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To the Registrar of Companies

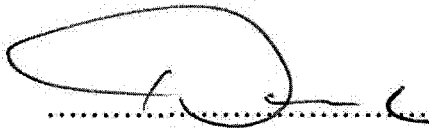
Certificate pursuant to Section 37A(1A) of the Securities Act 1978

We, the undersigned on behalf of all the Directors of the Napier Building Society (Permanent), hereby certify with reference to the Statement of Financial Position contained in the Society's Prospectus dated the 1st day of August 2014 as follows:

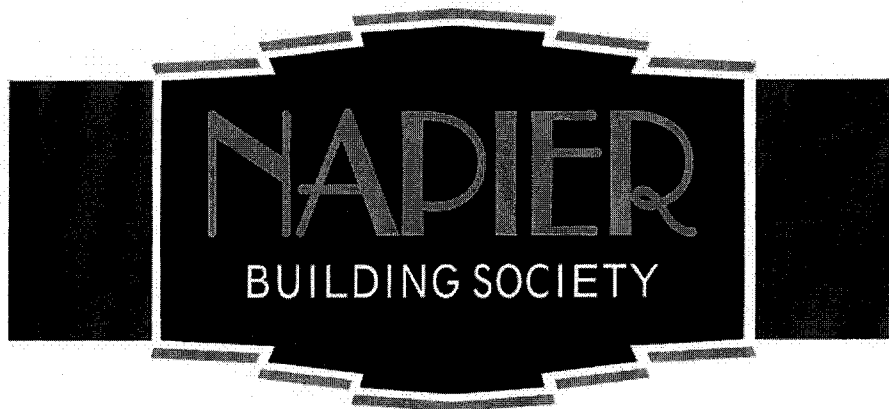
In the opinion of the Directors of the Society after due enquiry by them:

- a) The financial position shown in the Statement of Financial Position contained in the registered Prospectus, has not materially and adversely changed during the period from the date of that Statement of Financial Position to the date of this Certificate;
- b) The registered Prospectus is not, at the date of this Certificate, false or misleading in a material particular by reason of failing to refer, or give proper emphasis, to adverse circumstances; and
- c) We attach to this Certificate unaudited financial statements for the Napier Building Society (Permanent) for the six month period 1st April to 30th September 2014 inclusive. These statements have been prepared in accordance with the Securities Regulations 2009 as if they were required to be contained in the registered Prospectus, but as per section 37A(1A)(d)(ii) of the Act, they have not been audited.

Dated at Napier this 16th day of December 2014.


.....
M R Doole Director


.....
M W Williams Director



FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2014



THE NAPIER BUILDING SOCIETY (PERMANENT)

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THE NAPIER BUILDING SOCIETY (PERMANENT)

DIRECTORY

Registered Office:	86 Station Street Napier 4110
Nature of Business:	Deposit Taker and Mortgagee
Directors:	M R Doole G J Sullivan R W G Brady M W Williams
Secretary:	G A Fan-Robertson
Banker:	ANZ Bank Limited
Solicitor:	Sainsbury Logan & Williams
Accountant:	BDO Central (NI) Limited
Trustees:	Trustees Executors Limited

COMPILATION REPORT AND DISCLAIMER OF LIABILITY**Scope**

On the basis of information provided to us by the Directors we have compiled, in accordance with Service Engagement Standard No.2: Compilation of Financial Information issued by the New Zealand Institute of Chartered Accountants, the attached financial statements of The Napier Building Society (Permanent) for the period ended 30 September 2014. These have been prepared in accordance with the basis of preparation described in note 1 to the financial statements.

Responsibilities

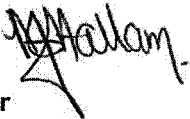
The Directors are solely responsible for the information contained in the financial statements and have determined that the basis of preparation used is appropriate to meet the Directors' needs and purpose for which the financial statements were prepared. The financial statements were prepared exclusively for the Directors' benefit. We do not accept responsibility to any other person for the contents of the financial statements.

No audit or review engagement undertaken

Our procedures use accounting expertise to undertake the compilation of the financial statements from information provided to us by the Directors' and in accordance with the limited procedures agreed in our letter of engagement dated 19 November 2013. These do not include verification or validation procedures. No audit or review engagement has been performed and accordingly no assurance is expressed.

Disclaimer of liability

Neither we nor any of our employees accept any responsibility for the reliability, accuracy or completeness of the compiled financial information nor do we accept any liability of any kind whatsoever, including liability by reason of negligence, to any person for losses incurred as a result of placing reliance on the compiled financial information.



Director
BDO Central (NI) Limited
Napier
16 December 2014



THE NAPIER BUILDING SOCIETY (PERMANENT)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

	Note	UNAUDITED		AUDITED
		6 MONTHS Sep-14 \$	6 MONTHS Sep-13 \$	Mar-14 \$
REVENUE				
Interest from Loans on Mortgage		156,513	161,547	324,241
Interest from Bank Deposits		39,832	30,799	63,164
Entrance and Release Fees		1,286	1,427	2,045
TOTAL REVENUE		197,631	193,773	389,450
DEDUCT INTEREST PAID				
Interest on Redeemable Shares		91,267	85,735	174,868
NET INTEREST RECEIVED		106,364	108,038	214,582
DEDUCT ADMINISTRATION EXPENSES				
Administration and Other Expenses		79,070	70,851	131,350
Audit Fee - Audit of the Financial Statements		5,865	5,189	10,911
Audit Fee - Trust Deed and Prospectus Review Services		1,584	883	1,200
Directors' Fees and Expenses		13,000	13,036	26,000
Trustees Fees		8,344	8,366	16,688
TOTAL ADMINISTRATION EXPENSES		107,863	98,325	186,149
NET OPERATING PROFIT/(LOSS) BEFORE TAX		(1,499)	9,713	28,433
Taxation Expense	4	-	2,785	8,095
NET PROFIT/(LOSS) / TOTAL COMPREHENSIVE INCOME/(LOSS)		(1,499)	6,928	20,338

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



THE NAPIER BUILDING SOCIETY (PERMANENT)

STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

Sep-14	Note	Retained Earnings \$	General Reserve \$	Total Equity \$
Equity at 1 April 2014		225	2,083,167	2,083,392
Net Profit / Total Comprehensive Income		(1,499)	-	(1,499)
Transfer from Retained Earnings to General Reserve		-	-	-
Equity at 30 September 2014	5	<u>(1,274)</u>	<u>2,083,167</u>	<u>2,081,893</u>

Sep-13		Retained Earnings \$	General Reserve \$	Total Equity \$
Equity at 1 April 2013		887	2,062,167	2,063,054
Net Profit / Total Comprehensive Income		6,928	-	6,928
Equity at 30 September 2013	5	<u>7,815</u>	<u>2,062,167</u>	<u>2,069,982</u>

Mar-14		Retained Earnings \$	General Reserve \$	Total Equity \$
Equity at 1 April 2013		887	2,062,167	2,063,054
Net Profit / Total Comprehensive Income		20,338	-	20,338
Transfer from Retained Earnings to General Reserve		(21,000)	21,000	-
Equity at 31 March 2014	5	<u>225</u>	<u>2,083,167</u>	<u>2,083,392</u>

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



THE NAPIER BUILDING SOCIETY (PERMANENT)

**STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014**

	Note	UNAUDITED		AUDITED Mar-14 \$
		6 MONTHS Sep-14 \$	6 MONTHS Sep-13 \$	
ASSETS				
Cash and Cash Equivalents	6	1,767,908	1,250,339	2,096,014
Prepayments		23,655	14,828	1,508
Income Tax Receivable	4	3,697	1,911	638
Investments		201,899	-	200,000
Loans on Mortgage	7	4,793,745	5,269,528	4,867,249
TOTAL ASSETS		6,790,904	6,536,606	7,165,409
LIABILITIES				
Redeemable Shares	8	4,703,225	4,461,552	5,065,411
Trade Payables		5,786	5,072	16,606
TOTAL LIABILITIES		4,709,011	4,466,624	5,082,017
EQUITY				
General Reserve		2,083,167	2,062,167	2,083,167
Retained Income		(1,274)	7,815	225
TOTAL EQUITY	5	2,081,893	2,069,982	2,083,392
TOTAL LIABILITIES AND EQUITY		6,790,904	6,536,606	7,165,409

For and on behalf of the Board, who authorised the issue of these Financial Statements on 16 December 2014.

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



THE NAPIER BUILDING SOCIETY (PERMANENT)

STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

	Note	Sep-14 \$	Sep-13 \$	Mar-14 \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Interest Received		196,345	192,346	387,400
Sundry Income		-	100	1,850
		196,345	192,446	389,250
Cash was applied to:				
Taxation Paid		3,000	4,000	8,038
Payments to Employees		22,500	22,500	45,000
Payments to Suppliers		137,827	115,327	141,594
Interest Paid		11,035	13,938	41,879
		174,362	155,765	236,511
Net cash flows from operating activities before changes in operating assets and liabilities		21,983	36,681	152,739
Changes in operating assets and liabilities:				
Loans on Mortgage Repaid		225,725	245,081	748,353
Loans on Mortgage Advanced		(195,050)	(918,773)	(1,058,873)
Redeemable Share Deposits Received		670,813	1,324,188	2,626,157
Redeemable Share Deposits Withdrawn		(1,051,577)	(1,141,832)	(1,877,356)
		(350,089)	(491,336)	438,281
NET OPERATING CASH FLOWS	9	(328,106)	(454,655)	591,020
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was applied to:				
Term Investments Made		-	-	(200,000)
NET INVESTING CASH FLOWS		-	-	(200,000)
Total net increase (decrease) in Cash and Cash Equivalents		(328,106)	(454,655)	391,020
Opening Cash and Cash Equivalents		2,096,014	1,704,994	1,704,994
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	1,767,908	1,250,339	2,096,014

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



THE NAPIER BUILDING SOCIETY (PERMANENT)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

1 REPORTING ENTITY

Reporting Entity:

The Napier Building Society (Permanent) ("the Society") is a Building Society registered under the Building Societies Act 1965 and an issuer for the purposes of the Financial Reporting Act 1993. The Society is incorporated and domiciled in New Zealand and its principal place of business is Station Street, Napier. The Financial Statements have been prepared in accordance with the Financial Reporting Act 1993, the Building Societies Act 1965 and the relevant Securities Regulations.

The Society's operations are entirely within New Zealand and are in the financial services industry, taking deposits from and providing loans to members.

The Society has no interest in any subsidiary, associate entity or joint venture.

2 BASIS OF PREPARATION

a) Statement of Compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for for-profit entities.

The financial statements also comply with International Financial Reporting Standards (IFRS).

The financial statements were approved by the Directors on 16 December 2014. The Directors have the power to amend the financial statements once they are issued.

b) Functional and Presentation Currency

The financial statements are presented in New Zealand dollars which is the Society's functional currency. All financial information has been rounded to the nearest whole dollar.

c) 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.

d) Critical Estimates, Judgments and Assumptions in Applying the Accounting Policies

The preparation of the financial statements requires Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances.

Information about judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 7	Loans on Mortgage
Note 12	Liquidity Profiles
Note 13	Interest Rate Analysis
Note 14	Fair Value of Financial Assets and Liabilities

e) Standards, Amendments and Interpretations to Existing Standards that are not yet effective



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

There are new or revised Accounting Standards and Interpretations on issue that are not yet effective. These include the following Standards and Interpretations that are applicable to the Society and may have an impact on the future financial statements.

Standard/Interpretation		(Annual Periods Commencing on or After)
Annual Improvements	<i>Annual Improvements to NZ IFRSs 2010-2012 Cycle</i>	1 July 2014
Annual Improvements	<i>Annual Improvements to NZ IFRSs 2011-2013 Cycle</i>	1 July 2014
NZ IFRS 9	<i>Financial Instruments</i>	1 January 2017

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity). The Directors are of the opinion that the proposed Standards and Interpretations that are relevant to the business of the Society will not have a significant impact on the Society's financial statements in future periods.

f) Newly Adopted Standards

Improvements to FRS 42, NZ IAS 32 and NZ IAS 36 have been adopted in the current period. The adoption of these standards and improvements have had no material impact on the Society.

3 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies which materially affect the measurement of financial performance and position have been applied. There have been no changes in accounting policy during the year and the accounting policies adopted are consistent with those of last year. Certain presentation changes have been made as follows:

- The balance sheet has been presented in order of liquidity of assets and liabilities which is more relevant for a financial institution.
- Accrued interest has been incorporated into the relevant asset and liability balances to reflect amortised cost.
- The definition of cash and cash equivalents has been widened to include all bank instruments forming part of the Society's liquidity management.

Comparative figures have also been reclassified accordingly.

a) Financial Assets



THE NAPIER BUILDING SOCIETY (PERMANENT)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

The Society classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. At balance date all of the Society's financial assets are classified as 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 arise when the Society provides money, goods or services directly to a debtor with no intention of selling the receivable.

The Society's loans and receivables comprise loans on mortgage, investments and cash & cash equivalents.

Loans and receivables are recognised when the Society becomes a party to the contractual provisions of the instrument. Loans and receivables are initially recognised at fair value plus transaction costs and are thereafter carried at amortised cost using the effective interest method.

Loans and receivables are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Society has transferred substantially all the risks and rewards of ownership.

The Society assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans on Mortgage and Impairment

Loans on mortgage are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of loans is reviewed on an ongoing basis. Individual loans which are known to be uncollectible are written off. A provision for impairment of loans is established when there is objective evidence that the Society will not be able to collect all amounts due according to the original terms of the loans. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered objective evidence of impairment. Loans not individually impaired are collectively assessed for impairment.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

Non performing loans are classified 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.



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

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 for which there is reasonable doubt that the 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.

If, in a subsequent period, the amount of 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 debtor's credit rating), the previously recognised impairment loss is reversed and the reversal is recognised in profit or loss.

Subsequent recoveries of amounts written off are recognised in profit or loss.

Investments

Investments are initially recognised at fair value plus transaction costs and are thereafter carried at amortised cost using the effective interest method less any accumulated impairment.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments used as part of the Society's liquidity management with original maturities generally of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts (where relevant) are shown within borrowings in liabilities on the statement of financial position.

b) Financial Liabilities

The Society classifies all of its financial liabilities as non derivative financial liabilities at amortised cost.

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 profit or loss over the period of the borrowings using the effective interest method.

Trade Payables

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

c) Revenue

Revenue comprises interest income and sundry fees.

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

Interest Income

Interest income is recognised on a time-proportion basis using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

Fees

Loan fees are amortised over the average expected term of the loan. Other fees are recognised in the period of receipt.

d) Interest on Redeemable Shares

Interest on redeemable shares is recognised on an accruals basis as an expense in the period that it relates to using the effective interest method, which allocates the interest expense over the term of the shares.

e) Goods and Services Tax

The 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. GST is included in expenses and trade payables.

f) Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

g) Statement of Cash Flows

The Statement of Cash Flows is prepared using the direct approach. It is prepared on a GST inclusive basis which is consistent with the method used in the Statement of Comprehensive Income. The definitions of the terms used in the Statement of Cash Flows are as follows:

- Operating activities are the principal revenue generating activities of the Society which include cash flows arising from the movements in loans on mortgage and redeemable shares.
- Financing activities are those activities relating to changes in the size and composition of the capital structure of the Society.
- Investing activities are those activities relating to the acquisition and disposal of long term investment securities.



THE NAPIER BUILDING SOCIETY (PERMANENT)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

4	TAXATION	Sep-14	Sep-13	Mar-14
		\$	\$	\$
	Net Profit/(Loss) Before Tax	(1,499)	9,713	28,433
	Non-deductible Expenditure	60	232	478
		<u>(1,439)</u>	<u>9,945</u>	<u>28,911</u>
	Loss to be Carried Forward	(1,439)	-	-
	Taxable Income	<u>-</u>	<u>-</u>	<u>-</u>
	Taxation at 28%	-	2,785	8,095
	Current Period Tax Charge	<u>-</u>	<u>2,785</u>	<u>8,095</u>
	Less Tax Paid	3,698	4,696	8,733
	Tax Refund Due	<u>(3,698)</u>	<u>(1,911)</u>	<u>(638)</u>

There is no deferred taxation. There are losses to be carried forward to offset against future taxable income of \$1,439 (30/9/2013 and 31/3/2014: nil).

5 EQUITY

The nature and purpose of each reserve is as follows:

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

General Reserve: A reserve set aside to ensure the equity of the Society is sufficient to cover required reserve ratios. See Note 10 (capital management) for details.

6 CASH AND CASH EQUIVALENTS

	Sep-14	Sep-13	Mar-14
	\$	\$	\$
Cash and Cash Equivalents	1,749,776	1,241,746	2,083,887
Accrued Interest	18,132	8,593	12,127
Total Cash and Cash Equivalents	<u>1,767,908</u>	<u>1,250,339</u>	<u>2,096,014</u>

7 LOANS ON MORTGAGE

	Sep-14	Sep-13	Mar-14
	\$	\$	\$

All advances are secured by first mortgage.

Mortgages by contractual repayment:



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

Current	2,368,735	2,201,300	2,329,597
Non-current	2,425,010	3,068,228	2,537,652
	<u>4,793,745</u>	<u>5,269,528</u>	<u>4,867,249</u>

Industry/economic sector split by security property:

Commercial	30%	1,458,037	30%	1,562,971	29%	1,418,050
Rural	8%	400,135	8%	404,129	8%	402,537
Residential/Personal	61%	2,935,573	63%	3,302,428	63%	3,046,662
	<u>100%</u>	<u>4,793,745</u>	<u>100%</u>	<u>5,269,528</u>	<u>100%</u>	<u>4,867,249</u>

Geographical concentration by security property:

Hawkes Bay	73%	3,514,870	70%	3,695,575	69%	3,352,438
Central North Island	19%	896,985	19%	976,011	20%	969,876
Wellington	6%	281,957	5%	288,013	6%	285,018
Auckland	0%	-	3%	159,978	3%	159,966
Other	2%	99,933	3%	149,951	2%	99,951
	<u>100%</u>	<u>4,793,745</u>	<u>100%</u>	<u>5,269,528</u>	<u>100%</u>	<u>4,867,249</u>

Lending policy

The Society's policy is to lend only within the percentages set out as "Approved Mortgage Principal" in the Trust Deed. The Society's Trust Deed describes "Approved Mortgage Principal" as follows:

- 75% of the value of freehold land used for residential purposes;
- 60% of the value of freehold land used for commercial purposes; and
- 50% of the value of freehold land used for rural purposes.

These requirements were fully complied with during the periods presented above.

Where an applicant is a business, the Society's requirement is that it receive copies of at least the last three years financial statements so that it can assess the suitability of the business as a borrower.

Impairment of mortgages

The Society constantly reviews its loan portfolio to assess impairment. All loan payments have been made on or near time and as the Society does not expect to incur any loss on any loan, no impairment loss has been provided for in the financial statements. In making this assessment the directors have had to use judgment and have considered overdue loans, historic loss experience and future expectations.

Loans with repayments past due date but not impaired

	Sep-14	Sep-13	Mar-14
	\$	\$	\$
Past due but not impaired (< 30 days)	4,695	4,802	3,500
Fully compliant	4,789,050	5,264,726	4,863,749
	<u>4,793,745</u>	<u>5,269,528</u>	<u>4,867,249</u>



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

8 REDEEMABLE SHARES

	Sep-14 \$	Sep-13 \$	Mar-14 \$
<u>Current</u>			
Call Shares	1,292,552	959,750	1,479,140
Term Shares	3,103,652	3,501,802	3,381,391
	<u>4,396,204</u>	<u>4,461,552</u>	<u>4,860,531</u>
<u>Non-current</u>			
Term Shares	307,021	-	204,880
Total Redeemable Shares	<u>4,703,225</u>	<u>4,461,552</u>	<u>5,065,411</u>

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 cash flows attributable to the shares are not based on the profit or change in fair value of net assets.

The Directors' believe that the reported values reflect fair value.

Average interest paid on the redeemable shares during the period was 4.04% (30/9/2013: 4.42%, 31/3/2014: 3.74%). Interest is determined based on market conditions. As at 30 September 2014, the interest rate for call shares ranged between 2.50% and 3.10% (30/9/2013 and 31/3/2014: 2.50% to 3.10%) and term shares ranged between 3.30% and 5.00% (30/9/2013: 3.50% to 4.50%, 31/3/2014: 3.30% to 4.75%).

Term and Call Redeemable Shares have been issued to personal investors and trusts or to commercial investors as follows:

	Sep-14 \$	Sep-13 \$	Mar-14 \$
Personal/Family Trusts	3,142,085	2,950,099	3,215,224
Commercial	1,561,140	1,511,453	1,850,187
	<u>4,703,225</u>	<u>4,461,552</u>	<u>5,065,411</u>

The 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.

Hawkes Bay	94%	4,416,840	95%	4,240,413	96%	4,860,974
Rest of New Zealand	2%	107,632	3%	127,053	2%	110,568
Overseas	4%	178,753	2%	94,086	2%	93,869
	<u>100%</u>	<u>4,703,225</u>	<u>100%</u>	<u>4,461,552</u>	<u>100%</u>	<u>5,065,411</u>

9 STATEMENT OF CASH FLOWS RECONCILIATION

Reconciliation of Net Profit/(Loss) for the Period to Net Operating Cash Flows



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

	Sep-14	Sep-13	Mar-14
	\$	\$	\$
Net Profit/(Loss) for the Period after Tax	(1,499)	6,928	20,338
Add/(Deduct) Changes in Working Capital			
Increase in Prepayment	(22,147)	(13,320)	-
Decrease in Trade Payables	(10,820)	(14,141)	(2,609)
Decrease/(Increase) in Income Tax Receivable	(3,059)	(1,215)	58
Net Movement in Redeemable Shares	(364,085)	237,704	841,565
Net Loan Transactions	73,504	(670,611)	(268,332)
Net Cash From Operating Activities	(328,106)	(454,655)	591,020

10 RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks arising for the Society's financial assets and liabilities are inherent in the nature of the Society's activities, and are managed through an ongoing process of identification, measurement and monitoring. The Society is exposed to credit risk, liquidity risk and market risk.

The Society has no commodity instruments, non-accrual, real estate, or other assets acquired through the enforcement of security and no involvement in managed funds, trust funds or any other activities of this nature. The Society has no secured liabilities and has not pledged any assets for loans. The Society has not incurred any impairment losses.

Credit risk - loans and mortgages

Credit risk represents the risk that a counter party to a financial asset fails to discharge an obligation which will cause the Society to incur a financial loss.

The Society performs credit evaluations of all prospective mortgagors. All loans are secured by a first mortgage and lending margins are maintained within the percentages set out in the Society's Trust Deed (refer note 7). The risk of losses from the loans undertaken is primarily reduced by the credit evaluations and the nature and quality of the security taken. All loans require collateral security which the Society can enforce by disposing of the secured assets in the event of default. All loans are approved by a minimum of three directors. The Trust Deed sets out the loan/security percentage allowable.

Credit risk - investments, cash, deposits

Investments are made only with registered banks or their wholly owned subsidiaries and local bodies to a maximum of \$1,000,000 for any one entity. The risk of losses from investments and cash deposits is reduced by the nature and quality of the independent rating of the investee and the limits to concentration in any one entity.

See note 11 for further details on credit risk.

Liquidity risk



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

Liquidity risk is the risk that the Society may encounter difficulties raising funds to meet commitments which are associated with financial liabilities, e.g. share redemptions. The Directors have a policy that the Society maintains a minimum of \$700,000 in term deposits with registered banks or their wholly owned subsidiaries as its source of emergency funds. All these deposits are capable of being broken within 24 to 48 hours if necessary. The Directors have also established a policy that a minimum level of call and term deposits of 30% of the total balance of redeemable shares be maintained at all times as a hedge against a call on funds by investors. The Society has complied with this requirement during all financial periods presented in this report. The Society's liquidity position is set out in the Liquidity Profiles included in note 14. The Society monitors its liquidity position on an ongoing basis by monitoring daily cash flows and reviewing contractual and expected maturities and endeavours to maintain a mix of call and term deposits which together with funds received from mortgage repayments ensures that funds are available as necessary to meet all commitments as they fall due.

The Society has an ongoing reinvestment rate for its term share deposits of at least 95%. The majority of the Society's flat (i.e. interest only) loans on mortgage are granted for a maximum term of three years. It is normal practice that the terms of these loans will be extended by mutual agreement with the mortgagors, provided that they have performed to the Society's satisfaction. Under normal operating conditions the term investments held by the Society with the various banks are all able to be withdrawn before maturity if necessary to meet the Society's liquidity needs. These investments are made for terms in line with the Society's projected liquidity needs.

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.

Market risk

The Society is exposed to interest rate risk arising from changes in market interest rates. The Society is not exposed to any material currency risk.

Interest rate risk is the risk that the cost of borrowing will move adversely against the returns from investing. The Society is exposed to interest rate risk arising from changes in market interest rates to the extent that its interest rate profile is not matched. Further detail is included in the repricing profile in note 13. Interest rates on the Society's Term Redeemable Shares are all fixed until their respective maturity dates. The Society's normal lending terms allow it to reset floating rate mortgage interest rates at one month's notice. Market rates and interest rates on the Society's investments are continuously monitored and taken into account when Loans on Mortgage and Redeemable Share interest rates are reset. The Effective Interest Rates (EIRs) are detailed in the Liquidity Profiles (refer note 12).

Capital management

The Society's capital consists of a General Reserve and retained earnings as shown under the heading of Equity in the Statement of Financial Position. The General Reserve comprises transfers from the net surplus each year which are used to build the Society's Capital base.

The Society's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Society's policy in respect of capital management and allocation is reviewed regularly by the Board of Directors. There have been no material changes in the Society's management of capital during the period. The Society is subject to externally imposed capital adequacy requirements via its Trust Deed and legislation, as detailed below.



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

Capital ratios

The Society's capital ratio (equity to total assets) at period end is 30.7% (30/9/2013: 31.7%, 31/3/2014: 29.1%). The minimum capital ratio required by the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010 for financial institutions which do not have a credit rating such as the Society is 10% and is incorporated into the Trust Deed. The Society's capital adequacy ratio (equity to risk weighted assets) at year end calculated in accordance with the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010 is 42.0% (30/9/2013: 37.8%, 31/3/2014: 39.3%). The Society has complied with the capital adequacy requirement throughout 2014 and 2013 financial years.

11

CREDIT RISKS

Maximum credit risk exposure

The 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 the following assets recognised in the Statement of Financial Position:

	Sep-14 \$	Sep-13 \$	Mar-14 \$
Cash and Cash Equivalents	1,767,908	1,250,339	2,096,014
Loans on Mortgage	4,793,745	5,269,528	4,867,249
Investments	201,899	-	200,000
	<u>6,763,552</u>	<u>6,519,867</u>	<u>7,163,263</u>

Concentration of credit risk

Credit risk is currently managed in accordance with policies to reduce the Society's exposure to potential failure of counterparties to meet their obligations under the contract or arrangement. The Society considers the concentration of credit risk is acceptable for the type of business undertaken and the regional basis of operation. Set out in note 7 and below are tables analysing the loans on mortgage book according to the nature of security held, the geographic location of security property and individual large counterparties. The Society considers that there is no concentration of credit risk on cash and cash equivalents and investments as the Society spreads its cash deposits with registered banks in accordance with its policy which is a maximum of \$1,000,000 for any one entity.

All counterparties to financial assets are based in New Zealand.

Large counterparty risk

The Society has exposure to counterparties in respect of loans and investment with registered banks in excess of 10% of equity as follows. Of the monetary assets receivable 42% (30/9/2013: 49%, 31/3/2014: 48%) is due from the Society's six largest debtors (including registered banks).



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

Loans	LVR	Sep-14	LVR	Sep-13	LVR	Mar-14
Exposures from 10% to 20% of Equity	50%	7	47%	6	47%	6
Exposures from 20% to 30% of Equity	52%	2	56%	2	56%	2

Investments and Cash and Cash Equivalents	Sep-14	Sep-13	Mar-14
Exposures from 10% to 20% of Equity	2	-	1
Exposures from 20% to 30% of Equity	1	2	1
Exposures from 30% to 40% of Equity	-	-	2
Exposures from 40% to 50% of Equity	1	-	-

12 LIQUIDITY PROFILES

Monetary assets and liabilities have differing maturity profiles depending on the contractual terms and in the case of Loans on Mortgage the repayment amount and frequency. The table below shows the period in which different financial assets and liabilities held will mature and be eligible for renegotiation or withdrawal. For Loans on Mortgage, the table reflects 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 on demand and up to 6 months periods. In order to help manage the potential mismatch and meet its obligations as they fall due, the Society's loans to members are all payable on demand. Also, no account is taken of possible early loan repayments. The contractual profile assumes that all shares are repaid when they mature.

In the ordinary course of business the Society normally achieves high redeemable share re-investment rates of at least 95% (30/9/2013: 99%, 31/3/2014: 95%). 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. No default loans have been assumed.

The following contractual maturity tables reflect interest receivable or payable only up to the end of the contracts held by the Society at the respective balance dates. The expected maturity tables reflect the Society's best estimate of what the actual maturities of contracts held at balance date might be including estimated rollovers of contracts etc. The interest receivable and payable is calculated to reflect these expected maturities and includes an assumed 0.5% increase of interest rates in the second to fifth years after balance date. All the sources of the Society's liquidity are included in these tables.



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

CONTRACTUAL MATURITY TIMEFRAME

As at 30 September 2014	EIR %	ON DEMAND \$	UP TO 6 MONTHS \$	7 - 12 MONTHS \$	1 - 2 YEARS \$	2 - 5 YEARS \$	OVER 5 YEARS \$	TOTAL \$
Monetary Assets								
Cash and Cash Equivalents	3.3	451,683	1,318,225	-	-	-	-	1,769,908
Interest Receivable		-	174,691	96,269	125,087	169,097	501,022	1,066,166
Loans on Mortgage	7.6	-	1,097,217	1,269,085	1,368,445	148,674	910,324	4,793,745
Investments	4.6	-	-	-	201,898	-	-	201,898
		451,683	2,590,133	1,365,354	1,695,430	317,771	1,411,346	7,831,717
Monetary Liabilities								
Redeemable Shares	4.0	1,292,552	2,432,957	670,695	307,021	-	-	4,703,225
Non-accrual Creditors		-	638	-	-	-	-	638
Interest Payable		-	22,091	21,669	22,006	-	-	65,766
		1,292,552	2,455,686	692,364	329,027	-	-	4,769,629
Net Monetary Assets		(840,869)	134,447	672,990	1,366,403	317,771	1,411,346	3,062,088
Undrawn Loans		-	55,000	-	-	-	-	55,000
Net Liquidity Gap		(840,869)	189,447	672,990	1,366,403	317,771	1,411,346	3,117,088
Net Liquidity Gap - Cumulative		(840,869)	(651,422)	21,568	1,387,971	1,705,742	3,117,088	3,117,088



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

CONTRACTUAL MATURITY TIMEFRAME

As at 30 September 2013	EIR %	ON DEMAND \$	UP TO 6 MONTHS \$	7 - 12 MONTHS \$	1 - 2 YEARS \$	2 - 5 YEARS \$	OVER 5 YEARS \$	TOTAL \$
Monetary Assets								
Cash and Cash Equivalents	3.8	542,937	707,402					1,250,339
Interest Receivable		-	170,810	123,463	177,890	220,381	471,535	1,164,079
Loans on Mortgage	6.4	5,217	856,242	1,339,841	900,792	1,462,264	705,172	5,269,528
		<u>548,154</u>	<u>1,734,454</u>	<u>1,463,304</u>	<u>1,078,682</u>	<u>1,682,645</u>	<u>1,176,707</u>	<u>7,683,946</u>
Monetary Liabilities								
Bank Overdraft								-
Redeemable Shares	3.4	959,750	2,696,492	805,310				4,461,552
Non-accrual Creditors			5,072					5,072
Interest Payable			88,153	45,536	24,060	72,245		229,994
		<u>959,750</u>	<u>2,789,717</u>	<u>850,846</u>	<u>24,060</u>	<u>72,245</u>	<u>-</u>	<u>4,696,618</u>
Net Monetary Assets		<u>(411,596)</u>	<u>(1,055,263)</u>	<u>612,458</u>	<u>1,054,622</u>	<u>1,610,400</u>	<u>1,176,707</u>	<u>2,987,328</u>
Undrawn Loans								0
Net Liquidity Gap		<u>(411,596)</u>	<u>(1,055,263)</u>	<u>612,458</u>	<u>1,054,622</u>	<u>1,610,400</u>	<u>1,176,707</u>	<u>2,987,328</u>
Net Liquidity Gap - Cumulative		<u>(411,596)</u>	<u>(1,466,859)</u>	<u>(854,401)</u>	<u>200,221</u>	<u>1,810,621</u>	<u>2,987,328</u>	<u>2,987,328</u>



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

CONTRACTUAL MATURITY TIMEFRAME

As at 31 March 2014	EIR %	ON DEMAND \$	UP TO 6 MONTHS \$	7 - 12 MONTHS \$	1 - 2 YEARS \$	2 - 5 YEARS \$	OVER 5 YEARS \$	TOTAL \$
Monetary Assets								
Cash and Cash Equivalents	3.0	733,896	1,106,266	254,006	1,846	-	-	2,096,014
Interest Receivable		-	133,431	104,763	138,714	165,887	447,389	990,183
Loans on Mortgage Investments	7.0	3,500	1,274,079	1,052,018	958,403	881,877	697,372	4,867,249
	4.6	-	-	-	200,000	-	-	200,000
		737,396	2,513,776	1,410,787	1,298,963	1,047,764	1,144,761	8,153,446
Monetary Liabilities								
Redeemable Shares	3.7	1,479,140	2,056,356	1,329,916	200,000	-	-	5,065,412
Non-accrual Creditors		-	9,555	-	-	-	-	9,555
Interest Payable		-	9,800	50,233	19,013	-	-	79,046
		1,479,140	2,075,711	1,380,149	219,013	-	-	5,154,013
Net Monetary Assets		(741,744)	438,065	30,638	1,079,950	1,047,764	1,144,761	2,999,433
Undrawn Loans		-	-	-	-	-	-	-
Net Liquidity Gap		(741,744)	438,065	30,638	1,079,950	1,047,764	1,144,761	2,999,433
Net Liquidity Gap - Cumulative		(741,744)	(303,679)	(273,041)	806,909	1,854,672	2,999,433	2,999,433



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

EXPECTED MATURITY TIMEFRAME

As at 30 September 2014	EIR %	ON DEMAND \$	UP TO 6 MONTHS \$	7 - 12 MONTHS \$	1 - 2 YEARS \$	2 - 5 YEARS \$	OVER 5 YEARS \$	TOTAL \$
Monetary Assets								
Cash and Cash Equivalents	3.3	-	500,632	-	-	-	1,269,276	1,769,908
Interest Receivable		-	200,393	201,494	401,888	1,205,664	428,468	2,437,907
Loans on Mortgage	7.6	-	369,522	15,557	32,689	91,567	4,284,410	4,793,745
Investments	4.6	-	-	-	-	-	200,000	200,000
		-	1,070,547	217,051	434,577	1,297,231	6,182,154	9,201,560
Monetary Liabilities								
Redeemable Shares	4.0	-	265,283	50,626	101,253	151,879	4,134,183	4,703,225
Non-accrual Creditors		-	638	-	-	-	-	638
Interest Payable		-	84,834	85,296	170,130	510,389	175,856	1,026,505
		-	350,755	135,922	271,383	662,268	4,310,039	5,730,368
Net Monetary Assets		-	719,792	81,129	163,194	634,963	1,872,115	3,471,192
Undrawn Loans		-	55,000	-	-	-	-	55,000
Net Liquidity Gap		-	774,792	81,129	163,194	634,963	1,872,115	3,526,192
Net Liquidity Gap - Cumulative		-	774,792	855,921	1,019,115	1,654,078	3,526,192	3,526,192



THE NAPIER BUILDING SOCIETY (PERMANENT)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014**

EXPECTED MATURITY TIMEFRAME

As at 30 September 2013	EIR %	ON DEMAND \$	UP TO 6 MONTHS \$	7 - 12 MONTHS \$	1 - 2 YEARS \$	2 - 5 YEARS \$	OVER 5 YEARS \$	TOTAL \$
Monetary Assets								
Cash and Cash Equivalents	3.8	5,471	97,402	90,000	125,000	200,000	732,466	1,250,339
Interest Receivable		-	193,302	192,501	424,383	1,273,290	575,212	2,658,688
Loans on Mortgage	6.4	5,217	856,242	1,339,841	900,792	1,462,264	705,172	5,269,528
		10,688	1,146,946	1,622,342	1,450,175	2,935,554	2,012,850	9,178,555
Monetary Liabilities								
Bank Overdraft		-	-	-	-	-	-	-
Redeemable Shares	3.4	-	277,802	70,000	110,000	130,000	3,873,750	4,461,552
Non-accrual Creditors		-	638	-	-	-	-	638
Interest Payable		-	85,569	88,631	186,978	560,933	189,822	1,111,933
		-	364,009	158,631	296,978	690,933	4,063,572	5,574,123
Net Monetary Assets		10,688	782,937	1,463,711	1,153,197	2,244,621	(2,050,722)	3,604,432
Undrawn Loans		-	-	-	-	-	-	0
Net Liquidity Gap		10,688	782,937	1,463,711	1,153,197	2,244,621	(2,050,722)	3,604,432
Net Liquidity Gap - Cumulative		10,688	793,625	2,257,336	3,410,533	5,655,154	3,604,432	3,604,432



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

EXPECTED MATURITY TIMEFRAME

As at 31 March 2014	EIR %	ON DEMAND \$	UP TO 6 MONTHS \$	7 - 12 MONTHS \$	1 - 2 YEARS \$	2 - 5 YEARS \$	OVER 5 YEARS \$	TOTAL \$
Monetary Assets								
Cash and Cash Equivalents	3.0	564	556,267	429,006	476,845	50,000	583,332	2,096,014
Interest Receivable		-	183,309	195,511	406,566	1,219,697	872,783	2,877,866
Loans on Mortgage	7.0	3,500	178,897	19,602	28,636	100,416	4,536,198	4,867,249
Investments	4.6	-	-	-	-	-	200,000	200,000
		4,064	918,473	644,119	912,047	1,370,113	6,192,313	10,041,129
Monetary Liabilities								
Redeemable Shares	3.7	-	428,423	79,145	108,290	274,869	4,174,684	5,065,411
Non-accrual Creditors		-	9,555	-	-	-	-	9,555
Interest Payable		-	92,422	96,450	202,086	606,258	225,145	1,222,361
		-	530,400	175,595	310,376	881,127	4,399,829	6,297,327
Net Monetary Assets		4,064	388,073	468,524	601,671	488,986	1,792,484	3,743,802
Undrawn Loans		-	-	-	-	-	-	-
Net Liquidity Gap		4,064	388,073	468,524	601,671	488,986	1,792,484	3,743,802
Net Liquidity Gap - Cumulative		4,064	392,137	860,661	1,462,332	1,951,318	3,743,802	3,743,802



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

13 INTEREST RATE ANALYSIS

The Society's exposure to interest rate risk, which is the risk that the reported financial results will fluctuate as a result of changes in market interest rates, is set out below. The effective weighted average interest rate on classes of financial assets and financial liabilities are also included in the table on the following page. Only interest sensitive financial assets and liabilities have been included.

The Society performs sensitivity analysis to measure interest rate risk exposures. The method used in determining the sensitivity is to evaluate the change in profit based on the timing of the interest repricing on the book of the Society for the next year. In doing the calculation the assumptions applied are that:

- Interest rate change would be applied in accordance with the repricing profile.
- Term deposits reprice to the new interest rate at maturity, or be replaced by deposits with similar terms and rates.
- All loans be repaid in accordance with the contractual terms and be replaced with loans of a similar rate and term.
- The value and mix of call and term deposits will be unchanged.
- No change in basis risk.

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

	6 MONTHS		
	Carrying Amount	-1% Profit and Equity	+1% Profit and Equity
	\$	\$	\$
Financial Assets (excl. accrued interest)			
Cash and Cash Equivalents	1,751,674	(8,267)	8,267
Loans on Mortgage	4,793,745	(40,048)	40,048
Investments	200,000	(6,168)	6,168
	6,745,419	(54,483)	54,483
Financial Liabilities (excl. accrued interest)			
Redeemable Shares	4,645,029	(31,900)	31,900
Non-accrual Creditors	638	-	-
	4,645,667	(31,900)	31,900
Change in Net Profit Before Tax		(22,583)	22,583



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

	6 MONTHS 30-Sep-13		
	Carrying Amount \$	-1% Profit and Equity \$	+1% Profit and Equity \$
Financial Assets (excl. accrued interest)			
Cash and Cash Equivalents	1,241,746	(12,323)	12,323
Loans on Mortgage	5,269,258	(50,703)	50,703
	6,511,004	(63,026)	63,026
Financial Liabilities (excl. accrued interest)			
Redeemable Shares	4,403,750	(30,673)	30,673
Non-accrual Creditors	5,072	-	-
	4,408,822	(30,673)	30,673
Change in Net Profit Before Tax		(32,353)	32,353

	31-Mar-14		
	Carrying Amount \$	-1% Profit and Equity \$	+1% Profit and Equity \$
Financial Assets (excl. accrued interest)			
Cash and Cash Equivalents	2,083,867	(17,148)	17,148
Loans on Mortgage	4,867,249	(47,792)	47,792
Investments	200,000	-	-
	7,151,116	(64,940)	64,940
Financial Liabilities (excl. accrued interest)			
Redeemable Shares	5,016,131	(32,156)	32,156
Non-accrual Creditors	9,555	-	-
	5,025,686	(32,156)	32,156
Change in Net Profit Before Tax		(32,784)	32,784

The impact on profit for the following twelve months of a 1% increase/(decrease) in interest rates is an increase/(decrease) of \$22,583 (30/9/2013: \$32,353, 31/3/2014: \$32,784). See tables above.



THE NAPIER BUILDING SOCIETY (PERMANENT)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014**

INTEREST RATE RISK ANALYSIS - REPRICING TIMEFRAME

For the Period to 30 September 2014	WEIGHTED	FLOATING	UP TO 6 MONTHS	7 - 12 MONTHS	1 - 2 YEARS	2 - 5 YEARS	OVER 5 YEARS	TOTAL
	AVERAGE RATE %							
		\$	\$	\$	\$	\$	\$	\$
Monetary Assets								
Cash and Cash Equivalents	3.9	451,683	1,316,225	-	-	-	-	1,767,908
Investments	4.5	-	-	-	201,898	-	-	201,898
Loans on Mortgage	6.7	3,605,220	122,967	690,956	301,785	-	72,817	4,793,745
		<u>4,056,903</u>	<u>1,439,192</u>	<u>690,956</u>	<u>503,683</u>	<u>-</u>	<u>72,817</u>	<u>6,763,551</u>
Monetary Liabilities								
Redeemable Shares	3.5	1,292,552	2,432,958	670,694	307,021	-	-	4,703,225
		<u>1,292,552</u>	<u>2,432,958</u>	<u>670,694</u>	<u>307,021</u>	<u>-</u>	<u>-</u>	<u>4,703,225</u>
Total Mismatch		<u>2,764,351</u>	<u>(993,766)</u>	<u>20,262</u>	<u>196,662</u>	<u>-</u>	<u>72,817</u>	<u>2,060,326</u>



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

INTEREST RATE RISK ANALYSIS - REPRICING TIMEFRAME

For the Period to 30 September 2013	WEIGHTED AVERAGE RATE %	FLOATING \$	UP TO 6 MONTHS \$	7 - 12 MONTHS \$	1 - 2 YEARS \$	2 - 5 YEARS \$	OVER 5 YEARS \$	TOTAL \$
Monetary Assets								
Cash and Cash Equivalents	4.3	542,937	707,402	-	-	-	-	1,250,339
Loans on Mortgage	6.7	-	861,459	1,339,841	900,792	1,462,264	705,172	5,269,528
		542,937	1,568,861	1,339,841	900,792	1,462,264	705,172	6,519,867
Monetary Liabilities								
Redeemable Shares	4.2	959,750	2,696,492	805,310	-	-	-	4,461,552
		959,750	2,696,492	805,310	-	-	-	4,461,552
Total Mismatch		(416,813)	(1,127,631)	534,531	900,792	1,462,264	705,172	2,058,315



THE NAPIER BUILDING SOCIETY (PERMANENT)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014**

INTEREST RATE RISK ANALYSIS - REPRICING TIMEFRAME

For the Period to 31 March 2014	WEIGHTED AVERAGE RATE %	FLOATING \$	UP TO 6 MONTHS \$	7 - 12 MONTHS \$	1 - 2 YEARS \$	2 - 5 YEARS \$	OVER 5 YEARS \$	TOTAL \$
Monetary Assets								
Cash and Cash Equivalents	3.4	746,014	1,100,000	250,000	-	-	-	2,096,014
Investments	4.9	-	-	-	200,000	-	-	200,000
Loans on Mortgage	6.4	4,588,947	220,241	58,061	-	-	-	4,867,249
Total Monetary Assets		5,334,961	1,320,241	308,061	200,000	-	-	7,163,263
Monetary Liabilities								
Redeemable Shares	3.8	1,479,139	2,056,356	1,329,916	200,000	-	-	5,065,411
Total Monetary Liabilities		1,479,139	2,056,356	1,329,916	200,000	-	-	5,065,411
Total Mismatch		3,855,822	(736,115)	(1,021,855)	-	-	-	2,097,852



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

14 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of financial instruments not carried at fair value

The Society does not carry any financial instruments at fair value.

For financial instruments not carried at fair value, the carrying amount approximates fair value for the reasons detailed below.

Cash and Cash Equivalents

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

Loans on Mortgage

Loans are comprised of a mix of floating and fixed rate loans. At the end of each reporting period the fair value is calculated using the average market rate for such loans that was in effect 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 timeframe.

15 COMMITMENTS AND CONTINGENT LIABILITIES

At balance date the Society had no material contingent liabilities. Future commitments comprised undrawn approved loans of \$55,000 (30/9/2013: nil, 31/3/2014: nil).



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

16 RELATED PARTY TRANSACTIONS

Key Management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Society directly or indirectly including the Directors' and the Secretary.

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

The only compensation of any kind paid to key management personnel are the Directors fees and expenses disclosed in the Statement of Comprehensive Income and a salary paid to M W Williams, a Director of the Society, of \$22,500 (30/9/2013: \$21,562, 31/3/2014: \$45,000).

G J Sullivan, a Director of the Society, is a partner in Sainsbury Logan & Williams, the firm of solicitors who provides legal services to the Society. There were no payments for such services during any of the periods covered by these financial statements.

G A Fan-Robertson, the secretary of the Society, is a director of BDO Central (NI) Limited which provides accounting services and office space to the Society. Payments for such services during the period totalled \$25,875 (30/9/2013: \$26,175, 31/3/2014: \$51,750).

	6 MONTHS		
	Sep-14	Sep-13	Mar-14
	\$	\$	\$
Shares from Employee			
Shares at end of period	12,625	115	8,891
Interest paid	111	5	355
Shares from Directors (excluding Executive Director)			
Shares at end of period	40,444	50,387	40,997
Interest paid	7	26	2,394
Shares from other related parties			
Shares at end of period	1,362,698	1,150,815	1,370,293
Interest paid	19,702	13,661	56,370
Loans on mortgage to other related parties			
Mortgage at end of period	81,962	81,996	81,989
Interest received	2,386	1,498	3,870



THE NAPIER BUILDING SOCIETY (PERMANENT)

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

The Society has not approved any loans to Directors during any of the financial periods included in this report. Loans made to and borrowing held by key management personnel are made in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other customers. Loans have been made in accordance with the Society's lending policies including the provision of security and settlement. No guarantees are given by the Society or received from related parties. No balances owing by key management personnel or other related parties have been written off or have a provision for impairment against them (30/9/2013: nil, 31/3/2014: nil).

The Society's related party ratio (related party lending to equity) at 30 September 2014 calculated in accordance with the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010 is 3.9% (30/9/2013: 9.0%, 31/3/2014: 3.9%).

The Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010 require that the related party ratio be no more than 15% of equity. The Society has complied with this requirement at all times during the periods presented in these financial statements.

17 EVENTS AFTER BALANCE DATE

There are no significant events that have occurred after balance date that require reporting in these financial statements (30/9/2013: nil, 31/3/2014: nil).

18 CREDIT RATING EXEMPTION

From 1 March 2010, the Reserve Bank of New Zealand Act 1989 requires every deposit taker (unless otherwise exempted), including Building Societies, to have a current rating of its credit worthiness given by an approved rating agency.

The Society is not required to obtain a credit rating as it operates under the exemption contained in the Deposit Takers (credit ratings minimum threshold) Exemption Notice 2009. The credit worthiness of the Society is therefore not rated by an approved rating agency under the above Act. The Exemption Notice applies to the Society because it has liabilities less than \$20 million and it would be unduly onerous and burdensome for the Society to comply with the requirement to have a credit rating.

The exemption is conditional on the Society providing to the Reserve Bank annually prior to the end of March in each year, a statement from the Directors that the Society meets the requirements of the exemption for that forthcoming year. Figures supporting the Directors' statement must be attached to this statement.