Heretaunga Building Society

84TH ANNUAL REPORT 2017

ANNUAL GENERAL MEETING

The EIGHTY FOURTH ANNUAL GENERAL MEETING of the Heretaunga Building Society will be held in the Society's Office, 111 Avenue Road East, HASTINGS on TUESDAY 18 JULY 2017 AT 4.00pm.

BUSINESS

Adoption of Annual Report and Financial Statements

Election of Two Directors

Appointment of Auditors

General

BROWN WEBB RICHARDSON LIMITED, Secretaries

PROXIES

Members are advised that they are entitled to appoint a proxy to attend the meeting and to vote on their behalf, and that any such proxy need not be a member. The instrument appointing the proxy must be deposited at the Society's Office not less than forty-eight hours before the time fixed for the meeting. Proxy forms are available at the Society's Office.

DIRECTORS

W J Harvey, F.N.Z.I.V., F.P.I.N.Z., F.R.E.I.N.Z.

S A Greer, L.L.B.

J F Gresson, L.L.B.

T M A Morgan, L.B.P

T L Webb, B.C.A.,

BANKERS:	Westpac New Zealand Ltd
SOLICITORS:	Bramwell Bate
AUDITORS:	Staples Rodway Audit Ltd
TRUSTEES:	Trustees Executors Limited

CHAIRMAN'S REPORT
84TH ANNUAL REPORT TO MEMBERS
FOR YEAR ENDED 31 MARCH 2017

On behalf of your Directors it is with pleasure that I present the Heretaunga Building Society's Annual Report and Financial Statements for the year ended 31 March 2017.

The financial result for the year under review produced a Net Operating Profit before revaluation of $44,010. This result is not what the Board had budgeted for. The costs associated with the purchase of Napier Building Society mortgage portfolio including legal fees together with our own legal expenses incurred with the Amendment of our Trust Deed were higher than anticipated. Interest income declined which reflected easing of interest rates however rental income increased by $46,000 which reflects a full year's income from our investment property. At balance date the earthquake strengthening on the Heretaunga Street property had not commenced. However we have been advised the work is currently with the Hastings District Council for consent. HBS continues to hold $100,000 until the work is completed and a Completion certificate is issued. The seismic work on the Avenue Road building is underway to an advanced stage with work continuing to create the least disruption to our tenants.

Total assets stand at $27.5 million which is an increase of $4 million on 2016. The mortgage book lent $7,379,750 for new loans and $6,066,598 was repaid. The purchase of the Napier Building Society mortgage portfolio provided the growth the Society has been striving for and will provide worthwhile future income and exposure to many borrowers in Napier City.

The Society continues to have strong liquidity with funds available for home buying, business ventures or maybe that well-earned holiday.

Sponsorship continues for the Cornwall Cricket Club, Ramblers Cycling Club, Riding for the Disabled and Hastings Junior Golf.

Being the 84th year for the Heretaunga it continues to highlight the history and stability of the support received from you our members. Directors place on record their thanks for both support and service the Society received from Brown Webb Richardson over the past year. George Speedy our General Manager and his Secretarial team give the affairs of the Society first class attention and the continuing support of BWR Directors in promoting the business of the Society is greatly appreciated.

During the year the Board appointed Stephen Greer to join the Board. A well-known solicitor in Napier will provide the Board with a Napier connection.

To my fellow Directors – Mark Morgan, Jeremy Gresson and Trevor Webb I thank you all for your dedication to the affairs of the Society.

I retire from the Board at the conclusion of this AGM and I wish to thank all concerned for the opportunity to serve.

For the Directors

W J Harvey
Chairman
May 2017

HERETAUNGA BUILDING SOCIETY
GENERAL MANAGERS REPORT FOR 2017 YEAR

The total interest income decline reflects the reduced interest rates during the year however late in the year rates started on an upward movement.

A full year of rental income from the Heretaunga Street investment property more than offsets the reduction in interest income.

The total expenses have increased by $58,054, largely attributed to the professional fees from the purchase of the Napier Building Society mortgage portfolio and the amendments required for the Society trust deed to comply with Financial Markets Conduct Act.

The Society purchased the mortgage portfolio of the Napier Building Society (NBS) in September 2016 as NBS was to cease trading. This purchase together with other lending has resulted in total advances on mortgage at 31 March 2017 of $15,704,187, an increase of 9% over the preceding year. The Reserve Bank of New Zealand LVR lending restrictions imposed on banks has resulted in increased scope for the Society to increase its mortgage lending.

The Society transitioned to the Financial Markets Conduct Act (FMCA) 2013 in November 2016. This necessitated the Society trust deed being revised to comply with FMCA. The FMCA brings changed reporting requirements with more information being available on the internet for investors.

The ongoing theme of recent years of more compliance requirements continues this year and the next. Most of this compliance is not visible to our members except for the Anti Money Laundering and Countering Financing of Terrorism requirements.

The Society investment properties require upgrading to achieve a higher percentage of the National Building Standards. Work has commenced on the BWR building and is expected to be completed by 31 March 2018. The work is being completed to create minimal disruption to the tenant. The other property is to be upgraded during the year ending 31 March 2018.

S M (George) Speedy
General Manager
May 2017

CORPORATE GOVERNANCE
2017 ANNUAL REPORT

NATURE OF BUSINESS

Heretaunga Building Society (the Building Society) was formed in 1933 and has operated as a building society throughout its history. The Building Society is incorporated under the Building Societies Act 1965.

ROLE OF THE BOARD

The Board oversees the Building Society's business affairs and is committed to protecting and enhancing the value of the Building Society's assets in the best interests of the Members, subject to full compliance with legal requirements. The Board's primary responsibilities include the following:

- Directing and controlling the Building Society's activities and its strategic development;
- Ensuring systems and processes are in place so that the business of the Building Society is conducted honestly, ethically and responsibly;
- Overseeing the conduct of the Building Society's business and
- Ensuring the Building Society is appropriately resourced to manage all the risks that arise from its activities.

Directors are required to disclose, and avoid, wherever possible any potential conflicts of interest.

COMPOSITION OF THE BOARD

The Board currently comprises five Directors, all of whom are independent, selected to ensure that a broad range of skills, knowledge and experience are available.
The day-to-day management of the Building Society is delegated to the secretaries, who are accountable to the Board.
Procedures for the appointment and removal of Directors are governed by the Building Society rules.

BOARD COMMITTEES

There are no Board committees.

BOARD MEETINGS

Regular Board meetings are held eleven times per year with additional meetings held as and when required.

MEMBER ACCESS TO INFORMATION

The Board of Directors ensures that the Building Society members are kept informed of important developments affecting the Building Society by communicating with members through newsletters, annual report and at the annual meeting.

HERETAUNGA BUILDING SOCIETY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Note	Mar 2017	Mar 2016
REVENUE		**$**	**$**
Interest Revenue			
Advances		782,490	796,206
Impaired Advances (Restructured Assets)		27,232	41,010
Bank Deposits		155,702	196,239
Investment Securities		51,489	56,589
Total Interest Revenue		1,016,913	1,090,044
LESS: COST OF FUNDS			
Interest on Redeemable Shares		654,471	710,704
GROSS INTEREST MARGIN		**362,442**	**379,340**
OTHER INCOME			
Rent Received	**20**	261,211	214,871
Other Income		-	58
		261,211	214,929
GROSS INCOME		**623,653**	**594,269**
LESS: ADMINISTRATION EXPENSES			
Administration and Other Expenses		140,387	100,674
Audit Fees			
- Audit of the financial statements		29,617	28,040
- Trust Deed and Prospectus Review Services		2,714	4,485
Directors Fees		78,000	73,500
Prospectus Expenses		3,938	5,082
Secretarial and Office Facilities		299,000	276,000
Trust Deed Expenses		23,000	27,879
Depreciation – Office Equipment	**9**	2,987	5,929
TOTAL EXPENSES		579,643	521,589
NET OPERATING PROFIT before Revaluation		**44,010**	**72,680**
Gain/(Loss) on revaluation of Investment Property		(69,461)	91,610
NET OPERATING PROFIT BEFORE TAX		**(25,451)**	**164,290**
Tax Expense	3	12,323	20,350
NET OPERATING PROFIT AFTER TAX		**(37,774)**	**143,940**
OTHER COMPREHENSIVE INCOME			
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS			
Gain/(loss) on available for sale reserve		14,745	(5,691)
Deferred Tax on available for sale reserve		(4,129)	1,593
TOTAL COMPREHENSIVE INCOME		**(27,158)**	**139,842**

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements.

HERETAUNGA BUILDING SOCIETY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

Mar 17 Note 4	Retained Earnings	General Reserve	Available for Sale Reserve	Property Revaluation Reserve	Total Equity
Opening Balance 1 Apr 2016	778,451	2,800,000	27,832	891,731	4,498,014
Operating profit for the period	(37,774)				(37,774)
Gain/(Loss) on available for sale reserve			14,745		14,745
Deferred tax on available for sale reserve			(4,129)		(4,129)
Total comprehensive income	(37,774)	-	10,616	-	(27,158)
Transfer between Reserves	69,461			(69,461)	
Closing Balance 31 March 2017	810,138	2,800,000	38,449	822,270	4,470,857
Equity % to Total Assets					16.25%

Mar 16	Retained Earnings	General Reserve	Available for Sale Reserve	Property Revaluation Reserve	Total Equity
Opening Balance 1 Apr 2015	726,121	2,800,000	31,930	800,121	4,358,172
Operating profit for the period	143,940				143,940
Gain/(Loss) on available for sale reserve			(5,691)		(5,691)
Deferred tax on available for sale reserve			1,593		1,593
Total comprehensive income	143,940	-	(4,098)	-	139,842
Transfer between Reserves	(91,610)			91,610	
Closing Balance 31 March 2016	778,451	2,800,000	27,832	891,731	4,498,014
Equity % to Total Assets					19.0%

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements.

HERETAUNGA BUILDING SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	Mar 2017	Mar 2016
ASSETS		**$**	**$**
Cash and cash equivalents	**5**	7,479,463	4,926,950
Accounts receivable		-	1,218
Prepayments		4,650	4,650
Investment securities	**6**	1,108,817	1,094,952
Investment property	**7**	3,215,000	3,244,352
Advances on mortgage	**8**	15,704,187	14,389,864
Office equipment	**9**	3,246	6,233
TOTAL ASSETS		**27,515,363**	**23,668,219**
LIABILITIES			
Redeemable shares	**10**	22,668,655	18,823,249
Tax payable	**3**	1,963	9,843
Trade payables		33,198	5,118
Seismic Strengthening - Investment Property	**7**	100,000	100,000
Resident withholding tax		33,422	33,049
GST		11,393	13,989
Directors fees payable	**19**	39,000	36,750
Accruals		34,914	30,375
Deferred taxation	**3**	121,961	117,832
TOTAL LIABILITIES		**23,044,506**	**19,170,205**
EQUITY			
Retained earnings	**4**	810,138	778,451
General reserve	**4**	2,800,000	2,800,000
Available for sale reserve	**4**	38,449	27,832
Revaluation reserve	**4**	822,270	891,731
TOTAL EQUITY		**4,470,857**	**4,498,014**
TOTAL LIABILITIES AND EQUITY		**27,515,363**	**23,668,219**

For and on behalf of the Board, who authorised the issue of these Financial Statements on 29 May 2017.

Director

Director

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements.

HERETAUNGA BUILDING SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	Mar 2017	Mar 2016
CASH FLOWS FROM OPERATING ACTIVITIES		**$**	**$**
Cash was provided from:			
Interest received		1,016,631	1,111,261
Other income		-	58
Rent received		261,210	214,868
		1,277,841	1,326,187
Cash was applied to:			
Interest paid		(668,847)	(721,711)
Tax paid		(20,203)	(17,752)
Payments to suppliers		(568,100)	(506,970)
		(1,257,150)	(1,246,433)
NET CASH FLOWS FROM OPERATIONS BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		20,691	79,754
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Cash was provided from:			
Mortgage repayments		6,066,598	5,527,472
Redeemable Shares issued		36,888,423	36,299,364
Cash was applied to:			
Mortgage advances		(7,379,750)	(6,004,888)
Redeemable Shares repaid		(33,028,390)	(36,610,792)
NET OPERATING CASH FLOWS	**11**	2,567,572	(709,090)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was applied to:			
Investment Security redeemed		-	200,000
Investment Property addition		(15,059)	(652,742)
NET INVESTING CASH FLOWS		(15,059)	(452,742)
Total net increase/(decrease) in cash and cash equivalents held		2,552,513	(1,161,832)
Cash and cash equivalents at the beginning of the period		4,926,950	6,088,782
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**5**	7,479,463	4,926,950

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements.

HERETAUNGA BUILDING SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1. REPORTING ENTITY

Legislative Framework

The Heretaunga Building Society (the Building Society) is a financial institution registered in New Zealand under the Building Societies Act 1965. It is domiciled in New Zealand and its principal place of business is Avenue Road East, Hastings. The Building Society is a FMC Reporting Entity under the Financial Markets Conduct Act 2013 (the "FMCA"). As a FMC Reporting Entity, the Building Society must report in accordance with Part 7 of the FMCA and the Financial Reporting Act 2013 (the "FRA 2013"). The financial report is a general purpose financial report for the Building Society as an individual entity which has been prepared in accordance with the FRA 2013 and the FMCA.

To meet the requirements of the Securities Act 1978 a Trust Deed was entered into on 20 December 1990 between the Building Society and Trustees Executors Limited. Trustees Executors Limited was appointed to act in the interests of the members of the Building Society by monitoring the compliance by the Building Society of its obligations under the Trust Deed. In addition, the Trustee is under a duty to exercise reasonable diligence to ascertain whether the Building Society has:

(a) committed any breach of the Trust Deed or any of the conditions of issue of the deposits and

(b) sufficient assets to meet its obligations to depositors, as they fall due.

Nature of Business

The Building Society operates in the financial services industry, taking deposits from and providing loans to members.

Members invest in the Building Society by way of redeemable shares. The shares cannot be transferred or sold. Throughout this document in keeping with their nature and the Securities Act 1978 shares are classified as debt instruments. Members are able to withdraw their funds subject to certain conditions. The Building Society makes loans to members or invests funds on the members' behalf. Interest and other income are received by the Building Society and interest is paid on members' shares.

Authorisation of the Financial Statements

These financial statements are authorised for issue by the Directors on 29 May 2017.

Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and they comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for for-profit entities. They also comply with International Financial Reporting Standards (IFRS).

Basis of measurement

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

Presentation currency

The financial statements are presented in New Zealand dollars ($), which is the functional currency of the Building Society. All values are rounded to the nearest dollar, unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Building Society in the preparation of the financial report. Except where stated, the accounting policies have been consistently applied.

(a) Revenue

The Building Society recognised revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Building Society and when specific criteria have been met for each of the Building Society's activities, as described below.

Interest Revenue on Loans and Investments

Interest income is recognised on a time-proportion basis using the effective interest method.

Rent revenue from leases

Revenue received under operating leases (net of any incentives paid to the lessee) are recorded in the profit or loss on a straight-line basis over the period of the lease.

(b) Finance expenses

Finance expenses comprise interest expense on redeemable shares, impairment losses recognised on financial assets (except for loans and receivables), and losses on the disposal of available-for-sale financial assets.

Interest expense is recongnised on a time proportion basis using the effective interest method.

(c) Financial Instruments Recognition and Measurement

The Building Society classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss, loans and receivables financial assets, held to maturity financial assets, available for sale financial assets, and financial liabilities at amortised cost (including redeemable shares and trade payables). The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition and re-evaluates this designation at every reporting date. At the reporting date the Building Society only had financial instruments classified as loans and receivables, available for sale financial assets and financial liabilities at amortised cost.

A financial asset is recognised only when the Building Society becomes a party to the contractual provisions of the financial asset.

Financial assets are initially recognised at fair value plus transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Purchases and sales of investments are recognised on trade date, the date on which the Building Society commits to purchase or sell the asset.

Financial assets are assessed for impairment at each balance date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are stated at amortised cost using the effective interest method less accumulated impairment losses. Cash and cash equivalents and Advances on Mortgage listed in the Building Society's statement of financial position are classified as loans and receivables.

2. SIGNIFICANT ACCOUNTING POLICIES Cont'd

Available-for-sale financial assets
Available-for-sale financial assets include any financial assets specifically classified as such by management and those financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. If available-for-sale financial instruments suffer a significant or prolonged decline in market value or a decrease in credit quality the impairment is recognised in the profit or loss. Investment securities are classified as available for sale financial assets.

The fair value of available for sale financial assets must be estimated for recognition and measurement purposes. The fair value of financial instruments that are traded in an active market is determined by reference to recent market transactions. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Derecognition of Financial Instruments
Financial assets are derecognised when the Building Society neither retains the risks and rewards of ownership nor controls the contractual rights to the cash flows from them. Financial liabilities are derecognised when the Building Society's obligation under the liability is discharged, cancelled or expires.

Borrowings (Redeemable shares)
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Trade payables
Trade and other payables represent unsecured liabilities for goods and services provided to the Building Society prior to the end of the financial year which are unpaid. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables are usually paid within 30 days, they are carried at face value.

(d) Impairment of Advances on Mortgage
An assessment is made at each reporting date when there is objective evidence that Advances on Mortgage are impaired. Individually significant Advances on Mortgage are assessed for impairment. All Advances on Mortgage not assessed as individually impaired or individually significant are then collectively assessed for impairment. The Building Society considers the history of loan write offs and overdue loans when assessing collective impairment. An Advance on Mortgage is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the Advances on Mortgage and can be reliably estimated. Objective evidence that an Advance on Mortgage is impaired includes observable data that comes to the attention of the directors about the following loss events:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- a concession granted to the borrower that the Building Society would not otherwise consider for economic or legal reasons relating to the borrower's financial difficulty; or
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Advances on Mortgage which are known to be uncollectible are written off as an expense in the profit or loss. Such Advances on Mortgage are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the borrowers credit rating), the previously recognised impairment loss is reversed by adjusting the allowance amount, with the reversal being recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES Cont'd

The various components of impaired loans are as follows:

Restructured loans are loans where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties of the member and the yield on the asset following restructuring is equal to or greater than the average cost of funds or a loss is not otherwise expected.

Financial assets acquired through the enforcement of security are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

Other impaired loans (individually and collectively impaired) are loans and advances for which there is reasonable doubt that the Building Society will be able to collect all amounts of principal and interest in accordance with the terms of the agreement and provisions for impairment are recognised.

(e) Income tax

Income tax expense

Income tax comprises current tax, deferred tax and any adjustments for tax payable in previous periods. Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

Current tax

Current tax is the expected tax payable on the income for the period based on tax rates and tax laws which are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is accounted for using the liability method. Deferred tax arises by providing for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the equivalent amounts used for tax purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset and liability giving rise to them are realised or settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be realised. Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(f) Investment Property

Investment property (property held for long term rental yields or capital appreciation) is initially recognised at cost and subsequently valued by independent registered valuers. Investment property is carried at the revalued amount which is the fair value at date of revaluation.

Movements in fair value are recognised in the profit or loss then any revaluation surplus/(deficit) is transferred from retained earnings to the revaluation reserve to show the revaluation of investment property distinct from core business earnings.

Gains or losses on disposal are recognised in the profit or loss. Upon disposal any revaluation reserve relating to the particular asset being disposed of is transferred back to retained earnings.

(g) Office Equipment

All items of office equipment are initially measured at cost. The cost of an item of office equipment includes its purchase price and costs directly attributable to bringing it to the location and condition necessary for it to operate as intended.

2. SIGNIFICANT ACCOUNTING POLICIES Cont'd

After initial recognition, all items of office equipment are measured at cost less accumulated depreciation and impairment losses.

Subsequent costs are added to the carrying amount of an item of office equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Building Society and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in the profit or loss as an expense as incurred.

Where material parts of an item of office equipment have different useful lives, they are accounted for as separate items of office equipment.

An item of office equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

Depreciation

Depreciation on office equipment is calculated using the diminishing value method to allocate their cost to their residual values over their estimated useful lives. Depreciation is charged to the profit or loss.

Depreciation rates are as follows:

Office Equipment	10% - 60% per annum

The residual value and useful lives of all assets are reviewed and adjusted if appropriate at each reporting date.

(h) Impairment Testing of Non-Financial Assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Building Society conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses directly reduce the carrying amount of assets and are recognised in the profit or loss.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Goods and Services Tax

The principal activity of the Building Society is a financial institution, which is a non taxable activity for GST purposes in accordance with section 14(1) (a) of The Goods and Services Tax Act 1985. With the exception of rental income from its investment property, the Building Society is treated as an end user for GST purposes. GST exclusive accounting is adopted except for non-recoverable GST which is added to expenses and office equipment. GST is included on Accounts receivables and Trade payables.

2. SIGNIFICANT ACCOUNTING POLICIES Cont'd

(j) Critical Estimates, Judgements and Assumptions in Applying the Accounting Policies

The preparation of financial statements in conformity with NZ IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Building Society's accounting policies. The areas involving a higher degree of complexity, or areas where assumptions and estimates are significant to the financial statements are determining the fair value of the investment property and impairment of the advances on mortgage which are disclosed in notes 7 and 8. The area where significant judgement has been applied is the recognition of a seismic strengthening liability which is disclosed in note 7.

(k) Changes in Accounting policies

There have been no other changes in accounting policies. All policies have been applied on bases consistent with those used in previous periods.

(l) NZ IFRS issued but not yet effective

The following NZ IFRS has been issued but is not yet effective. The impact of this revision has not yet been assessed.

Standard	Effective for periods Beginning on or After	Initial Application In year ending
NZ IFRS 9 Financial instruments	1 January 2018	31 March 2019
NZ IFRS 15 Revenue from contracts with customers	1 January 2018	31 March 2019
NZ IFRS 16 Leases	1 January 2019	31 March 2020

NZ IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2018. Earlier application is permitted. NZ IFRS 9 is part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard introduces amended requirements for classifying and measuring financial assets and liabilities, impairing financial assets and for hedge accounting. The standard is focused on the classification and the impact of impairment. Management is considering the quantification of the standard.

NZ IFRS 15 Revenue from Contracts with Customers is applicable for annual periods beginning on or after 1 January 2018. This standard will not impact the Building Society because its revenue is covered by NZ IAS 17 Leases (to be replaced by NZ IFRS 16 Leases) and NZ IFRS 9 Financial Intruments.

NZ IFRS 16 – Leases is applicable for annual periods beginning on or after 1 January 2019. Earlier application is permitted. This new Leases standard eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most leases onto their balance sheets with the exemptions for short-term leases and leases of low value assets. The accounting by lessors will remain largely unchanged. As the Building Society is only a lessor, NZ IFRS 16 is not expected to have a material impact.

3. TAXATION

(A) CURRENT PERIOD TAX

	Mar 17	Mar 16
Profit before tax	(25,451)	164,290
Adjustment for items not subject to tax	69,461	(91,610)
Taxable Surplus	44,010	72,680
Tax at 28%	12,323	20,350
Current Period Tax Charge	12,323	20,350
Effective Tax Rate	28%	28%
Comprising		
Current tax payable	12,323	20,350
Deferred tax	-	
TOTAL TAX EXPENSE	**12,323**	**20,350**
Tax Payable at start of year	9,843	7,244
Less: Tax Paid	(20,203)	(17,751)
Current Tax Payable	12,323	20,350
Tax Payable at end of year	1,963	9,843

(B) DEFERRED TAX LIABILITY / (ASSET)

Mar 17	Impairment Provision	Depreciation	Available for Sale	Total
Balance at beginning of period	(33,880)	140,888	10,824	117,832
Temporary differences through Income				
Temporary differences through Equity			4,129	4,129
Balance at end of period	(33,880)	140,888	14,953	121,961

Mar 16	Impairment Provision	Depreciation	Available for Sale	Total
Balance at beginning of period	(33,880)	140,888	12,417	119,425
Temporary differences through Income				
Temporary differences through Equity			(1,593)	(1,593)
Balance at end of period	(33,880)	140,888	10,824	117,832

4. EQUITY

The nature and purpose of each reserve is as follows:

Retained earnings: The undistributed profits of the Building Society that have not been transferred to another reserve.

General reserve: A reserve set aside to ensure the equity of the Building Society is sufficient to cover required reserve ratios. Refer note 12(e) for details.

Available for sale reserve: A reserve to maintain the cumulative difference between the fair value and cost of investment securities.

Revaluation reserve: A reserve to maintain the cumulative difference between the fair value and cost of investment property. The revaluation amount in each year is transferred to this reserve from Retained Earnings.

5. CASH AND CASH EQUIVALENTS

	Mar 17	Mar 16
	$	$
NZ Registered Bank balance	20,417	2,599
NZ Registered Bank deposits	7,459,046	4,924,351
TOTAL CASH AND CASH EQUIVALENTS	7,479,463	4,926,950

All balances are available within 3 months. The bank deposits are liquidity funds held by the Building Society and are available at 30 days notice.

Two of the operational bank accounts are set off by the bank for debt and interest purposes. The bank accounts are not offset for financial reporting purposes.

6. INVESTMENT SECURITIES (New Zealand debt exchange listed bonds)

	Mar 17	Mar 16
	$	$
Opening Balance	1,094,952	1,303,489
Bond Purchased/(Sold)	-	(200,000)
Reserve Increase/(Decrease)	14,745	(6,756)
Realised Gain/(Loss)	-	1,064
Accrued Interest Movement	(880)	(2,845)
CLOSING BALANCE (New Zealand Listed Bonds)	**1,108,817**	**1,094,952**

The fair value of investment securities is derived from their quoted prices on the New Zealand Debt Exchange (NZDX).

7. INVESTMENT PROPERTIES

	Mar 17	Mar 16
(A) CLASSES OF INVESTMENT PROPERTY		
Freehold land (at valuation)	1,155,000	1,105,852
Buildings (at valuation)	2,060,000	2,138,500
TOTAL INVESTMENT PROPERTY	**3,215,000**	**3,244,352**
(B) MOVEMENTS IN CARRYING AMOUNTS		
Carrying value at the beginning of the period	3,244,352	2,400,000
Purchase of property	-	744,352
Property improvements	40,109	8,390
Revaluation movement in profit or loss	(69,461)	91,610
Carrying value at the end of the period	**3,215,000**	**3,244,352**

(C) VALUATION DETAILS

Investment property is stated as follows:

i) BWR Building at a fair value of $2,550,000 (2016 - $2,500,000), determined by Paul Harvey BBS , SPINZ, ANZIV an independent registered valuer from Williams Harvey Limited, Hastings on 31 March 2017. The fair value is determined by the investment approach with the contractual rent capitalised at rates ranging from 7.00% to 8.00% (2016 – 7.25% to 8.00%). The fair value of $2,550,000 (2016 - $2,500,000) as determined is based on the contractual rent capitalised at 7.69% (after deduction of $100,000 for earthquake strengthening) (2016 – 7.84%). The fair value resulting from the investment approach is then compared with the value implied by recent market transactions as a secondary check method. The investment property is a commercial office building which generated income during the period. Direct property expenses are paid by the tenant (Brown Webb Richardson Ltd – refer note 19 for details).

The current lease to Brown Webb Richardson Limited expires on 30 September 2026. The assessed valuation was undertaken on this basis.

ii) The Heretaunga Street building is at a fair value of $665,000 (2016 - $744,352), determined by Paul Harvey BBS, SPINZ, ANZIV an independent registered valuer from Williams Harvey Limited, Hastings on 31 March 2017. The fair value is determined by the investment approach with the contractual rent capitalised at rates ranging from 7.75% to 8.75%. The fair value of $665,000 (2016 - $744,352) as determined is based on the contractual rent capitalised at 9.90% (after deduction of $100,000 for earthquake strengthening). The fair value resulting from the investment approach is then compared with the value implied by recent market transactions as a secondary check. The investment property is a retail building which generated income during the period. Direct property expenses are paid by the tenant.

$100,000 of the purchase price of the Heretaunga Street building was retained by the Building Society. It is payable on completion of earthquake strengthening work due to be completed by the previous owners of the building. The strengthening is scheduled to be completed by October 2017.The directors consider this to be a liability despite the earthquake strengthening not yet undertaken due to the certainty of the payment.

The investment properties are Level 3 on the fair value hierarchy. Refer to Note 18 for details of the fair value hierarchy.

Assessing the fair value of buildings involves the use of variables with an element of estimation (eg capitalisation rates). For the BWR building the range of indicative market values calculated by the valuer are $2.741m when using a capitalisation rate of 7.00% to $2.386m when using a capitalisation rate of 8.00%.

For the Heretaunga Street building the range of indicative market values calculated by the valuer are $615,000 when using a capitalisation rate of 8.75% to $707,000 when using a capitalisation rate of 7.75%.

8. ADVANCES ON MORTGAGE

All advances are secured by 1st Mortgage. There is one borrower which exceeds the Building Society's maximum Loan to Value Ratio (LVR) set out in Note 12 (c) being the impaired residential advance (refer D below) with a carrying value of $353,344 (2016 - $489,517).

		Mar 17		Mar 16	
(A) ADVANCES ON MORTGAGE COMPRISE					
Secured Advances		15,825,187		14,510,864	
Less: Provision for Impairment		(121,000)		(121,000)	
		15,704,187		**14,389,864**	
(B) MORTGAGES COMPRISE					
Residential		13,591,875	87%	11,531,732	80%
Commercial		1,484,152	9%	1,753,827	12%
Rural		628,160	4%	1,104,305	8%
TOTAL		**15,704,187**	**100%**	**14,389,864**	**100%**
Average LVR's	**Policy Maximum**				
Residential	80%		34%		37%
Commercial	60%		29%		31%
Rural	50%		16%		16%

Calculation based on value of property at loan inception and current balance of loan.

(C) GEOGRAPHICAL CONCENTRATION				
Hawkes Bay	14,517,738	93%	13,193,566	92%
Taupo	122,304	1%	139,165	1%
Wellington	80,549	-%	643,651	4%
North Island - Other	983,596	6%	413,482	3%
	15,704,187	**100%**	**14,389,864**	**100%**

(D) CREDIT IMPAIRMENT

The Building Society makes estimates and assumptions concerning the future when assessing the impairment provision on loans including the expected cash flows of the borrower and the valuation of security. The resulting accounting estimates will seldom equal the related actual results and there is a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Directors have assessed that a collective impairment provision is not required based on there being no write-offs in recent years and consistently low average LVR's.

	Mar 17	Mar 16
	$	$
(i) Provision for Individual Loan Impairment		
Opening Balance	121,000	121,000
Movement in Provision during the period	-	-
Closing Balance	**121,000**	**121,000**
(ii) Individual Impaired Loan Analysis		
Opening Balance	610,632	623,523
Add/(Less): Additional impaired balance/(impaired loan repayment)	(136,288)	(12,891)
Closing Balance	**474,344**	**610,632**

The individual loan analysis table shows the movement in the gross loans that the provision for individual loan impairment refers to.

8. ADVANCES ON MORTGAGE

	Mar 17	Mar 16
	$	$
(E) CREDIT QUALITY – AGING ANALYSIS		
Fully compliant advances	14,995,836	13,783,918
Past due not impaired advances	355,007	116,239
Up to 90 days		
Impaired Advances		
Restructured Advances	474,344	610,707
	15,825,187	14,510,864
Less: Individual Provision for Impairment	121,000	121,000
	15,704,187	14,389,864

9. OFFICE EQUIPMENT

(A) OFFICE EQUIPMENT

At cost/valuation	55,923	55,923
Accumulated depreciation	(52,677)	(49,690)
TOTAL OFFICE EQUIPMENT	3,246	6,233

(B) MOVEMENTS IN CARRYING AMOUNTS

Balance at beginning of period	6,233	12,161
Addition	-	-
Depreciation Expense	(2,987)	(5,928)
CARRYING AMOUNT AT END OF PERIOD	3,246	6,233

10. REDEEMABLE SHARES

Call shares	8,830,161	5,872,958
Term shares	13,838,494	12,950,291
TOTAL SHARES	22,668,655	18,823,249

Shares are classified as financial liabilities because they are repayable on demand for call shares, and repayable at the end of the term for term shares and the total expected cashflows attributable to the shares are not based on the profit or change in fair value of net assets.

Term shares are invested for terms between one to twelve months. At 31 March 2017 interest rates on term shares ranged from 2.80% to 3.70% (2016 – 3.00% to 4.60%).

Call shares interest rates at 31 March 2017 ranged from 2.25% to 2.75% (2016 – 2.25% to 2.75%).

11. CASH FLOW STATEMENT RECONCILIATION

Reconciliation of cash flow from operating activities with operating profit

	Mar 17	Mar 16
	$	$
Net Operating Profit/(Loss) after Tax	(37,774)	143,940
Non Cash Items		
Depreciation	2,987	5,929
(Increase)/Decrease in fair value of investment property	69,461	(91,610)
Changes in Assets and Liabilities		
(Increase)/decrease in Accounts Receivable	1,218	(1,218)
(Increase)/decrease in Accrued Interest Receivable	3,309	11,458
Increase/(decrease) in Taxation Payable	(7,880)	2,599
Increase/(decrease) in Accounts Payable	1,588	8,894
Increase/(decrease) in Accrued Interest Payable	(14,187)	(9,993)
Increase/(decrease) in Provision for Directors' Fees	(2,250)	(1)
Net (increase)/decrease in Advances on Mortgage	(1,308,493)	(467,658)
Net increase/(decrease) in Redeemable Shares	3,859,593	(311,430)
NET OPERATING CASHFLOW	**2,567,572**	**(709,090)**

12. RISK MANAGEMENT OBJECTIVES AND POLICIES

The board has endorsed a policy of compliance and risk management to suit the risk profile of the Building Society.

Key risk management policies encompassed in the overall risk management framework include:

- Liquidity risk management
- Market risk management
- Credit risk management
- Capital adequacy management

The Building Society has undertaken the following strategies to minimise the risks arising from financial instruments:

(a) Liquidity risk

Liquidity risk is the risk that the Building Society may encounter difficulties raising funds to meet commitments associated with financial liabilities. It is the policy of the Board of Directors that the Building Society maintains adequate cash reserves and committed credit facilities (refer note 21) so as to meet member withdrawal demands when requested.

The Building Society manages liquidity risk by:

- Continuously monitoring forecast and actual daily cash flows
- Reviewing the maturity profiles of financial assets and liabilities
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities

The Building Society's own policy is to maintain at least 15% of total assets less equity as liquid assets (i.e. cash and cash equivalents, investment securities and standby bank facilities) capable of being converted to cash within 30 days. Should the liquidity ratio fall below this level, the management and board are to address the matter and ensure that liquid funds are obtained from new deposits or borrowing facilities available.

	Mar 17	Mar 16
Liquidity Ratio (including Bank facilities)	40%	35%

12. RISK MANAGEMENT OBJECTIVES AND POLICIES – Cont'd

(a) Liquidity risk – cont'd

The ability to demand repayment of all member loans provides the Building Society with potential access to funds if some or all members' shares required repayment. The Building Society also has the right at any time to require a fourteen days notice period for repayment of term redeemable shares. The Building Society also has bank facilities (refer Note 21). The Maturity Profile – (note 13) provides more detail of liquidity risk.

Priority of Creditors Claims

In liquidation or insolvency, claims by redeemable shareholders will rank equally with other redeemable shareholders, and behind unsecured creditors and those creditors given priority by Law.

(b) Market risk

The Building Society is exposed to interest rate risk arising from changes in market interest rates. The Building Society is not exposed to any currency risk. The Building Society does not trade in the financial instruments it holds on its books.

Interest rate risk is the risk of loss to the Building Society arising from adverse changes in interest rates. The Building Society is exposed to interest rate risk in respect of its following activities: borrowing from and lending to customers and investing in money market instruments. Changes in interest rates can impact the Building Society's financial results by affecting the spread earned on interest earning assets and interest paying liabilities and impacting on the market value of other financial instruments held.

The policy of the Building Society to manage the risk is to maintain a balanced "on book" strategy by ensuring the net interest rate gaps between financial assets and liabilities are not excessive.

The interest repricing profile and interest sensitivity analysis details are provided in Note 14.

(c) Credit risk – Advances on Mortgage

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Building Society incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Building Society.

The nature of the Building Society's activities as a financial intermediary necessitates the Building Society dealing in financial instruments that contain an inherent element of credit risk. Credit exposure means the amount of the maximum loss that the Building 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 Building Society's activities are conducted within the bounds of prudent and conservative banking practice.

Loans can only be made to Building Society members. The Building Society has a lending policy that requires various levels of security for loans.

The Building Society has established policies or procedures over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements. Maximum loan to value ratios are 80% (Residential), 60% (Commercial) and 50% (Rural). As detailed in note 8, only one loan is outside the maximum loan to value ratio policy.
- Limits of exposure over the value to individual borrowers, commercial lending and concentrations to geographic and industry groups considered at high risk of default
- Reassessing and review of the credit exposures on loans and facilities
- Establishing appropriate provisions to recognise the impairment of loans
- Debt recovery procedures

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. All loans require collateral security which the Building Society can enforce by disposing of the secured assets in the event of default. The board policy is to maintain the loans in well secured mortgages.

Regular reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days if not rectified. For loans where repayments are not being met after normal internal collection procedures, external consultants are engaged to conduct recovery action.

Refer Note 15 for further details of credit risk.

12. RISK MANAGEMENT OBJECTIVES AND POLICIES – Cont'd

(d) Credit risk – Investment securities and cash and cash equivalents

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Building Society incurring a financial loss. This occurs when debtors fail to settle their obligations owing to the Building Society.

The board policy is to place the investments either with New Zealand registered banks or other board approved entities which carry an investment grade rating (BBB) or higher. The maximum investment with any one New Zealand registered bank is not to exceed $6,000,000.

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration on one entity.

Refer Note 15 for further details of credit risk.

(e) Capital management

To manage the Building Society's capital (referred to as equity in the statement of financial position), which can be affected by excessive growth and by changes in total assets, the Building Society regularly reviews the capital adequacy ratio to ensure it is above 10% and monitors major movements in the asset levels.

The capital adequacy requirement is defined and set out in the Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010 and is incorporated into the Trust Deed. The minimum required capital adequacy ratio for the Building Society is 10%. The capital adequacy ratio at balance date is 17.75% (31 March 2016 – 18.37%). The Society has complied with the Capital adequacy requirement throughout the year.

13. MATURITY PROFILE

Monetary assets and liabilities have differing maturity profiles depending on the contractual term, and in case of loans the repayment amount and frequency. The associated table shows the period in which different financial assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained.

The contractual maturity profile indicates a significant liquidity deficiency for the 1 month, 3 to 6 month and 6 to 12 month periods from 31 March 2017. In order to help manage the potential mismatch and meet its obligations as they fall due the Building Society has available credit facilities with its bank (refer note 21 for details). Also, no account is taken of possible early loan repayments and all loans to members are payable on demand. The contractual profile assumes that all shares are repaid when they mature. In the ordinary course of business the Building Society normally achieves high re-investment rates 98%, (31 March 2016 – 98%) ensuring that it does not need to demand repayment of the loans. These factors have been incorporated into the expected maturity profile. It is difficult to reliably predict early loan repayments therefore these have not been included in the expected maturity profile.

13 MATURITY PROFILE – Cont'd

	CONTRACTUAL MATURITY TIMEFRAME								
Mar-17	**On Demand**	**Within 1 Month**	**1 – 3 Months**	**3 – 6 Months**	**6 – 12 Months**	**1 – 2 Years**	**2 – 5 Years**	**Over 5 Years**	**Total**
MONETARY ASSETS									
Cash and Cash Equivalents	4,864,325	-	2,615,138	-	-	-	-	-	7,479,463
Investment Securities	-	10,317	-	4,020	-	-	308,438	786,042	1,108,817
Advances on Mortgage	-	297,659	201,433	162,167	287,511	1,105,707	3,475,215	10,174,495	15,704,187
Interest Receivable									
Cash and cash equivalents	-	-	14,737	-	-	-	-	-	14,737
Investment securities	-	1,208	11,523	9,498	25,041	53,686	109,136	-	210,092
Advances on mortgage	-	63,689	131,636	189,514	372,361	708,090	1,847,313	4,760,263	8,072,866
Interest Receivable – sub total	-	64,897	157,896	199,012	397,402	761,776	1,956,449	4,760,263	8,297,695
TOTAL MONETARY ASSETS	4,864,325	372,873	2,974,467	365,199	684,913	1,867,483	5,740,102	15,720,800	32,590,162
MONETARY LIABILITIES									
Trade Payables	-	33,198	-	-	-	-	-	-	33,198
Redeemable Shares	8,830,161	1,165,259	2,748,288	6,329,583	3,595,364	-	-	-	22,668,655
Interest Payable	-	18,264	57,130	111,879	108,784	-	-	-	296,057
TOTAL MONETARY LIABILITIES	8,830,161	1,216,721	2,805,418	6,441,462	3,704,148	-	-	-	22,997,910
NET MONETARY ASSETS	(3,965,836)	(843,848)	169,049	(6,076,263)	(3,019,235)	1,867,483	5,740,102	15,720,800	9,592,252
Unrecognised Mortgage Commitments (Refer Note 20)	-	(619,264)	-	-	-	-	-	-	(619,264)
Net Liquidity Gap	(3,965,836)	(1,463,112)	169,049	(6,076,263)	(3,019,235)	1,867,483	5,740,102	15,720,800	8,972,988
NET LIQUIDITY GAP – CUMULATIVE	(3,965,836)	(5,428,948)	(5,259,899)	(11,336,162)	(14,355,397)	(12,487,914)	(6,747,812)	8,972,988	

13 MATURITY PROFILE – Cont'd

	CONTRACTUAL MATURITY TIMEFRAME								
Mar-16	**On Demand**	**Within 1 Month**	**1 – 3 Months**	**3 – 6 Months**	**6 – 12 Months**	**1 – 2 Years**	**2 – 5 Years**	**Over 5 Years**	**Total**
MONETARY ASSETS									
Cash and Cash Equivalents	1,101,114	-	2,915,296	-	910,540	-	-	-	4,926,950
Investment securities	-	11,089	4,129	-	-	-	314,473	765,261	1,094,952
Advances on Mortgage	-	67,140	99,235	144,887	556,464	1,261,061	2,643,486	9,617,591	14,389,864
Interest Receivable									
Cash or Cash Equivalents	-	-	13,563	-	-	-	-	-	13,563
Investment securities	-	1,198	8,157	14,281	26,566	57,498	138,496	-	246,196
Advances on mortgage	-	64,205	128,289	194,345	369,105	708,562	1,781,700	5,172,512	8,418,718
Interest Receivable – sub total	-	65,403	150,009	208,626	395,671	766,060	1,920,196	5,172,512	8,678,477
TOTAL MONETARY ASSETS	1,101,114	143,632	3,168,669	353,513	1,862,675	2,027,121	4,878,155	15,555,364	29,090,243
MONETARY LIABILITIES									
Trade Payables	-	5,118	-	-	-	-	-	-	5,118
Redeemable Shares	5,872,958	1,559,829	1,972,858	5,412,910	4,004,694	-	-	-	18,823,249
Interest Payable	-	30,230	51,643	105,369	127,759	-	-	-	315,001
TOTAL MONETARY LIABILITIES	5,872,958	1,595,177	2,024,501	5,518,279	4,132,453	-	-	-	19,143,368
NET MONETARY ASSETS	(4,771,844)	(1,451,545)	1,144,168	(5,164,766)	(2,269,778)	2,027,121	4,878,155	15,555,364	9,946,875
Unrecognised Mortgage commitments (Refer Note 20)	-	(795,983)	-	-	-	-	-	-	(795,983)
Net Liquidity Gap	(4,771,844)	(2,247,528)	1,144,168	(5,164,766)	(2,269,778)	2,027,121	4,878,155	15,555,364	9,150,892
NET LIQUIDITY GAP – CUMULATIVE	(4,771,844)	(7,019,372)	(5,875,204)	(11,039,970)	(13,309,748)	(11,282,627)	(6,404,472)	9,150,892	

13 MATURITY PROFILE – Cont'd

		EXPECTED MATURITY TIMEFRAME								
Mar-17	**Effective Interest Rate**	**On Demand**	**Within 1 Month**	**1 – 3 Months**	**3 – 6 Months**	**6 – 12 Months**	**1 – 2 Years**	**2 – 5 Years**	**Over 5 Years**	**Total**
MONETARY ASSETS										
Cash and Cash Equivalents	2.47%	1,200,000	900,000	2,615,137	-	-	-	-	2,764,325	7,479,462
Investment Securities	4.55%	-	10,317	-	4,020	-	-	308,438	786,042	1,108,817
Advances on Mortgage	5.11%	-	297,658	201,433	162,167	287,511	1,105,707	3,475,215	10,174,496	15,704,187
Interest Receivable										
Cash and Cash equivalents		-	-	14,737	17,070	34,139	68,279	204,837	477,952	817,014
Investment securities		-	1,208	11,523	9,498	25,041	53,686	109,136	-	210,092
Advances on mortgage		-	63,689	131,636	189,514	372,361	708,090	1,847,313	4,760,263	8,072,866
Interest Receivable – sub total			64,897	157,896	216,082	431,541	830,055	2,161,286	5,238,215	9,099,972
TOTAL MONETARY ASSETS		1,200,000	1,272,872	2,974,466	382,269	719,052	1,935,762	5,944,939	18,963,078	33,392,438
MONETARY LIABILITIES										
Trade Payables		-	33,198	-	-	-	-	-	-	33,918
Redeemable Shares	3.07%	111,237	824,066	1,689,909	1,340,499	359,537	1,245,464	3,362,754	13,735,189	22,668,655
Interest Payable		-	18,264	57,130	212,590	186,184	554,719	1,430,519	2,011,832	4,471,238
TOTAL MONETARY LIABILITIES		111,237	875,528	1,747,039	1,553,089	545,721	1,800,183	4,793,273	15,747,021	27,173,091
NET MONETARY ASSETS		1,088,763	397,344	1,227,427	(1,170,820)	173,331	135,579	1,151,666	3,216,057	6,219,347
Unrecognised Mortgage commitments (Refer Note 20)			(490,264)	(129,000)	-	-	-	-	-	(619,264)
Net Liquidity Gap		1,088 763	(92,920)	1,098,427	(1,170,820)	173,331	135,579	1,151,666	3,216,057	5,600,083
NET LIQUIDITY GAP – CUMULATIVE		1,088,763	995,843	2,094,270	923,450	1,096,781	1,232,360	2,384,026	5,600,083	

13 MATURITY PROFILE – Cont'd

		EXPECTED MATURITY TIMEFRAME								
Mar-16	**Effective Interest Rate**	**On Demand**	**Within 1 Month**	**1 – 3 Months**	**3 – 6 Months**	**6 – 12 Months**	**1 – 2 Years**	**2 – 5 Years**	**Over 5 Years**	**Total**
MONETARY ASSETS										
Cash and Cash Equivalents	3.21%	1,011,114	-	800,000	600,000	-	-	-	2,515,836	4,926,950
Investment securities	4.83%	-	11,089	4,129	-	-	-	314,473	765,261	1,094,952
Advances on Mortgage	5.41%	-	67,139	99,235	144,887	556,464	1,261,061	2,643,486	9,617,592	14,389,864
Interest Receivable										
Cash or Cash Equivalent			-	13,563	25,005	40,379	80,758	242,275	565,308	967,288
Investment securities			1,198	8,157	14,281	26,566	57,498	138,496	-	246,196
Advances on mortgage			64,205	128,289	194,345	369,105	708,562	1,781,700	5,172,512	8,418,718
Interest Receivable – sub total		-	65,403	150,009	233,631	436,050	848,818	2,162,471	5,737,820	9,632,202
TOTAL MONETARY ASSETS		1,011,114	143,631	1,053,373	978,518	992,514	2,107,879	5,120,430	18,636,509	30,043,968
MONETARY LIABILITIES										
Trade Payables			5,118	-	-	-	-	-	-	5,118
Redeemable Shares	3.37%	111,237	224,222	333,765	609,530	400,470	1,165,526	3,146,921	12,831,579	18,823,250
Interest Payable			30,230	51,643	238,215	221,559	673,683	1,737,073	2,441,424	5,393,827
TOTAL MONETARY LIABILITIES		111,237	259,570	385,408	847,745	622,029	1,839,209	4,883,994	15,273,003	24,222,195
NET MONETARY ASSETS		899,877	(115,939)	667,965	130,773	370,485	268,670	236,436	3,363,506	5,821,773
Unrecognised Mortgage commitments (Refer Note 20)			(295,983)	(200,000)	(100,000)	(100,000)	(100,000)	-	-	(795,983)
Net Liquidity Gap		899,877	(411,922)	467,965	30,773	270,485	168,670	236,436	3,363,506	5,025,790
NET LIQUIDITY GAP – CUMULATIVE		899,877	487,955	955,920	986,693	1,257,178	1,425,848	1,662,284	5,025,790	

14. INTEREST REPRICING PROFILE AND INTEREST SENSITIVITY ANALYSIS

The Building Society's interest rate repricing timeframes are set out below. The effective weighted average interest rate on classes of financial assets and financial liabilities are also included in the table below. Only interest sensitive financial assets and liabilities have been included.

REPRICING TIMEFRAME						
Mar 17	Weighted Average Rate %	0 – 6 Months	6 – 12 Months	1 – 2 Years	2 – 5 Years	Total
MONETARY ASSETS						
Cash and Cash Equivalents	2.47%	7,479,463	-	-	-	7,479,463
Investment Securities	4.55%	-	487,520	308,839	312,458	1,108,817
Advances on Mortgage	5.11%	6,513,924	2,038,243	7,152,020		15,704,187
TOTAL MONETARY ASSETS		13,993,387	2,525,763	7,460,859	312,458	24,292,467
MONETARY LIABILITIES						
Redeemable Shares	3.07%	19,168,841	3,499,814	-	-	22,668,655
TOTAL MONETARY LIABILITIES		19,168,841	3,499,814	-	-	22,668,655
TOTAL MISMATCH		(5,175,454)	(974,051)	7,460,859	312,458	1,623,812

14. INTEREST REPRICING PROFILE AND INTEREST SENSITIVITY ANALYSIS

The Building Society's interest rate repricing timeframes are set out below. The effective weighted average interest rate on classes of financial assets and financial liabilities are also included in the table below. Only interest sensitive financial assets and liabilities have been included.

REPRICING TIMEFRAME						
Mar 16	Weighted Average Rate %	0 – 6 Months	6 – 12 Months	1 – 2 Years	2 – 5 Years	Total
MONETARY ASSETS						
Cash and Cash Equivalents	3.21%	4,016,409	910,541	-	-	4,926,950
Investment Securities	4.83%	-	467,500	-	627,452	1,094,952
Advances on Mortgage	5.41%	6,919,273	5,153,146	1,779,165	538,281	14,389,864
TOTAL MONETARY ASSETS		10,935,682	6,531,187	1,779,165	1,165,733	20,411,766
MONETARY LIABILITIES						
Redeemable Shares	3.37%	14,818,553	4,004,696	-	-	18,823,249
TOTAL MONETARY LIABILITIES		14,818,553	4,004,696	-	-	18,823,249
TOTAL MISMATCH		(3,882,871)	2,526,491	1,779,165	1,165,733	1,588,517

14. INTEREST REPRICING PROFILE AND INTEREST SENSITIVITY ANALYSIS

Sensitivity Analysis

The following table summarises the sensitivity of the Building Society's financial assets and financial liabilities to 1% movement in interest rates on the Building Society's financial results and position.

	31 MAR 17			31 MAR 16		
	Carrying Amount $	-1% Profit and Equity $	+1% Profit and Equity $	Carrying Amount $	-1% Profit and Equity $	+1% Profit and Equity $
FINANCIAL ASSETS						
Cash and Cash Equivalents	7,479,463	(69,995)	69,995	4,926,950	(38,539)	38,539
Investment Securities	1,108,817	(9,874)	9,874	1,094,952	(7,890)	7,890
Advances on Mortgage	15,704,187	(65,897)	65,897	14,389,864	(69,991)	69,991
		(145,766)	145,766		(116,420)	116,420
FINANCIAL LIABILITIES						
Redeemable Shares	22,668,655	(167,675)	167,675	18,823,249	(131,788)	131,788
		(21,909)	21,909		(15,368)	15,368
Less: Taxation		6,135	(6,135)		4,303	(4,303)
NET IMPACT		(15,774)	15,774		(11,065)	11,065

Assumptions:

The method used in determining the sensitivity was to evaluate the profit based on the timing of the interest repricing on loans and bank deposits for the next 12 months. In doing the calculation the assumptions applied were that:

- The interest rate change would be applied equally over all the financial assets.
- The rate change would be as at the beginning of the 12-month period and no other rate changes would be effective during the year.
- Bank deposits and investment securities would all reprice to the new interest rate at the term maturity, or be replaced by deposit with similar terms and rates applicable.
- The value and mix of mortgage loans will be unchanged.
- Impaired loans would not generate a profit effect from interest rate changes.

15. CREDIT RISKS

(a) Maximum credit risk exposure

The Building Society's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the Statement of Financial Position.

	Mar 17	Mar 16
	$	$
Cash and Cash Equivalents	7,479,463	4,926,950
Investment Securities	1,108,817	1,094,952
Advances on Mortgage	15,704,187	14,389,864
	24,292,467	20,411,766

(b) Concentrations of credit risk

Credit risk is currently managed in accordance with policies to reduce the Building Society's exposure to potential failure of counterparties to meet their obligations under the contract or arrangement.

The Building Society considers there is no concentration of credit risk on Advances on Mortgage with respect to customer, industry or economic sector as the Building Society has a large, diversified number of loans. Advances on mortgages are concentrated in Hawke's Bay (refer Note 8). The Building Society considers there is no concentration of credit risk on investment securities or cash and cash equivalents with respect to industry or economic sector as the Building Society spreads its investments and cash deposits across various well rated banks with Standard and Poors (or equivalent) rating of BBB+ or better. There are five counterparties for investment securities and cash and cash equivalents.

All counterparties to financial assets are based in New Zealand.

(c) Large counterparties

The Building Society has exposure to counterparties in excess of 10% of equity as follows:

	2017			2016		
	Advances on Mortgages	Cash and Cash Equivalents	Investments	Advances on Mortgages	Cash and Cash Equivalents	Investments
Greater than 100% of equity		1				
Between 90% and 100% of equity						
Between 80% and 90% of equity					1	
Between 70% and 80% of equity						
Between 60% and 70% of equity						
Between 50% and 60% of equity		1				
Between 40% and 50% of equity						
Between 30% and 40% of equity						
Between 20% and 30% of equity	1			1	1	
Between 10% and 20% of equity	7	1	1	9	1	1

16. CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

	Mar 17	Mar 16
Current assets		
Cash and cash equivalents	7,479,463	4,926,950
Accounts Receivable	-	1,218
Prepayments	4,650	4,650
Current portion of Advances on Mortgage	931,970	848,497
Total current assets	8,416,083	5,781,315
Investment securities	1,108,817	1,094,952
Investment property	3,215,000	3,244,352
Non-current portion of Advances on Mortgage	14,772,217	13,541,367
Office Equipment	3,246	6,233
Total non-current assets	19,099,280	17,886,904
Total assets	27,515,363	23,668,219
Current liabilities		
Redeemable Shares	22,668,655	18,823,249
Tax Payable	1,963	9,843
Accounts Payable	212,927	182,531
Provision for Directors Fees	39,000	36,750
Total current liabilities	22,922,545	19,052,373
Deferred taxation	121,961	117,832
Total non-current liabilities	121,961	117,832
Total liabilities	23,044,506	19,170,205

17. CONCENTRATION OF FUNDING

The Building Society's source of funding is redeemable shares. The funding is concentrated within the Hawke's Bay region of the North Island of New Zealand. The funding from members is recorded as Redeemable Shares in the Statement of Financial Position.

	Mar-17	Mar-16
Hawke's Bay	21,124,189	18,110,984
Rest of New Zealand	1,436,611	594,471
Overseas	107,855	117,794
	22,668,655	18,823,249

18. FAIR VALUE OF ASSETS AND LIABILITIES AND FAIR VALUE HIERARCHY

(a) Fair value hierarchy

The following fair value information provides an analysis of the assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investment securities (Level 1) and Investment Property (Level 3) are the only items carried at fair value. The securities are valued using current market prices. Refer to note 6 for details of the fair value of investment securities and the effect of the fair value measurement on other comprehensive income.

For details of the valuation method, inputs and the effect of fair value measurement on profit or loss for Investment Property, refer to note 7.

(b) Fair value of financial instruments not carried at fair value

Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability. Significant assumptions used in determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts. The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets held are regularly traded by the Building Society.

For financial instruments not carried at fair value, the carrying amount approximates fair value for the reasons detailed below. The fair value estimates were determined by the above methodologies and following assumptions and are all level 3 for value measurements.

Cash and cash equivalents

The reported amount approximates fair value because they are available on Call and attract interest at market rates.

Advances on Mortgage

Loans are comprised of a mix of floating rate and fixed rate loans. At the end of each reporting period their fair value is calculated using the average market rate for such loans that was in effect as at the reporting date. The loan interest rates and market interest rates are similar and the loans are assessed for impairment so the reported amounts approximate fair value.

Redeemable Shares

The fair value of shares is calculated using average market rates. The share interest rates and market interest rates are similar so the reported amounts approximate fair value.

Other Liabilities

The reported amount of trade and other payables approximates fair value because they are payable in a short time frame.

19. RELATED PARTY TRANSACTIONS

	Mar 17	Mar 16
Shares from Directors and key management		
Shares at end of period	434,178	347,241
Interest paid	12,489	23,648
Shares from Other Related Parties		
Shares at end of period	119,550	210,270
Interest paid	3,261	11,960
Advances on mortgage to Other Related Parties		
Advances on Mortgage at end of period	534,144	637,267
Interest received	28,069	32,031
Directors Fees for the year (Short term benefit)	78,000	73,500
Owing to Directors (Directors Fees Payable)	39,000	36,750

Key management personnel include the directors of the Building Society and the director of Brown Webb Richardson Ltd responsible for the management of the Building Society.

Other related parties are the spouses, children and other related party entities of the key management personnel.

All shares and advance on mortgage transactions with directors and other related parties are at normal commercial rates and terms, including the provision of security and settlement. No balances owing by directors or close family members have been written off or have a provision for doubtful debts against them.

The investment property is leased to Brown Webb Richardson Ltd. The rental of $196,000 (31 March 2016 $196,000) is at market rates, as assessed by an independent valuer. There are no rental balances outstanding.

Brown Webb Richardson Ltd provided secretarial services to the Building Society to the value of $299,000 (31 March 2016 - $276,000). There are no balances outstanding.

Brown Webb Richardson Ltd have redeemable shares with the Building Society of $1,640 (31 March 2016 $1,614).

Williams Harvey Limited are a related party of the Building Society by virtue of a director of Williams Harvey Limited being a son of a director of the Building Society. The Building Society paid valuation fees of $3,692 (2016-$3,630) to Williams Harvey Limited during the year.

20. COMMITMENTS

(a) Capital Commitments

Capital commitments were $Nil as at 31 March 2017 (31 March 2016 $Nil).

(b) Outstanding Loan Commitments

	Mar 17	Mar 16
Loans and credit facilities approved but not disbursed or drawn at the end of the financial period:	619,264	795,983

(c) Sponsorship Commitments

The Building Society has provided sponsorship of $8,625 (2016 - $8,625) per year to the Ramblers Cycling Club as from January 2011. This is reviewed annually.

The Building Society has provided sponsorship of $8,625 (2016 - $8,625) per year to the Cornwall Cricket Club as from 1 November 2013. This is reviewed annually.

20. COMMITMENTS – Cont'd

(d) Operating Lease Commitments

Operating leases relate to the investment properties owned by the building society

(a) Leased to Brown Webb Richardson Ltd commencing 1 October 2014 for 12 years, with rights of renewal for a further 12 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

(b) Leased to a cafe commencing 1 December 2015 for 7 years, with rights of renewal for a further 6 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its options to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Rental income earned from the investment properties during the year was $261,211 (2016: $214,871). In 2017 and 2016 all direct operating expenses arising on investment property for the year were paid by the tenant.

	2017	2016
Non cancellable operating lease receivables		
Not later than 1 year	261,845	261,000
Later than 1 year and not later than 5 years	1,047,380	1,044,000
Later than 5 years	926,116	1,186,550
	2,235,341	2,491,550

21 STANDBY BORROWING FACILITIES

	Mar 17	Mar 16
Bank overdraft facility	200,000	200,000
Business Finance Line	500,000	500,000
	700,000	700,000

Of these facilities $Nil was drawn down (31 March 2016 - $Nil). Both facilities are with Westpac Bank and are subject to annual review.

22 CONTINGENT LIABILITIES

There are no contingent liabilities at 31 March 2017 (31 March 2016 $Nil).

23 EVENTS AFTER BALANCE DATE

There are no significant events that have occurred after balance date that require reporting in these financial statements (31 March 2016: none).

Staples Rodway House
205 Hastings Street South
Hastings 4122
New Zealand

PO Box 46
Hastings 4156
New Zealand

T +64 6 878 7004
F +64 6 876 0078
W staplesrodway.co.nz

staplesrodway
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Heretaunga Building Society

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Heretaunga Building Society ('the Building Society') on pages 6 to 35, which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Building Society as at 31 March 2017, and its financial performance and its 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').

This report is made solely to the Members of Heretaunga Building Society. Our audit work has been undertaken so that we might state those matters which 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 Heretaunga Building Society and the Members of Heretaunga Building Society, for our audit work, for this report or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with 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 are independent of the Building 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* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Heretaunga Building Society.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Building Society's annual report for the year ended 31 March 2017 (but does not include the financial statements and our auditor's report thereon).

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible on behalf of the Building 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 the 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 Building Society for assessing the Building 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 Building 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 (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 the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's websites at:
https://xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements of Heretaunga Building Society for the year ended 31 March 2017 included on Heretaunga Building Society's website. The Directors of Heretaunga Building Society are responsible for the maintenance and integrity of Heretaunga Building Society's website. We have not been engaged to report on the integrity of Heretaunga Building Society's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyper linked to or 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 29 May 2017 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The engagement partner on the audit resulting in this independent auditor's report is P B W Pinckney.

Staples Rodway

STAPLES RODWAY AUDIT LIMITED
Hastings, New Zealand
29 May 2017

Heretaunga Building Society

PO Box 146, 111 Avenue Road East, Hastings
Ph 06 873 8047 Fax 06 876 5211
Email info @heretaungabuildingsociety.co.nz