**128,119**	**-**	**58,800**	**84,393,829**
Total Provisions 31 March 2019	**920,961**	**39,825**	**57,194**	**-**	**312,905**	**1,330,885**
Total Provisions 31 March 2020	**3,513,766**	**259,378**	**127,683**	**-**	**308,800**	**4,209,626**

The impact and duration of COVID-19 on the global economy and how governments, businesses and consumers respond is uncertain. The Expected Credit Loss (ECL) charge during the year and ECL provisions as at 31 March 2020 are therefore largely based on management judgement with respect to the impacts of COVID-19 on the Society's credit exposures. The judgements and assumptions made by management are based on a variety of internal and external information, as well as the Society's experience with respect to the performance of the portfolio under previous stressed conditions.

The following table summarises the key judgements and assumptions in relation to the model inputs and the interdependencies between those inputs, and highlights significant changes during the current period.

The judgements and associated assumptions have been made within the context of the impact of COVID-19, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. In relation to COVID-19, judgements and assumptions include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of business and consumers in different industries, along with the associated impact on the global economy. Accordingly, the Society's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement/Assumption	Changes and Considerations During the Year Ended 31 March 2020
Determining when a Significant Increase in Credit Risk (SICR) has Occurred	Various initiatives, such as payment holidays and deferrals have been offered to clients from the last week of March 2020 recognising the potential detrimental impact of COVID-19. Such offers, if accepted, are not automatically considered to indicate SICR but are used as necessary within the broader set of indicators used to assess and grade client facilities.
Measuring both 12 month and Lifetime Credit Losses	The PD, EAD and LGD models are subject to the Society's risk policy model that stipulates periodic monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. There were no material changes to the policies during the year ended 31 March 2020. There were no changes to behavioural lifetime estimates during the year ended 31 March 2020.
Base Case Economic Forecast	The Society derives a forward looking "base case" economic scenario which reflects their view of the most likely future macro-economic conditions. As at 31 March 2020, the base case assumptions have been updated to reflect the rapidly evolving situation with respect to COVID-19. This includes an assessment of the impact of RBNZ (monetary policy), government (wage subsidies), and institution specific responses (such as payment holidays). These are considered in determining the length and severity of the forecast economic downturn. The expected outcomes of key economic drivers for the base case scenario as at 31 March 2020 and those previously used as at 31 March 2019 are described under the heading "Forecast Base Case Assumptions".
Probability Weighting of each Scenario (Base Case, Upside, Downside and Severe Downside Scenarios)	The key considerations for probability weightings in the current year is the continuing impact of COVID-19. In addition to the base case forecast which reflects largely the negative economic consequences of COVID-19, greater weighting has been applied to the downside and severe downside scenarios given the Society's assessment of downside risks. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Society considers these weightings in each geographical location to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Society's credit portfolios in determining them.
Management Temporary Adjustments	Temporary adjustments have been assessed in the context of COVID-19 and the extent that associated credit loss exposures are captured within the modelled economic scenarios. The changes to temporary adjustments have been made to select industries and portfolios.

Forecast Base Case Assumptions

The uncertain evolution of the COVID-19 pandemic increases the risk to the forecast resulting in an understatement or overstatement of the ECL balance due to uncertainties around:

- The extent and duration of measures to stop or reduce the speed of the spread of COVID-19;
- The extent and duration of the economic downturn, along with the time required for economies to recover; and
- The effectiveness of government stimulus measures, in particular their impact on the magnitude of economic downturn and the extent and duration of the recovery.

The Society's base case economic forecast scenarios reflects a sharp deterioration in economic conditions in the second quarter of 2020 with a gradual improvement thereafter.

The economic drivers of the base case economic forecasts at 31 March 2020 and those that were used at 31 March 2019 are set out below.

	Base Case Economic Forecast as at 31 March 2020	Base Case Economic Forecast as at 31 March 2019
Unemployment Rate	Expected to average 6-8% for financial year 2021.	Expected to remain stable.
GDP in Certain Industries	Certain industries i.e Aviation, Tourism, Hospitality, Accommodation and Retail are expected to have significant downturn in the next 12 months.	Expected to improve modestly.
Residential Property Values	Property prices are expected to contract by 10% in financial year 2021.	Expected to achieve modest levels of growth.

ECL - Sensitivity Analysis

The uncertainty of the impact of COVID-19 introduced significant estimation uncertainty in relation to the measurement of the Society's allowance for expected credit losses. The rapidly evolving consequences of COVID-19 and government, business and consumer responses could result in significant adjustments to the allowances within the current and subsequent financial years.

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Society should be within a range of possible estimates.

The table below illustrates the sensitivity of ECL to key factors used in determining it:

ECL - Sensitivity Analysis Weightings Applied to Forecast Scenarios

	Total ECL	Impact on ECL Provision
Upside Scenario	3,907,962	-7%
Base Scenario	4,209,626	-
Downside Scenario	5,631,350	34%
Severe Downside Scenario	7,270,601	73%

Input in Judgements Applied to Sensitivity Analysis Weightings

	Upside Scenario	Downside Scenario	Severe Downside Scenario
Unemployment Rate	4-6%	8-10%	10-12%
GDP in Certain Industries	2% less industries impacted than Base Scenario	2% more industries impacted than Base Scenario	4% more industries impacted than Base Scenario
Residential Property Values	5-7%	15-18%	20-22%

9. Property, Plant & Equipment

	31/03/2020	31/03/2019
Freehold Land and Buildings		
Fair Value		
Balance at Beginning of the Period	2,216,764	2,170,000
Revaluation	-	-
Additions	-	46,764
Disposals	-	-
Balance at End of the Period	**2,216,764**	**2,216,764**
Depreciation and Impairment		
Balance at Beginning of the Period	52,369	-
Depreciation for the Period[1]	31,228	52,369
Accumulated Depreciation on Disposed Assets	-	-
Revaluation	-	-
Balance at End of the Period	83,597	52,369
Total Freehold Land and Buildings	**2,133,167**	**2,164,395**

	31/03/2020	31/03/2019
Computer Equipment		
Cost		
Balance at Beginning of the Period	1,211,738	968,007
Additions	230,055	243,731
Disposals	(943,101)	-
Balance at End of the Period	**498,692**	**1,211,738**
Depreciation and Impairment		
Balance at Beginning of the Period	987,801	857,853
Depreciation for the Period[1]	159,420	129,948
Accumulated Depreciation on Disposed Assets	(934,329)	-
Balance at End of the Period	212,892	987,801
Total Computer Equipment	**285,800**	**223,937**

	31/03/2020	31/03/2019
Other Assets		
Cost		
Balance at Beginning of the Period	2,833,608	2,626,972
Additions	225,242	383,794
Disposals	(545,264)	(177,158)
Balance at End of the Period	**2,513,586**	**2,833,608**
Depreciation and Impairment		
Balance at Beginning of the Period	1,759,442	1,622,573
Depreciation for the Period[1]	248,888	271,712
Accumulated Depreciation on Disposed Assets	(422,031)	(134,843)
Balance at End of the Period	**1,586,299**	**1,759,442**
Total Other Assets	**927,287**	**1,074,166**
Total Property, Plant and Equipment	**3,346,254**	**3,462,498**

[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%. A significant increase/ decrease in the rental capitalisation rate would result in a decrease/increase to the fair value of the land and buildings. The Board of Directors consider this position remains appropriate.

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

	31/03/2020	31/03/2019
Freehold Land	16,550	16,550
Buildings	412,323	424,874
	428,873	**441,424**

10. Intangible Assets

	31/03/2020	31/03/2019
Software		
Cost		
Balance at Beginning of the Period	1,922,761	1,630,376
Additions	242,598	305,651
Disposals	(1,675,220)	(13,266)
Balance at End of the Period	**490,139**	**1,922,761**
Amortisation and Impairment		
Balance at Beginning of the Period	1,610,145	1,288,897
Amortisation for the Period[2]	233,154	324,955
Accumulated Amortisation on Disposed Assets	(1,658,605)	(3,707)
Balance at End of the Period	184,694	1,610,145
Total Software	**305,445**	**312,616**

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

11. Share Capital

	31/03/2020	31/03/2019\
	39,048,500	29,608,500

During the year ended 31 March 2020 9,980,000 (net) preference shares were issued for $1 each, fully paid. (31 March 2019: 4,790,000 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 2020: 5.00% (31 March 2019: 5.50%). The Society can cancel the payment of a dividend by giving the holder a Dividend Cancellation Notice.

12. Borrowings

	31/03/2020	31/03/2019
Borrowings		
Call Borrowings - Depositors	221,295,305	169,347,613
Term Borrowings - Depositors	567,785,777	598,598,545
Total Borrowings	**789,081,082**	**767,946,158**

	31/03/2020	Weighted Average Interest Rate %	31/03/2019	Weighted Average Interest Rate %
Maturity Analysis Of Term And Current Borrowings				
Borrowings at Call	221,295,305	0.51	169,347,613	1.06
Between 0 and 1 year	507,575,282	2.92	519,176,218	3.59
Between 1 and 2 years	47,181,032	3.42	56,240,826	3.87
Between 2 and 5 years	13,029,463	3.33	23,181,502	3.94
Total Borrowings	**789,081,082**	**2.28**	**767,946,158**	**3.06**

All Borrowings are unsecured.

13. Commitments And Contingent Liabilities

The Society has a commitment for loans approved but not yet paid at 31 March 2020 of $29,152,194. (31 March 2019: $28,854,470).

Sponsorship commitments beyond 31 March 2020 total $229,250 (31 March 2019: $235,750).

The Society had no contingent liabilities as at 31 March 2020 (31 March 2019: $Nil).

14. Leases (Society as a Lessee)

Right of Use Assets

Cost	
At 1 April 2019	905,892
Additions	-
At 31 March 2020	905,892
Accumulated Depreciation	
At 1 April 2019	-
Charge for the Year	314,543
At 31 March 2020	314,543
Carrying Amount as at 31 March 2020	**591,349**

The Society leases 7 properties under the criteria set in NZ IFRS 16. The average remaining lease term is 2 years (2019: 2 years).

Amounts Recognised in the Statement of Comprehensive Income

	31/03/2020
Depreciation Expense on Right of Use Asset	314,543
Interest Expense on Lease Liabilities	38,712
Expense Relating to Short-term Leases	-
Expense Relating to Variable Lease Payments Not Included in the Measurement of the Lease Liability	331,848
Lease Liabilities	
Maturity Analysis	
Year 1	290,894
Year 2	210,697
Year 3	111,166

The Society does not face significant liquidity risk with regard to lease liabilities. Lease liabilities are monitored within the Society's treasury function.

15. 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 equivalents 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 rates for the term of the original fixing.

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.

	31/03/2020		31/03/2019	
Financial Assets	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Cash Equivalents and Term Deposits	183,800,768	183,800,768	184,407,479	184,407,479
Loans and Receivables	675,812,209	679,513,092	640,501,753	640,625,793
Trade Receivables	28,594	28,594	600	600
Total Financial Assets	**859,641,571**	**863,342,454**	**824,909,832**	**825,033,872**
Financial Liabilities				
Borrowings	789,081,082	790,642,709	767,946,158	769,312,107
Trade and Other Payables	1,013,272	1,013,272	1,416,067	1,416,067
Total Financial Liabilities	**790,094,354**	**791,655,981**	**769,362,225**	**770,728,174**

16. 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 75% 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 cash flows, 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 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 clients 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 contractual 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 are not considered to be indicative of actual future cash flows. This is primarily because the majority of the longer term mortgages are likely to be repaid earlier than their contractual terms. In addition, borrowings include substantial client deposits which are at call and term deposits which are renewed at maturity and therefore do not have a cash flow impact. Historical evidence has shown that reinvestment of such term deposit accounts is a stable source of long term funding for the Society.

COVID-19 has impacted the normal operations of the Society as well as placing pressure on the wider economy. The Society has reviewed financial forecasts with particular emphasis on liquidity expectations. Current behaviour is monitored against forecasts to ensure liquidity is maintained at appropriate levels. The society uses funding and lending rates as well as lending criteria to control both inflows and outflows of liquid assets.

To date liquidity levels remain well above regulatory and management expectations.

Monetary Assets Receivable Matched Against Liabilities Payable as at 31 March 2020

	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	26,879,194	61,946,260	-	-	-	-	88,825,454
Term Deposits	-	-	52,749,533	33,901,228	-	-	86,650,761
Trade Receivables	28,594	-	-	-	-	-	28,594
Personal Loans	175	149,582	313,958	779,625	1,466,259	6,225	2,715,824
Consumer Lending	177,735	5,535,463	8,257,305	20,838,555	66,228,305	92,145	101,129,509
Mortgages & Interest	90,844,447	26,090,098	21,356,796	39,243,319	115,968,649	686,426,639	979,929,948
Provision for Credit Impairment	(4,209,626)	-	-	-	-	-	(4,209,626)
Total Monetary Assets	**113,720,519**	**93,721,404**	**82,677,592**	**94,762,727**	**183,663,213**	**686,525,008**	**1,255,070,464**
Liabilities							
Borrowings	221,295,305	392,637,183	121,893,950	48,268,108	13,085,852	-	797,180,398
Trade and Other Payables	1,013,272	-	-	-	-	-	1,013,272
Employee Entitlements	297,236	-	-	-	-	-	297,236
Current Tax Liabilities	-	1,137,773	-	-	-	-	1,137,773
Total Monetary Liabilities	**222,605,813**	**393,774,956**	**121,893,950**	**48,268,108**	**13,085,852**	**-**	**799,628,679**
Net Monetary Assets/ (Liabilities)	**(108,885,294)**	**(300,053,552)**	**(39,216,358)**	**46,494,619**	**170,577,361**	**686,525,008**	**455,441,785**
Unrecognised Loan Commitments	**(29,152,194)**	**-**	**-**	**-**	**-**	**-**	**(29,152,194)**
Net Liquidity Gap	**(138,037,488)**	**(300,053,552)**	**(39,216,358)**	**46,494,619**	**170,577,361**	**686,525,008**	**426,289,591**

Monetary Assets Receivable Matched Against Liabilities Payable as at 31 March 2019

	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	31,285,714	77,423,584	-	-	-	-	108,709,298
Term Deposits	-	-	67,201,098	36,641,919	-	-	103,843,017
Trade Receivables	600	-	-	-	-	-	600
Personal Loans	-	196,860	270,420	969,058	1,891,436	7,359	3,335,133
Consumer Lending	258,843	5,207,488	5,813,721	14,950,320	62,839,632	-	89,070,005
Mortgages & Interest	71,032,034	26,688,680	21,949,542	44,042,262	123,487,846	682,585,968	969,786,332
Provision for Credit Impairment	(1,330,885)	-	-	-	-	-	(1,330,885)
Total Monetary Assets	**101,246,307**	**109,516,612**	**95,234,781**	**96,603,559**	**188,218,914**	**682,593,327**	**1,273,413,499**
Liabilities							
Borrowings	169,347,613	352,639,640	174,682,957	58,142,711	23,550,796	50,008	778,413,725
Trade and Other Payables	1,416,067	-	-	-	-	-	1,416,067
Employee Entitlements	271,911	-	-	-	-	-	271,911
Current Tax Liabilities	-	752,549	-	-	-	-	752,549
Total Monetary Liabilities	**171,035,591**	**353,392,189**	**174,682,957**	**58,142,711**	**23,550,796**	**50,008**	**780,854,252**
Net Monetary Assets/ (Liabilities)	**(69,789,285)**	**(243,875,577)**	**(79,448,176)**	**38,460,848**	**164,668,118**	**682,543,319**	**492,559,247**
Unrecognised Loan Commitments	**(28,854,470)**	**-**	**-**	**-**	**-**	**-**	**(28,854,470)**
Net Liquidity Gap	**(98,643,755)**	**(243,875,577)**	**(79,448,176)**	**38,460,848**	**164,668,118**	**682,543,319**	**463,704,777**

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 constrained by the timeliness to realise the asset.

17. 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, cash, term deposits and trade receivables. 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. 70% of all Loans and Receivables are in the Nelson and Tasman Regions, the remaining 30% 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 branches.

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.

	31/03/2020		31/03/2019	
% of Equity	Bank	Other	Bank	Other
10-19	-	1	-	2
20-29	-	1	-	-
30-39	-	-	-	-
40-49	1	-	1	-
50-59	-	-	-	-
60-69	-	-	-	-
70-79	-	-	-	-
80-89	-	-	-	-
90+	2	-	2	-

Credit Risk Profile by Category

The table below shows the level of lending by category. The Society has 5 major categories of lending: residential, commercial, agriculture, personal lending and consumer finance.

	31/03/2020	31/03/2019
Residential	426,634,522	425,809,681
Commercial	112,027,494	89,142,022
Agriculture	54,973,465	51,658,195
Personal Lending	2,175,211	2,665,303
Consumer Finance	80,001,517	71,226,552
	675,812,209	**640,501,753**

The table below shows the level of lending by region.	Year to 31/03/2020	Year to 31/03/2019
Nelson	214,812,735	193,000,801
Tasman	257,320,615	243,768,060
West Coast	65,673,840	58,087,149
Golden Bay	70,628,290	70,091,923
Mid Canterbury	67,376,729	75,553,820
	675,812,209	**640,501,753**

Information about Major Customers

At 31 March 2020 there was no one customer that individually comprised 10 per cent or more of the Total Revenue (2019: Nil).

18. 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 90% of the borrowings can be repriced or mature within twelve months (31 March 2019: 89%).

At 31 March 2020 there were 812 fixed rate borrowings totalling $60,210,495 not reviewable within one year. (31 March 2019: 1012 fixed rate borrowings totalling $79,422,327). The table below shows the next interest maturity date for financial assets and liabilities excluding interest.

Interest Rate Repricing Schedule as at 31 March 2020

	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	2.31%	26,879,194	61,570,625	-	-	-	88,449,819
Term Deposits	2.44%	-	-	27,961,117	67,389,832	-	95,350,949
Trade Receivables		28,594	-	-	-	-	28,594
Personal Loans	10.18%	2,130,515	-	-	44,696	-	2,175,211
Consumer Lending	10.49%	1,963,091	1,599,693	3,749,182	13,256,151	61,650,565	82,218,681
Mortgage Advances	5.12%	187,516,825	155,556,975	131,782,669	120,607,265	164,209	595,627,943
Provision for Credit Impairment		(4,209,626)	-	-	-	-	(4,209,626)
Total Monetary Assets		**214,308,592**	**218,727,293**	**163,492,968**	**201,297,944**	**61,814,774**	**859,641,571**
Liabilities							
Borrowings	2.28%	221,295,305	382,550,893	125,024,389	47,181,032	13,029,463	789,581,082
Trade and Other Payables		1,013,272	-	-	-	-	1,013,272
Total Monetary Liabilities		**222,308,577**	**382,550,893**	**125,024,389**	**47,181,032**	**13,029,463**	**790,094,354**
Net Monetary Assets/ (Liabilities)		**(7,999,985)**	**(163,823,600)**	**38,468,579**	**154,116,912**	**48,785,311**	**69,547,217**
Unrecognised Loan Commitments	6.33%	**(29,152,194)**	**-**	**-**	**-**	**-**	**(29,152,194)**
Inerest Sensitivity Gap		**(37,152,179)**	**(163,823,600)**	**38,468,579**	**154,116,912**	**48,785,311**	**40,395,023**

Interest Rate Repricing Schedule as at 31 March 2019

	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	2.75%	31,285,714	69,755,063	-	-	-	101,040,777
Term Deposits	3.63%	-	-	54,678,395	28,682,945	-	83,361,340
Trade Receivables		600	-	-	-	-	600
Personal Loans	10.23%	2,658,108	-	-	7,195	-	2,665,303
Consumer Lending	10.69%	3,803,198	1,605,069	2,404,344	8,238,367	55,663,169	71,714,148
Mortgage Advances	5.49%	171,111,252	134,287,457	148,407,442	112,255,720	1,391,315	567,453,187
Provision for Credit Impairment		(1,330,885)	-	-	-	-	(1,330,885)
Total Monetary Assets		**207,527,987**	**205,647,589**	**205,490,182**	**149,184,227**	**57,054,485**	**824,904,470**
Liabilities							
Borrowings	3.06%	169,347,613	341,568,076	177,608,142	56,240,826	23,181,502	767,946,158
Trade and Other Payables		1,416,067	-	-	-	-	1,416,067
Total Monetary Liabilities		**170,763,680**	**341,568,076**	**177,608,142**	**56,240,826**	**23,181,502**	**769,362,225**
Net Monetary Assets/ (Liabilities)		**36,764,308**	**(135,920,487)**	**27,882,040**	**92,943,402**	**33,872,983**	**55,542,245**
Unrecognised Loan Commitments	6.50%	**(28,854,470)**	**-**	**-**	**-**	**-**	**(28,854,470)**
Inerest Sensitivity Gap		**7,909,838**	**(135,920,487)**	**27,882,040**	**92,943,402**	**33,872,983**	**26,687,775**

19. Currency Risk

The Society is not exposed to currency risk.

20. Capital Adequacy

Non-bank Deposit Takers (Nelson Building Society) Exemption Notice 2018 is a consolidation of the Deposit Takers (Nelson Building Society) Exemption Notice 2011 (the principal notice) and the Deposit Takers (Nelson Building Society) Exemption Amendment Notice 2015 (the amendment notice). The notice has been approved by the Reserve Bank of New Zealand granting the Society Qualifying Mutual Status until 1 November 2025.

As at 31 March 2020 all perpetual noncumulative preference shares have full voting rights, as such their contribution to Society's capital is unrestricted. On this basis the Risk Weighted Capital ratio as at 31 March 2020 is 11.76% (31 March 2019: 10.50%), 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 requirements 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 client 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.

21. 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	
	31/03/2020	31/03/2019
Loans and advances outstanding at beginning of period	800,557	893,855
Net loans issued/(repaid) during the period	510,346	583,641
Loans no longer meeting definition	-	(676,939)
Loans and advances outstanding at end of period	**1,310,903**	**800,557**

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 2020. (31 March 2019: $Nil). The above Loans and Receivables are charged interest at current market rates.

(b) Deposits from Related Parties	Directors and Other Key Management Personnel	
	31/03/2020	31/03/2019
Deposits at beginning of period	433,426	1,051,909
Net (withdrawals made)/deposits received during the period	105,039	(618,483)
Deposits at end of period	**538,465**	**433,426**

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

	31/03/2020	31/03/2019
Salaries and Short-Term Employee Benefits	463,203	632,289
Post-Employment Benefits	24,353	52,468
Total Compensation of Key Management (Excluding Directors)	**487,556**	**684,757**

(d) Directors Fees

	31/03/2020	31/03/2019
Amounts Received, or Due and Receivable by Directors	212,575	205,106

(e) Other Related Party Transactions

During the 12 month period ended 31 March 2020, the Society entered into transactions with related parties involving; investment in share capital $600,000 (2019: $600,000), rental of commercial property $31,145 (2019: $20,856), motor vehicle transactions $196,336 (2019: $287,249), and human resource consultancy $24,904 of which $10,902 remains outstanding (2019: $20,856). $10,902.

22. 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 2020 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 $244,796 (31 March 2019: $422,637). 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.

23. Subsequent Events

- **COVID-19**

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the New Zealand and other governments as well as the travel and trade restrictions imposed by New Zealand and other countries in early 2020 have caused disruption to businesses and economic activity. The financial effects of COVID-19 have been reflected in the Society's financial statements at 31 March 2020 where applicable.

COVID-19 was characterised as a pandemic by the World Health Organisation on 11 March 2020. The Society was deemed an essential service and continued to offer access to branches during all alert levels. Services were limited however, clients had access to electronic banking platforms. Staff working from home were available by telephone or email and were able to respond to client needs. The Society was able to provide support to clients by offering loan repayment holidays, interest only payments, temporary overdraft facilities and loan restructures. All top-up, overdraft establishment and restructuring fees were waived.

The ongoing pandemic has increased the estimation uncertainty in the determination of provision for expected credit loss. The Society has made additional provision for expected credit loss based on the micro-economy forecast assumption, historical experience and other factors that are considered to be relevant, please refer to Note 8 for details.

Given the inherent unpredictability associated with the COVID-19 outbreak, the actual credit loss could be significantly different to the estimates disclosed.

The economic effects arising from the COVID-19 outbreak are expected to affect the results of the Society for the year ending 31 March 2021.

"NBS are proud to partner Nelson Tasman Hospice. The Hospice is such a deserving organisation, it provides a much-needed and valuable caring service for individuals and their families at what is often one of the most difficult times of their lives. We have a huge amount of respect for their work, and the support they provide to the community."

Tony Cadigan – NBS Chief Executive Officer
Pitcured with Frans Dellebeke – Nelson Tasman Hospice Chief Executive Officer