



10063153082

ALLIANCE GROUP CREDIT UNION

PROSPECTUS

-relating to-

the Offer of Debt Securities by the Alliance Group Credit Union

Alliance Group Credit Union

having offices at:
Alliance Group Lorneville Plant
Riverton Highway 96
Invercargill

DIRECTORY

CREDIT UNION

Alliance Group Credit Union
Alliance Group – Lorneville Plant
Riverton Highway 96
PO Box 759
Invercargill 9840

Phone 03 215 6458
Facsimile 03 215 8576
E-mail office@alliancecu.co.nz

SOLICITORS TO THE CREDIT UNION

Stace Hammond
Barristers & Solicitors
Level 17, 34 Shortland Street
PO Box 106376
Auckland 1143

Phone 09 307 7909
Facsimile 09 307 7908

PRUDENTIAL SUPERVISOR

Trustees Executors Limited
Level 7, 51 Shortland Street
PO Box 4197
Auckland 1140
Telephone: 09 308 7100
Facsimile: 09 308 7101

PLACE WHERE REGISTER KEPT

Alliance Group Credit Union
Alliance Group – Lorneville Plant
Riverton Highway 96
Invercargill

Phone 03 215 6458
Facsimile 03 215 8576
E-mail office@alliancecu.co.nz

AUDITORS

Crowe Horwath – Chartered Accountants
173 Spey Street
Private Bag 90106
Invercargill 9840

Phone 03 211 0103
Facsimile 03 218 3623
Mobile 027 4342890

BANKERS

Westpac Banking Corporation
Kelvin Street
PO Box 818
Invercargill 9840

Phone 0800 400 600
Facsimile 03 214 4400

SECURITIES REGISTRAR

Susan Gillespie
Alliance Group Credit Union
Alliance Group – Lorneville Plant
Riverton Highway 96
PO Box 759
Invercargill 9840

Phone 03 215 6458
Facsimile 03 215 6401
E-mail office@alliancecu.co.nz

COMPANIES OFFICE

Companies Office
Ministry of Business Innovation and
Employment ("MBIE")
Level 18, ASB Centre
135 Albert Street
Private Bag 92061
Auckland Mail Centre
Auckland

MBIE Business Service Centre
Ph: 0508 266 726
Facsimile: (09) 916 4559
Web: www.companies.govt.nz

KEY INFORMATION

Key Topic	Summary Detail	Place to look for more information
Issuer	<p>Alliance Group Credit Union, is the issuer.</p> <p>Alliance Group Credit Union is a credit union, established pursuant to the Friendly Societies and Credit Unions Act 1982.</p>	Page 6: Paragraph 1.1, and Paragraph 1.2 Subheading "The Credit Union"
Investment	<p>This is an offer for members of Alliance Group Credit Union to receive \$1 shares in the Credit Union for each \$1 invested.</p> <p>Each \$1 can be invested in one of the accounts offered by Alliance Group Credit Union. The minimum investment is \$1 and there is currently a maximum investment size of \$100,000.</p>	Pages 6, 7: Paragraph 1.2 Subheadings "The Offer", "Shares", "Membership" and "Share Accounts"
Returns	<p>Each share account offers different returns depending on the amount of your investment, the particular account you choose to invest in, and the length of time you invest.</p> <p>A schedule of the different accounts offered by the Credit Union is attached to this prospectus.</p> <p>The rates offered by the Credit Union can be obtained from any office of the Credit Union, calling the Credit Union or by visiting www.nzcuackland.co.nz.</p>	Pages 7, 8: Paragraph 1.2 Subheadings "Share Accounts" to "Payment of Returns"
Withdrawals	<p>The Friendly Society and Credit Unions Act 1982 provides a statutory ability for a credit union to require up to 60 days notice of withdrawals. Otherwise withdrawals may be made in accordance with the terms of the account as set out in the Fourth Schedule.</p>	Page 8: Paragraph 1.2 Subheading "Withdrawals" and Fourth Schedule
Prudential Supervisor	<p>Trustees Executors Limited is the statutory trustee appointed for the benefit of all members.</p> <p>The statutory trustee is referred to as the Prudential Supervisor, and has entered into a trust deed with the Credit Union which provides a framework for how the Credit Union is to manage the investments made by members. It contains certain covenants from the Credit Union covering important financial and management obligations.</p>	Pages 10,11: Paragraphs 3.6 and 8.1
Security	<p>The Prudential Supervisor holds a first registered security over all of the assets of the Credit Union to secure the repayment of all members' investments.</p>	Page 6, Paragraph 1.2 and Page 11: Paragraph 7
Fees and Charges	<p>Account fees and charges and any membership fees may be payable by you, depending on the type of investment made. These amounts may change from time to time.</p>	Fourth Schedule
Credit Rating	<p>The creditworthiness of the Credit Union is not rated by a rating agency approved by the Reserve Bank of New Zealand under the Non-bank Deposit Takers Act 2013.</p>	Page 15: Paragraph 9. Subheading 8 "Unrated Offeror"
Principal Risks	<p>The principal risks of investing in the Credit Union are set out in full in paragraph 9. A summary of the risk types identified by the Credit Union are:</p> <ul style="list-style-type: none"> - Competition / Market Risk - Common Bond Limitation - Interest Rate Margin Risk - Liquidity Risk - Prior Ranking Security - Lending Risk - Regulatory / Political - Unrated Offeror - Operational Risk 	Page 13: Paragraph 9: Risks

PROSPECTUS OF ALLIANCE GROUP CREDIT UNION

This Prospectus is dated 24 February 2015.

The following index is provided pursuant to Regulation 16 of the Securities Regulations 2009. Clause references are to those clauses in Schedule 2 of the Securities Regulations 2009:

INDEX

Clause		Page
	Key Information	3
1	Main Terms of Offer	5
7	Description of Activities	5
3	Details of Registration	8
5	Names, Addresses and Other Information	8
6	Restrictions on Directors' Powers	9
10	Material Contracts	9
11	Pending Proceedings	10
13	Ranking of Securities	10
14	Provisions of Trust Deed and Other Restrictions on the Credit Union	10
15	Other Terms of Offer and Securities	13
19	Places of Inspection of Documents	15
20	Other Material Matters	16
8	Summary Financial Statements	16
16-17	Financial Statements	16
9	Acquisition of Business or Subsidiary	17
21	Directors Statement	18
8	Summary Financial Statements	First Schedule
22	Auditor's Report and Consent	Second Schedule
16-17	Financial Statements	Third Schedule
1	Share Accounts	Fourth Schedule
14	Prudential Supervisor's Statement	Fifth Schedule
5	Directorate	Sixth Schedule

Clauses 2, 4, and 18 are not applicable to the Credit Union.

In registering this Prospectus, the Credit Union has relied on the exemptions contained in:

1. **The Securities Act (Credit Unions) Exemption Notice 2010**, whereby the Credit Union has been granted an exemption from compliance with sections 37A (1)(d), 51, 52 and 54 of the Securities Act 1978 and clauses 1 (3) and 12 of Schedule 2, and Regulation 40 of the Securities Regulations 2009 in so far as that regulation deems clauses 1 (2) and 3 of Schedule 15 of the Securities Regulations 2009 to be contained in the Trust Deed; and
2. **The Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2009**, whereby the Credit Union has been granted an exemption from the requirement to have a credit rating pursuant to the Non-bank Deposit Takers Act 2013 ("NBDT Act"). More details regarding the exemption are set out on page 15.

All legislation referred to in this Prospectus may be viewed, free of charge, at the following website:
www.legislation.govt.nz.

The creditworthiness of the Credit Union is not rated by a rating agency approved by the Reserve Bank of New Zealand under the NBDT Act.

1. **MAIN TERMS OF OFFER**

1.1 **Name and Address of the Credit Union**

Name of Credit Union: Alliance Group Credit Union ("Credit Union")
Registered Office: C/- Alliance Group, Lorneville Plant, Riverton Highway 96, Invercargill
Postal Address: PO Box 759, Invercargill 9840
Business Hours: 10.00 a.m. to 5.00 p.m. - Monday to Friday
Branch Offices and Service Locations: Alliance Group Lorneville Plant, Riverton Highway 96, Invercargill
The following company will deduct members' contributions directly from salary/wages on request:
Alliance Group Ltd

1.2 **Description of the Activities of the Credit Union**

The Credit Union

The Credit Union is a not-for-profit financial co-operative registered as a credit union under the Friendly Societies and Credit Unions Act 1982 ("the Act"). What this means is that members' funds are pooled together and used to provide loans to those members who apply.

The objects of the Credit Union are essentially the promotion of thrift amongst its members by the accumulation of their savings, the use and control of the members' savings for their mutual benefit and the training and education of the members in the wise use of money and in the management of their financial affairs. The Credit Union's primary activity over the past five (5) years preceding the date this Prospectus was delivered to the Registrar of Financial Service Providers for registration, has been to provide a co-operative saving facility for members to form a loan fund.

The principal assets of the Credit Union are the loan receivables generated by lending money to its members. These loan receivables are the principal assets that are charged as security pursuant to the Trust Deed. The Credit Union has not granted any other charges over the principal assets.

The Offer

This Prospectus includes a secured offer of \$1.00 fully paid-up shares in the Credit Union. This offer is made to a section of the public, being:

- (a) Employees, plus past employees of, suppliers and contractors to Alliance Group Ltd and their families as full qualifying members;
- (b) any person who is a member of the same household as, and is a relative of, a person who has been admitted to membership and who continues to qualify for membership, of the Credit Union under paragraph (a) above; and
- (c) for the purposes of paragraph (b) above, the term "relative" in relation to any person, means:
 - (i) The spouse of that person, including any former spouse or de facto spouse;
 - (ii) Any lineal ancestor, lineal descendant, brother, sister, uncle, aunt, nephew, niece, or first cousin of that person or that person's spouse;
 - (iii) The spouse (including any former spouse or de facto spouse) of any relative specified in subparagraph (ii) above.

Pursuant to section 106 of the Act, membership of the Credit Union is open to individuals, charitable entities as defined in the Charities Act 2005, or an incorporated society registered under the Incorporated Societies Act 1908.

Shareholders in the Credit Union are called members. The repayment of moneys owing on members' shares is principally secured, to the extent permitted by law, by a security interest over the whole of the Credit Union's present and future undertaking, property, assets and revenues, including the proceeds received for the subscription of shares and unpaid share capital (if any). This security interest has been registered pursuant to the Personal Property Securities Act 1999 ("PPSA") and has been granted in favour of Trustees Executors Limited ("the Prudential Supervisor"). The security interest is subject to any prior charges agreed by the Prudential Supervisor (see paragraph 7 for further details with regard to ranking of securities).

The Credit Union has appointed the Prudential Supervisor as statutory trustee of the offer under this Prospectus, for the purposes of the Securities Act 1978. The Prudential Supervisor's appointment, the grant of the security interest and the parties' respective rights and obligations are recorded in the trust deed entered into by the parties, dated 30 November 2001 (the "Trust Deed") and registered with the Registrar of Companies. The Trust Deed has been modified and amended by Deeds of Modification dated 24 October 2002, 26 November 2010 and 29 October 2014, and a Deed of Amendment dated 17 October 2012. Further details of the Trust Deed may be found at paragraph 8 of this Prospectus.

Shares

Members contribute to the Credit Union by depositing funds with the Credit Union. These deposits are called 'shares' pursuant to the Act, and make up the capital of the Credit Union.

Each member must hold a minimum of \$1.00 in fully paid-up share(s), and a member cannot have or claim any interest in shares of the Credit Union exceeding \$100,000 (or such other amount as determined by the Board of the Credit Union in accordance with the Credit Union's Rules).

The Credit Union offers prospective and existing members the ability to subscribe for \$1.00 shares in the Credit Union. A member's shareholding must be held in one or more of the share accounts operated by the Credit Union and nominated by the member in writing. Each share account may offer differing terms and conditions as to dividend or interest return, the minimum amount of shares required to be purchased and the timing of repayment. For a further explanation of the operation of share accounts, please refer to the comments under the sub-heading "*Share Accounts*" below.

Notwithstanding any election as to share accounts, all shares are of a fixed amount of \$1.00 denomination and cannot be allotted to a member until fully paid-up in cash, and shall rank equally with all other shares issued by the Credit Union. Payments of shares not in whole dollar amounts are credited to the member's account and are deemed to be an advance payment of subscription for shares.

Shares in the Credit Union are not transferable except where a member has nominated in writing that a person is to receive the member's shareholding in the Credit Union on the member's death, or any monies payable by the Credit Union to the member, at that time. However, any such nomination can only provide that a person receive that part of the member's shareholding, or monies payable by the Credit Union, up to a maximum of \$2000. Furthermore, to be legally enforceable, any such nomination must be signed by the member and delivered or sent to the registered office of the Credit Union, or made in the register of members kept at the Credit Union's registered office. Please refer to paragraph 2.3, for a further explanation of the register of members.

Membership

Applications to subscribe for shares must be made on the Credit Union's standard application form which is available on request at the offices of the Credit Union. Payment of the subscription detailed in the application form will be payable in the manner required by the Credit Union, and may include, payment in cash or by way of personal or bank cheque, or as otherwise agreed in writing by the Credit Union. The application form together with the full amount of the subscription payable may be delivered or posted to the Credit Union. The Credit Union's contact details are included in the Directory.

The Credit Union will only accept applications from those members of the public who meet the membership criteria described under "The Offer" above. The Credit Union also reserves the right to accept or decline any application without giving any reason for its decision.

The Credit Union is not entitled at law, to issue share certificates to members. However, all deposits and withdrawals from a member's share account will be entered in the member's passbook. In addition, the Credit Union will on request, and every six (6) months during the period of membership, forward a statement of account to each member of their shareholding in the Credit Union.

On every matter determined by a vote of members of the Credit Union, each member is entitled to vote. However, each member has one vote only, irrespective of the number of shares held by that member or as to whether the shares are held jointly with any other person(s).

Share Accounts

A member's shareholding must be held in one or more of the share accounts operated by the Credit Union and nominated by the member in writing. Applications to subscribe for shares must be made on the Credit Union's standard application form which is available on request at the offices of the Credit Union. The Credit Union's contact details are included in the Directory. Each share account may offer differing terms and conditions as to dividend or interest return, the minimum amount of shares required to be purchased and the timing of repayment.

The rate of return on shares is dependent on the type of share account in which members shares are placed, the terms of the account and the duration of the term.

Details of the share accounts currently operated by the Credit Union including the conditions of each account, the rate of dividend or interest return (or how that rate may be calculated), the minimum amount of shares required to be purchased, the term of the investment and the timing of repayment are set out in the Fourth Schedule to this Prospectus.

The board of the Credit Union may vary the rate of return, the terms and conditions of the account, or the timing of

repayments. Any such variation shall be notified to members forthwith by notice displayed at the Credit Union's head office and each of its branches.

On Call and Notice of Withdrawal Accounts

It is the Credit Union's intention that shares in On Call and Notice of Withdrawal Accounts will, subject to the board of the Credit Union's absolute discretion to vary the rate of return (described under the heading *Share Accounts* above), receive an annual dividend from the profits of the Credit Union.

The maintenance of the rate of dividend paid on member accounts is largely dependent on the annual surpluses earned by the ongoing profitability of the Credit Union. The amount of the surplus available for distribution to members is subject to an obligation under the Trust Deed to maintain a prudential reserve, which is described under the heading "Prudential Reserve" at paragraph 8.2. The prudential reserve is not able to be utilised for payment of interest or dividends without the consent of the Prudential Supervisor.

The method of calculating the rate of return on all of the Credit Union's On Call and Notice of Withdrawal accounts, together with the terms and conditions of these accounts is set out in the Fourth Schedule of this Prospectus.

Payment of Returns

Returns payable on members' share accounts will be credited to members' accounts in accordance with the terms of the accounts as set out in the Fourth Schedule or as amended from time to time by the board of the Credit Union.

Fees and Charges

In addition to the costs of the shares, members may be required to pay account and membership fees and charges. The types, level and method of calculating the fees and charges payable at the date of this Prospectus are set out in the Fourth Schedule to this Prospectus.

Withdrawals

Subject to the provisions of the Act, members operate their share accounts in a similar manner to savings and withdrawals in a passbook account. While shares are usually available to be withdrawn at call, the Credit Union's Rules provide that a 60-day notice period for withdrawal may be required. ~~Requests for withdrawals can be made at the Credit Union's offices, branch offices or service locations, during normal office hours. All requests for withdrawals must be made in writing and signed by the member, unless an alternative method of withdrawal is specified as an authorised method in the terms of the share account.~~

Generally withdrawals would not be available where such withdrawal of shares would reduce a member's paid-up share holding in the Credit Union to less than the member's total liability (including any contingent liability) to the Credit Union.

If the Credit Union fails, on written demand, to pay money borrowed by it, it may neither make loans, nor permit withdrawals. The Credit Union is not entitled at law, to consent to any withdrawals where the Credit Union is unable to meet its debts as they fall due.

Maturity

Share accounts will mature on their respective maturity dates (as described in the Fourth Schedule of this prospectus or as varied from time to time by the board of the Credit Union). If a member has given instructions for any monies held in a share account to be automatically reinvested at the end of the term, the reinvestment funds will earn the dividend or interest return (as the case may be) applicable at the time of reinvestment to the share account nominated. The Credit Union will not be required to give a member notice of the reinvestment of their funds, unless the Credit Union has received notice in writing from the member that notice of reinvestment is required.

Early Repayment

The policy of the Credit Union is to not make repayments prior to maturity. In the event of financial hardship or extraordinary circumstances, written application may be made to the Credit Union, which may exercise its discretion to repay the funds in whole or in part. In such cases the interest or dividend payable will be subject to adjustment in accordance with the terms of the share account.

Taxation

The Credit Union is required by law, to deduct Resident Withholding Tax ("RWT") from any interest or dividends paid or credited to any person resident in New Zealand, and to account for this deduction to the Inland Revenue Department ("IRD"). Provided members supply the Credit Union with their IRD number and nominate the RWT rate at which they wish deductions to be made, RWT will be deducted at the rate nominated. In the event that:

- (a) a member omits to notify the Credit Union of their IRD number, the Credit Union is required at law, to deduct RWT at 33% (or such other amount as required by law);

- (b) a member has notified the Credit Union of their IRD number, but omits to nominate at which RWT rate they wish RWT to be deducted, RWT will be deducted at 33% (or such other amount as required by law).

The Credit Union is not required to deduct RWT from any member who holds a valid Certificate of Exemption. Members who hold a Certificate of Exemption are required to forward a copy to the Credit Union.

An investment in shares in the Credit Union will have taxation implications. The effect of taxation will vary according to each member's personal circumstances. Prospective and existing members are encouraged to obtain independent professional advice on their personal circumstances.

Loans

The Credit Union makes loans from the share capital and retained surpluses of the Credit Union to members. The availability of loans to members is dependent upon the availability of funds to the Credit Union from the Credit Union's capital, at any particular time.

Loans to members will only be made in accordance with the Credit Union's Rules, which may from time to time specify the maximum amount which may be loaned to any member, the maximum term of loans or the lending to assets ratios to be observed by the Credit Union. For details of the conditions existing under the Credit Union's Rules at the date of application, please contact the Credit Union.

The Credit Union reserves the right to decline any application for a loan without giving any reason.

2. DETAILS OF REGISTRATION OF THE CREDIT UNION

2.1 Registration

The Credit Union was registered on 17 September 1976 under the Friendly Societies Act 1909. Section 160(2) of the Act deems the Credit Union to be registered under Part III of the Act. The Credit Union's registered number is 1802861.

The Credit Union is also registered on the Financial Services Providers Register with registration number FSP21521.

2.2 Rules of Operation of the Credit Union

The Credit Union operates under rules registered with the Registrar of Friendly Societies and Credit Unions. Any person may upon request, during normal business hours, at the registered office of the Credit Union or at the Companies Office listed in the Directory, inspect copies of the Credit Union's Rules. The Credit Union will not charge an inspection fee for producing or photocopying the Rules. The Companies Office will not charge an inspection fee, but photocopying charges (if applicable) will apply.

2.3 Register of Members

A register of the members of the Credit Union is kept at the registered office of the Credit Union listed in the Directory. The register is open to inspection during ordinary office hours by any member of the Credit Union. The Credit Union will not charge an inspection fee for producing the register.

2.4 Other Statutory Information

Application will not be made to any registered stock exchange for listing of any shares under this Prospectus.

3. NAMES, ADDRESSES AND OTHER INFORMATION

3.1 Directors and Officers

The directors of the Credit Union serve voluntarily, and are required to be members of the Credit Union. The directors are elected by members at the annual general meeting of members and report to the members annually.

The directors serve a term of 2 years, retire by rotation, and are eligible for re-election.

The members elect 3 directors to be trustees of the Credit Union.

The directors elect from the Directorate the following officers: Chairperson, Deputy-Chairperson, Secretary, and Treasurer.

A list of the current directors and officers of the Credit Union is included in the Sixth Schedule. Of these, Susan

Gillespie is an employee of the Credit Union (Manager). The Manager of the Credit Union is responsible for the day to day management of the Credit Union and is involved in the preparation of this Prospectus.

3.2 Particulars of Trustees

In accordance with the Act, all property belonging to the Credit Union is vested in the trustees (the present trustees being named in the Sixth Schedule), for the use and benefit of all persons claiming through the members of the Credit Union according to the Credit Union's Rules.

3.3 Audit Committee

The Board of Directors appoints a sub-committee from their number to exercise the internal audit and compliance function for them in accordance with the rules of the Credit Union. The current members of the Audit Committee are: R Colyer and V Howden.

3.4 Auditors

The Credit Union has appointed Crowe Horwath as the Credit Union's auditors. The auditors' contact details are included in the Directory. The auditor and the auditor's partners have each obtained a licence under the Auditor Regulation Act 2011. These licences are effective from 3 December 2012. Other than in their capacity as auditors, they have no relationship with, or interests in, the Credit Union.

A copy of the auditors' report together with their consent to the report appearing in this Prospectus, is attached as the Second Schedule.

3.5 Solicitors

The Credit Union's solicitors are Stace Hammond Barristers and Solicitors. Stace Hammond Barristers and Solicitors' contact details are included in the Directory.

3.6 Prudential Supervisor

Trustees Executors Limited is our Prudential Supervisor for the purposes of the Securities Act 1978. Their contact details are included in the Directory

The Prudential Supervisor has been granted a licence under the Financial Markets Supervisors Act 2011 to act as a supervisor in respect of debt securities for a term expiring 16 January 2018 and is subject to reporting conditions. A copy of the Prudential Supervisor's licence is publicly available from the Financial Markets Authority website (www.fma.govt.nz/help-me-comply/trustees/licensed-trustees-and-statutory-supervisors).

Neither the Prudential Supervisor, trustees, directors or any other party guarantees the repayment of any shares, or the payment of any interest or dividends in respect to any shares held in the Credit Union.

3.7 Bankers

At the date of this Prospectus, the Credit Union's bankers are Westpac Banking Corporation. Westpac Banking Corporation's contact details are included in the Directory.

4. RESTRICTIONS ON DIRECTORS' POWERS

The Credit Union's Rules provide (at rule 30) details of the duties required of the board of directors of the Credit Union. While the list is permissive and non-exhaustive, some of the duties expected of the directors come with their own restrictions set out by the Act. Full details may be found in the Rules of the Credit Union, but the restrictions set out by the Act are more fully described at paragraph 8.7 of this Prospectus.

5. MATERIAL CONTRACTS

The Credit Union entered into a Deed of Modification to the Trust Deed with the Prudential Supervisor dated 29 October 2014. The Deed of Modification modified the Trust Deed between the Prudential Supervisor and the Credit Union to incorporate the liquidity mismatch ratio. A copy of the Deed has been filed with the Registrar.

There have been no other material contracts entered into in the two years prior to this Prospectus being delivered to the Registrar, except for contracts entered into in the ordinary course of the Credit Union's business.

6. PENDING PROCEEDINGS

There are no legal proceedings or arbitration's pending at the date this Prospectus that may materially affect the Credit Union in an adverse manner.

7. RANKING OF SECURITIES

As part of its banking arrangements the Credit Union has provided the New Zealand Association of Credit Unions, trading as Co-op Money ("Co-op Money") for its Central Fund with a settlement bond in the form of a term deposit equal in value to seven times the aggregate daily account outflows and average daily card services settlement amounts, up to a maximum of 3% of its total tangible assets (as defined in the Trust Deed). By way of example using 31 August 2014 figures, this 3% maximum was \$78,089.40 may change on any given day of calculation. The consent of the Prudential Supervisor has been obtained to this arrangement. The term deposit is held on trust by the Co-op Money as security for any amounts owed, deductions or set off entitled to be made in respect to the banking services offered by the Co-op Money Central Fund.

Accordingly, as at the date of this Prospectus, the settlement bond held by the Co-op Money is a prior ranking security pursuant to the Trust Deed. The aggregate amount of securities, being the shares issued by the Credit Union to its existing members, that ranked in point of security equally with the shares offered by the Credit Union to potential and existing members pursuant to this Prospectus, was \$1,846,128 as at 31 August 2014 (\$1,795,216 as at 31 August 2013).

The repayment of monies owing on members' shares is principally secured to the extent permitted by law by a first ranking security interest over the whole of the Credit Union's present and future undertaking, property, assets and revenues, including the proceeds received for the subscription of shares and unpaid share capital (if any). The security interest has been granted in favour of the Prudential Supervisor under the Trust Deed, which has been registered with the Registrar of Companies. Please refer to paragraph 8 for further details of the Trust Deed.

A claim by a member who had given notice of withdrawal of the shares prior to liquidation of the Credit Union would rank ahead of claims by any other creditors. However, if, at the time of the Credit Union being placed in liquidation, a member had not made a claim for withdrawal of the member's shares and the Prudential Supervisor had not exercised its powers under the Trust Deed to accelerate the repayment of the monies owing in respect of the shares then the member would be treated as a shareholder in the liquidation and would rank behind secured and unsecured creditors (if any). With the prior written consent of the Prudential Supervisor, the Credit Union may grant a security interest over or affecting all or any part of its assets, and any such security interests may take priority to the members' claims for withdrawal secured by the Trust Deed.

8. PROVISIONS OF TRUST DEED AND OTHER RESTRICTIONS ON THE CREDIT UNION

8.1 Trust Deed

The Credit Union has appointed the Prudential Supervisor the statutory trustee of the offer of shares detailed in this Prospectus for the purposes of the Securities Act 1978. The Prudential Supervisor's appointment and the parties' respective rights and obligations are recorded in the Trust Deed dated 30 November 2001 as modified by the Deeds of Modification dated 24 October 2002, 26 November 2010, 29 October 2014, and Deed of Amendment dated 17 October 2012.

The Credit Union's grant of a security interest in all its present and after-acquired personal property, including the Credit Union's present and future accounts receivable and all the Credit Union's present and future rights in relation to all accounts receivable, to the Prudential Supervisor is recorded in the Deed of Modification dated 24 October 2002. Please refer to paragraph 6 for further information about the security interest in the Credit Union's personal property.

8.2 Prudential Reserve

The Credit Union is required by the Trust Deed to maintain a prudential reserve. The general reserve and retained earnings comprise the prudential reserve. The Trust Deed requires that the Credit Union transfer an amount equal to 10% of the Credit Union's gross income from interest and rent receipts to the prudential reserve until it reaches and is maintained at 10% of the total tangible assets of the Credit Union.

8.3 Other Charges and Financial Ratios

Under the Trust Deed and Deed of Modification dated 26 November 2010, the Credit Union has covenanted that it will not grant any charge or other security interest in priority to or ranking equally with the security interest granted

in favour of the Prudential Supervisor, without the Prudential Supervisor's written consent. The Credit Union has further covenanted, subject to the terms and conditions contained in the Trust Deed:

- (a) not to permit its total liabilities to exceed 90% of its total tangible assets;
- (b) not to permit its secured liabilities to exceed 1% of its total tangible assets;
- (c) not to permit its liquid assets to be less than 8% of its total tangible assets;
- (d) not to permit our liquid assets to be less than 115% of any deficit arising from the contracted principal and interest due to us in the next 3 months less the aggregate of 20% of the principal due on specified securities, 100% of the interest due on those specified securities (in each case based on contractual maturities) and 20% of our undrawn committed lending facilities;
- (e) not to permit the total amount of interest or dividends paid in cash over a six (6) month period or more, to exceed cash actually received over the same period;
- (f) to ensure that it has sufficient assets at times to discharge all debts as they fall due;
- (g) not to permit the aggregate of its secured investments, unsecured investments and listed securities, to exceed 15% of its total tangible assets;
- (h) not to permit the aggregate of its unsecured investments to exceed 1% of its total tangible assets;
- (i) to ensure that at all times its capital ratio is not less than 10% if it does not have a credit rating. The capital ratio is calculated in accordance with the provisions of the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010;
- (j) to ensure that at all times the aggregate exposure to related parties does not exceed a maximum limit ratio of 15% of capital. This ratio is calculated in accordance with the provisions of the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010; and
- ~~(k) not to borrow any monies except on terms and conditions to which the Prudential Supervisor has previously consented in writing. Such borrowing is not to exceed 15% of the Credit Union's total paid up share capital and reserves, unless the borrowing is to fund expenditure of a capital nature subject to the prior approval of the Prudential Supervisor.~~

The Prudential Supervisor has agreed that in calculating the amounts under 8.3(g) above, the amount of \$82,152 being part of subordinated capital notes issued by the Association on terms further set out in Note 10 to the financial statements in the Third Schedule, may be disregarded. This means that most of the investment in capital notes issued by the Association is not included as part of the calculations of unsecured investments pursuant to the Trust Deed, for the purposes of calculating the financial ratios required to be maintained by the Credit Union.

Under the Trust Deed the Credit Union also gives other covenants to the Prudential Supervisor in order to better assure the performance of its obligations to its members. Some of the most important covenants which the Credit Union has given are:

- To comply with the Act, its rules and all applicable laws relating to governance matters;
- To meet all its registration, filing and reporting obligations;
- To provide copies of all communications to and from regulatory bodies;
- To meet all obligations to security holders;
- To notify the Prudential Supervisor immediately it becomes aware that an event has occurred which would allow the Prudential Supervisor to review the Credit Union's compliance with the Trust Deed ("Review Event") or to enforce its rights under the Trust Deed ("Enforcement Event");
- To maintain its register of members, comply with all its obligations, pay its debts in a timely manner and conduct its business in a proper and efficient manner;
- To comply with the Prudential Standards Manual prepared by the New Zealand Association of Credit Unions ("the Association") with the approval of the Prudential Supervisor;
- Not to declare dividends or (except with the consent of the Prudential Supervisor) issue shares while

in breach of the Trust Deed or Securities Act 1978;

- Not to change its rules without the prior consent of the Prudential Supervisor;
- Not to acquire or dispose of any asset from or to, or engage the services of, any associated person (as that term is defined in the Trust Deed, and including directors and trustees of the Credit Union) other than for full market value, on an arms-length basis and in the ordinary course of the Credit Union's ordinary business and after having given not less than 10 business days' notice of its intention to do so to the Prudential Supervisor;
- To promptly provide to the Prudential Supervisor written notice of all present and after-acquired serial numbered personal property and such other details as are necessary to enable the registration of a valid financing statement or financing change statement in respect of the Credit Union's personal property by the Prudential Supervisor;
- At all times comply with a risk management programme that meets the requirements of the NBDT Act; and
- At all times to comply with an Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) compliance programme that complies with the requirements of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 and its Regulations.

The Credit Union is also required to furnish the Prudential Supervisor with half-yearly un-audited and annual audited financial statements prepared in accordance with generally accepted accounting practice. The directors are also required to furnish the Prudential Supervisor with a quarterly certificate detailing the Credit Union's compliance with the ratios set out in the Trust Deed and whether any security interests have been created or permitted to exist in respect of the Credit Union's personal property, as well as with monthly internal accounts (except in respect of those months which end a quarter in respect of which a quarterly certificate is supplied).

The Trust Deed gives the Prudential Supervisor wide ranging powers to enforce the Credit Union's obligations under the Trust Deed including where there have been breaches of the financial ratios and obligations set out above. These enforcement powers include, but are not limited to, giving directions to the Credit Union, appointing a receiver, or requiring the immediate payment of all monies secured by the Trust Deed. Members requiring further information as to the Credit Union's covenants, the enforcement powers of the Prudential Supervisor are referred to the Trust Deed, a copy of which is lodged with the Registrar of Friendly Societies and Credit Unions at the Companies Office whose address is listed in the Directory. The Prudential Supervisor is entitled to rely on the Directors' Quarterly Certificate to assess whether or not the Credit Union is complying with its covenants under the Trust Deed.

8.4 Prudential Supervisor's Obligations

The Prudential Supervisor is appointed to act in the interests of the members of the Credit Union, by monitoring the compliance by the Credit Union of its obligations under this Prospectus, its Rules, the Trust Deed and the Act. The Prudential Supervisor is under a duty to exercise reasonable diligence to ascertain whether or not the Credit Union has:

- (a) committed any breach of the Trust Deed or any of the conditions of issue of the shares, in which case the Prudential Supervisor must do all the things that is empowered to do to cause any breach of those terms to be remedied (except if it is satisfied that the breach will not materially prejudice the security of the shares); and
- (b) sufficient assets to meet its obligations to members, as they fall due.

The Prudential Supervisor must do all the things that it is empowered to do to cause any breach of the terms of the Trust Deed to be remedied (except if it is satisfied that the breach will not materially prejudice its security, or the interests of members).

8.5 Prudential Supervisor's Statement

There is attached to the Fifth Schedule, a statement by the Prudential Supervisor that at the date of this Prospectus:

- (a) the offer of the shares in the Credit Union, complies with any relevant provisions of the Trust Deed;
- (b) the Prudential Supervisor does not guarantee repayment of any monies or payment of any interest that may become payable by the Credit Union to any member.

8.6 Other Restrictions on the Credit Union

Certain sections of the Act provide restrictions on the Credit Union that are not set out anywhere else in this Prospectus. Section 101(2) of the Act provides that a credit union may take no action or do anything which is not directly pursuant to or incidental to its objects or in furtherance of them or is in contravention of the Rules or the Act. The objects of the Credit Union are set out in paragraph 1.2 of this prospectus under the heading "*The Credit Union*".

A credit union is not incorporated. Section 112 of the Act provides that all the Credit Union's property vests in the trustees for the use and benefit of the Credit Union's members. The names of the current trustees of the credit union may be found in the Sixth Schedule.

Section 113 provides that the Credit Union may hold an interest in land or buildings in accordance with and as authorised by its Rules and Trust Deed. There is no specific authorisation to allow this in the Credit Union's Rules and Trust Deed as at the date of this Prospectus. The Credit Union may also hold an interest in land as security for a loan to a member.

Under section 117 the Credit Union may invest its surplus funds only in accordance with its rules and the Trust Deed or with the Association or a bank carrying on business in New Zealand.

9. OTHER TERMS OF OFFER AND SECURITIES

Some provisions of the Act make an investment in a credit union unique. In addition to those sections listed under "*Other Restrictions on the Credit Union*" at 8.7 above, the following should also be noted:

Section 114 of the Act requires the officers of a credit union to give security for the proper performance of their duties. This may be done by having one or more people stand surety for his obligations or by including the security in the insurance policy offered under section 133 (see below) or by a specially authorised friendly society, association of credit unions or by an insurance company. The obligations of the officers of the Credit Union are secured by insurance policies included in the Comfal group insurance program, managed by the Association.

The Credit Union is also required to be insured against fraud or dishonesty. The Credit Union has an insurance policy included in the Comfal group insurance program, managed by the Association, in compliance with its obligations under the Act.

Risks

Risk, in terms of your investment with the Credit Union, relates to the chance of you not getting your investment back, or receiving a lower return than you expected. All investments have some level of risk.

The main risk of you not getting your principal money back from the Credit Union is where the Credit Union becomes insolvent. The principal risks that may affect the solvency of the Credit Union, and consequently any investment with the Credit Union are set out below.

The main risk of you receiving a lower return than expected is where the Credit Union does not make enough money to be able to pay the returns you may have expected. The principal risks that may affect the profitability of the Credit Union are also set out below.

1. Competition and Market

Under the Act the Credit Union is restricted as to the persons it may accept as members.

This restriction is called the Credit Union's Common Bond, and it is specified in the Credit Union's Rules (also in this Prospectus under the heading "*The Offer*"). As the Credit Union is competing with banks, other Credit Unions and companies operating in the savings and loans market, restrictions on membership provided by the Common Bond may affect the Credit Union's profitability and the returns payable to members as it can only borrow from, and lend to its members. The membership restrictions also limit the size of the Credit Union, and in the savings and loans market size and scale allows an entity to effectively compete with major trading banks and obtain a lower cost of funds. While this risk is inherent in a credit union by its nature and cannot be mitigated, it also provides a credit union with a point of difference which the Credit Union attempts to leverage in the market. The Credit Union has statutory "social" objectives and provides a different form of service to its members than that of a trading bank or finance company.

2. Common Bond Limitations (Credit Risk)

Because of Common Bond Limitations, in the Credit Union's case being those associated with a geographic area and also a particular industrial employer, the Credit Union is vulnerable to any economic downturn in the industry or region reflected in its Common Bond. More information on the concentration of funding is

provided at note 15 to the Financial Statements in this Prospectus. The Credit Union is also likely to be vulnerable to any natural disasters or other regional phenomena that occur in the area associated with the Credit Union's Common Bond. This creates a general industrial and geographic credit risk that is inherent in the nature of a credit union with what is called an industrial common bond. These limitations provide both a geographic concentration of credit risk and operational risk, meaning the Credit Union's solvency and profitability may be affected should an adverse event impact the area of geographic concentration or specific industry. This could also affect the Credit Union's ability to physically operate its business. To balance the credit risk, the Credit Union has a lending policy that results in high numbers of small sized loans, with minimal concentration of credit risk to a single individual member. To balance the operational risk, the Credit Union has put in place disaster recovery plans and has information technology and system back ups.

3. **Interest Rate Margin Risk**

The Credit Union, as a financial services provider, is subject to interest rate margin risks. This is where the return on financial accommodation provided to members (i.e. interest rate on loans) falls below the cost of borrowing funds for members (paid out in the form of dividends/interest). The Credit Union maintains a policy of regularly reviewing the interest rates and distribution rates, and distributions are subject to the approval of the Board to minimise any margin risk. The Credit Union also has the ability, contained in its loan agreements, to alter interest rates by giving notice to borrowers. Because a credit union borrows from its members (through member deposits) to lend to its members, any interest rate risk will affect the ability of the Credit Union to provide the returns payable to members.

4. **Liquidity Risk**

The Credit Union faces Liquidity Risk where a significant number of members wish to withdraw their funds and the Credit Union does not have sufficient cash on hand to meet such requirements. This risk is dealt with by the Act, which allows the Credit Union to require not less than 60 days notice of withdrawal of funds. Loans made by the Credit Union are also repayable on demand which allows liquidity to be maintained. General liquidity risk is managed through the monitoring of actual and forecast cashflows; maintenance of the prudential reserve; and monitoring maturity dates of assets and liabilities (ie the timing of when loans and deposits or other investments are due to be repaid).

5. **Prior Ranking Security**

As identified in paragraph 7, the Credit Union has permitted a prior ranking security in respect to a settlement bond held with the Association. The risk relevant to a prior ranking security is where, due to the default of the Credit Union, that prior ranked security holder has the right to be paid from the settlement bond before the Prudential Supervisor (on behalf of the members). This means the total value of the security available for members is reduced by the size of any priority granted. To minimise the risk of a prior ranking security the Trust Deed does not allow any security to rank in priority to the Prudential Supervisor's security interest unless approved by the Prudential Supervisor, and subject at all times to a maximum size.

6. **Lending Risk (Credit Risk)**

Lending risk is the credit risk inherently involved in lending money to people where they may not repay the loan amount, or make interest payments, and the lender (in this case the Credit Union) is unable to realise the value of the loan through enforcement (against the borrower and also by realising any security taken as part of the loan). Lending risk incorporates factors such as the value of the security provided by the borrower, the nature of the security, and the ability of the borrower to service and repay the loan. The Credit Union has a risk policy for loans to deal with this credit risk. The policy involves credit assessment of the borrower and the security available; setting exposure limits for borrowers; monitoring and reviewing any arrears; setting debt recovery reviews and maintaining internal audit of compliance with the lending policy.

7. **Regulatory / Political Risk**

At its most general level the Credit Union is subject to the risk of legislation being enacted that affects the Credit Union in a materially adverse way. As the Credit Union itself is a statutory entity, any changes to the Act or related regulations will have an impact on the Credit Union, and certain changes may have an impact on the availability of the Credit Union to repay its members or provide returns on investment. Because of its size, the direct cost implications of compliance with regulatory regimes such as the NBDT Act and associated regulations, Anti-Money Laundering and Countering Financing of Terrorism regulations and the Financial Advisors Act 2008 (to name a few) reduce the profitability of the Credit Union. The Credit Union cannot mitigate these general risks, but through its membership with the Association carries out compliance programmes to stay current with any proposed legislation and carry out the necessary implementation to minimise the cost impact on the Credit Union.

In particular, the Credit Union is subject to compliance with the Non-Bank Deposit Takers (NBDT) requirements. Failure to comply with the NBDT requirements could result in the Credit Union being required to cease trading. The NBDT requirements currently applicable to the Credit Union are:

- **Risk Management:** We are required to have a risk management programme that outlines how the Credit Union identifies and manages its key risks. This programme is to be submitted to, and approved by, the Prudential Supervisor.

- **Capital:** We are required to maintain a minimum capital adequacy ratio of 10%. As at 31 August 2014 our capital adequacy ratio was 23.89%.

- **Related Party Exposure Limits:** Related party restrictions place a limit on our aggregate credit exposures to all related parties as defined in our Trust Deed. Our related party exposures should not exceed a maximum limit of 15% of capital. As at 31 August 2014 our related party exposure was 7.2%.

- **Liquidity:** Liquidity regulations require every NBDT and its Prudential Supervisor to ensure that the NBDT's trust deed include one or more quantitative liquidity requirements that are appropriate to the characteristics of the NBDT's business, and that take into account the liquidity of the NBDT. Under our Trust Deed:

- (i) liquid assets must be maintained at or above 8% of total tangible assets. As at 31 August 2014 our liquidity ratio was 61.6%; and
- (ii) from 31 October 2014, a liquidity mismatch ratio of at least 115% must be maintained.

- **Licensing:** Every NBDT is required to be licenced by 1 May 2015. The Reserve Bank will only grant a licence if it is satisfied that the applicant will be able to comply with the NBDT Act and any relevant regulations and it has received a suitability notice for each director and senior officer. We have submitted an NBDT licence application to the Reserve Bank. We are waiting on the assessment of our license application from the Reserve Bank

8. Unrated Offeror

The Credit Union is not rated because it is operating under an exemption from the NBDT Act to have a credit rating. The exemption is set out in the NBDT Act and requires the Credit Union to state prominently that the creditworthiness of the Credit Union is not rated by an approved rating agency. The exemption applies because the Credit Union has liabilities of less than \$20 million, making it unduly onerous and burdensome to comply with the requirement under the NBDT Act to have a credit rating. Not being rated means there is no rating agency who has performed an in depth analysis of the Credit Union and is monitoring the performance of the Credit Union, thereby giving investors an independent view of the Credit Union's state of affairs.

9. Operational Risk

Due to the size of the Credit Union there is an operational risk associated with the fact that there is limited segregation of duties among Credit Union personnel. In the Credit Union's case almost all operational matters are conducted by only a couple of people. This in turn leads to potential risks in respect to checks and balances, and oversight of work carried out. There may also be 'key personnel' risk which is inherent in an entity where heavy reliance is placed on a limited number of people. The Credit Union has specific committees such as the Audit Committee to monitor internal and financial compliance, and regular board reporting for management to ensure continuity of operational information.

10. Insolvency

While the various risk factors addressed above may relate to the solvency of the Credit Union, should the Credit Union actually become insolvent then this will affect the returns payable to members and the ability of members to receive their money back.

All the terms of the offer of shares in the Credit Union are set out in this Prospectus, other than those:

- (a) implied by law; or
- (b) set-out in a document that:
 - (i) is registered with a public official;
 - (ii) is available for public inspection; and
 - (ii) is referred to in this Prospectus.

10. PLACES OF INSPECTION OF DOCUMENTS

10.1 Credit Union

Each member and prospective member is entitled to obtain on request and free of charge, the most recent copies of:

- (a) the Credit Union's Rules;
- (b) this Prospectus, any material contracts, and the Trust Deed (including the Deeds of Modifications and Amendment); and
- (c) the Credit Union's most recent audited financial statements.

The documents can be requested and/or inspected during normal office hours from the offices of the Credit Union. The Credit Union's contact details are included in the Directory.

10.2 Companies Office

Copies of:

- (a) the Credit Union's Rules;
- (b) this Prospectus, any material contracts, the Trust Deed and Deeds of Modification and Amendment;
- (c) the Credit Union's audited financial statements; and
- (d) all other documents relating to the registration of the Credit Union.

are also filed on a public register at the Companies Office, and are available for inspection through the Companies Office website www.companies.govt.nz [under "Search other Registers" organisation number 1802861]. Copies may also be obtained by telephoning the MBIE Business Service Centre on (0508) 266726. A fee may be payable.

11. OTHER MATERIAL MATTERS

The Credit Union is a financial co-operative and not a registered bank pursuant to the terms of the Reserve Bank of New Zealand Act 1989.

Financial Markets Conduct Act 2013

The Financial Markets Conduct Act 2013 ("FMCA") is the new law that will govern how financial products are created, promoted, and sold. It also sets out the responsibilities of those who offer, deal in and trade financial products. The FMCA was passed into law in September 2013 and comes into force in phases. The first phase began on 1 April 2014 and the second phase commenced 1 December 2014.

Under the second phase, new governance and disclosure requirements will begin applying on a transitional basis to all issuers. Under the transitional period an existing issuer, such as the Credit Union, can choose the date on which it will opt in to the FMCA regime. This transitional period expires on 30 November 2016, by which time all issuers must have opted in to the FMCA regime.

To opt in to the FMCA regime, the Credit Union will need to:

- (a) give the Financial Markets Authority 20 working days' notice of its intention to opt in to the FMCA regime;
- (b) publish a product disclosure statement for all new offers of financial products;
- (c) ensure there is a licensed supervisor designated as the trustee under the Trust Deed; and
- (d) make periodic disclosures on an online register as and when required.

There are no material matters relating to the offer of shares under this Prospectus, other than those set out in this Prospectus (other than contracts entered into in the ordinary course of business).

12. SUMMARY FINANCIAL STATEMENTS

The financial summary of the Credit Union for the five (5) years ended 31 August 2014 as required by clause 8 of Schedule 2 of the Securities Regulations 2009, where applicable, are set out in the First Schedule.

13. FINANCIAL STATEMENTS

The audited financial statements of the Credit Union for the twelve months ending 31 August 2014 have been registered under the Financial Reporting Act 1993 on 03 December 2014. The financial statements comply with the requirements of the Financial Reporting Act 1993. A copy of the financial statements is attached as the Third Schedule.

14. ACQUISITION OF BUSINESS OR SUBSIDIARY

The Credit Union has not acquired a business, nor did any body corporate become a subsidiary of the Credit Union, in the two (2) years preceding the date this Prospectus was delivered to the Registrar of Financial Service Providers for registration.

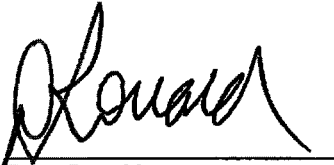
15.

DIRECTORS STATEMENT

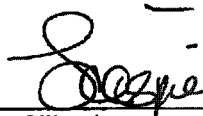
The directors after due enquiry in relation to the period between the date of the latest financial statements as attached to the Third Schedule, and the date of registration of this Prospectus, are of the opinion that no circumstances have arisen that materially adversely affect:

- (a) the trading or profitability of the Credit Union;
- (b) the value of the Credit Union's assets;
- (c) the ability of the Credit Union to pay its liabilities due within the next twelve (12) months.

SIGNED BY the directors of the Alliance Group Credit Union



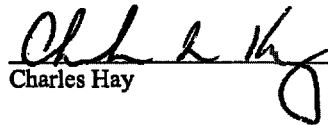
Dean Ronald



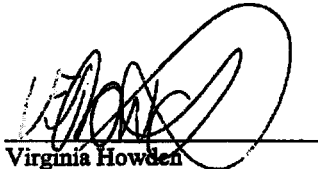
Susan Gillespie



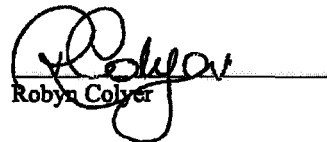
Mary Winsloe



Charles Hay



Virginia Howden



Robyn Colyer



Angela Gillespie

**FIRST SCHEDULE
SUMMARY FINANCIAL STATEMENTS**

Summary of Comprehensive Income (in NZ \$) for the years ended 31 August

	2014 NZIFRS	2013 NZIFRS	2012 NZIFRS	2011 NZIFRS	2010 NZIFRS
Interest revenue	195,796	191,783	180,708	196,722	197,505
Other revenue	75,522	71,178	56,915	25,995	42,267
Total revenue	271,318	262,961	237,623	222,717	239,772
Employee benefits	127,555	126,138	116,651	110,963	111,526
Bad and doubtful loans	474	8,280	3,608	3,657	4,545
Depreciation	1,826	2,825	4,309	2,749	2,019
Interest expense	10,052	7,474	13,429	12,745	11,819
Other expenses	125,972	113,353	95,414	75,431	78,540
Total expenses	265,879	258,070	233,411	205,545	208,449
Total comprehensive income	5,439	4,891	4,212	17,172	31,323

Statement of Changes in Equity (in NZ \$) for the years ended 31 August

	2014 NZIFRS	2013 NZIFRS	2012 NZIFRS	2011 NZIFRS	2010 NZIFRS
Opening equity	680,467	675,576	671,364	654,192	622,869
Operating profit for the period	5,439	4,891	4,212	17,172	31,323
Closing equity	685,906	680,467	675,576	671,364	654,192

Statement of Financial Position (in NZ \$) as at 31 August

	2014 NZIFRS	2013 NZIFRS	2012 NZIFRS	2011 NZIFRS	2010 NZIFRS
Cash and cash equivalents	38,936	25,378	51,358	123,311	60,086
Deposits at NZ Association of Credit Unions	1,565,000	1,430,000	1,330,000	1,055,000	1,050,000
Trade and other receivables	17,000	17,653	16,988	13,675	15,034
Loans to members	887,469	966,450	916,916	960,898	1,062,378
Capital notes	87,771	87,771	87,771	87,771	83,015
Property, plant and equipment	6,804	4,793	7,618	8,794	6,832
Total assets	2,602,980	2,532,045	2,410,650	2,249,449	2,277,344
Trade and other payables	(49,764)	(39,065)	(32,373)	(21,674)	(17,340)
Employee entitlements	(21,182)	(17,297)	(14,026)	(11,321)	(7,234)
Members' deposits	(1,846,128)	(1,795,216)	(1,688,675)	(1,545,090)	(1,598,578)
Total liabilities	(1,917,074)	(1,851,578)	(1,735,074)	(1,578,085)	(1,623,152)
Net assets	685,906	680,467	675,576	671,364	654,192

	2014 NZIFRS	2013 NZIFRS	2012 NZIFRS	2011 NZIFRS	2010 NZIFRS
Net cash from operating activities	22,976	25,294	22,220	33,357	32,228
Net cash from (or used in) investing activities	(59,856)	(157,568)	(237,759)	83,356	29,575
Net cash from (or used in) financing activities	50,438	106,295	143,585	(53,488)	(52,832)
Total net increase (decrease) in cash held	13,558	(25,979)	(71,954)	63,225	8,971
Cash at the beginning of the financial period	25,378	51,357	123,311	60,086	51,115
Cash at the end of the financial period	38,936	25,378	51,357	123,311	60,086

Notes to Summary Financial Statements

1. The Summary Financial Statements are for the public benefit entity Alliance Group Credit Union ("the Credit Union").
2. The Credit Union is a public benefit entity domiciled in New Zealand and registered under the Friendly Societies and Credit Union Act 1982.
3. The Summary Financial Statements have been authorised for issue by the Board on the date of this Prospectus.
4. The Summary Financial Statements have been extracted from the audited full Financial Statements for the years ended 31 August 2010, 2011, 2012, 2013 and 2014 which were authorised for issue on 9 November 2010, 28 October 2011, 8 November 2012, 22 October 2013 and 11 November 2014 respectively and are presented in New Zealand dollars which is the Credit Union's functional and presentation currency. All values are rounded to the nearest dollar. The Summary Financial Statements have been prepared in accordance with FRS-43 ("Financial Reporting Standard No. 43") Summary Financial Statements subject to the Securities Regulations 2009.
5. The full Financial Statements for each relevant period have been audited and each auditors' report is unqualified, with no matters of emphasis.
6. The Summary Financial Statements are a summary of the full Financial Statements and do not include all the disclosures provided in the full Financial Statements and they cannot be expected to provide as complete an understanding as provided by the full Financial Statements. A copy of the full Financial Statements can be obtained by referring to paragraph 10 headed "Places of Inspection of Documents" on page 15 for details.
7. There have been no changes to accounting policies and these policies have been consistently applied throughout the years presented.
8. The full Financial Statements, from which these Summary Financial Statements have been extracted, have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). The full Financial Statements for the years ended 31 August 2010, 2011, 2012, 2013 and 2014 comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), as appropriate for public benefit entities.
9. No significant events have occurred between the balance date and the date of the authorisation of the full Financial Statements.
10. The presentation currency is \$NZ.
11. There are no contingent liabilities.

**SECOND SCHEDULE
AUDITORS' REPORT**



24 February 2015

The Directors
Alliance Group Credit Union
PO Box 208
INVERCARGILL

Crowe Horwath
New Zealand Audit Partnership
Member Crowe Horwath International

173 Spey Street
Invercargill 9810 New Zealand
Tel +64 3 211 3355
Fax +64 3 218 2581
www.crowehorwath.co.nz

Dear Directors

We, the undersigned Auditors, were appointed to act as Auditors to the Credit Union in accordance with section 122 of the Friendly Societies and Credit Unions Act 1982. We are qualified to act as Auditors in this instance pursuant to clause 123 of the Friendly Societies and Credit Unions Act 1982 and clause 2C of the Securities Act 1978.

We have audited the Financial Statements of the Credit Union attached to the Third Schedule of the Credit Union's Prospectus. The Financial Statements provide information about the past financial performance and cash flows of the Credit Union and its state of affairs as at 31 August 2014, provided pursuant to clause 17 of Schedule 2 of the Securities Regulations 2009. The information is stated in accordance with the Accounting Policies set out in the Financial Statements.

Directors' Responsibilities

The Directors are responsible for the preparation and presentation of Financial Statements which give a true and fair view of the state of affairs of the Credit Union as at 31 August 2014 and its financial performance and cash flows for the year ended on that date.

Auditors Responsibilities

We are responsible for expressing an independent opinion on the Financial Statements prepared and presented by the Directors and reporting our opinion in accordance with the Securities Regulations 2009.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the Financial Statements. It also includes assessing:

The significant estimates and judgements made by the Directors in the preparation of the Financial Statements;

Whether the Accounting Policies are appropriate to the Credit Union's circumstances, consistently applied and adequately disclosed.

We have conducted our audit in accordance with Generally Accepted Auditing Standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatements, whether caused by fraud or by error. In forming our opinion we also evaluated the overall accuracy of the presentation of information in the Financial Statements.

Other than as Auditors, we have no relationship with or interest in the Credit Union.



Crowe Horwath
New Zealand Audit Partnership
Member Crowe Horwath International
173 Spey Street
Invercargill 9810 New Zealand
Tel +64 3 211 3355
Fax +64 3 218 2581
www.crowehorwath.co.nz

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- a) proper accounting records have been kept by the Credit Union as far as it appears from our examination of the records;
- b) the financial statements provided pursuant to Clause 17 of Schedule 2 of the Securities Regulation 2009:
 - i) comply with generally accepted accounting practice; and
 - ii) give a true and fair view of the state of affairs of the Credit Union as at 31 August 2014 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 11 November 2014 and our unqualified opinion was expressed as at that date.

Historical Summary of Financial Statements and Ranking of Securities

In respect of the amounts stated pursuant to clauses 8 (1) and (2) of Schedule 2 of the Securities Regulations 2009 as set out in the Summary Financial Statements in the First Schedule of the Credit Union's Prospectus; and clause 13 of Schedule 2 of the Securities Regulations 2009 provided in respect of the ranking of securities in the Credit Union's Prospectus, in our opinion the amounts have been correctly taken from the audited Financial Statements of the Credit Union.

Directors' Responsibilities

The Directors are responsible for the preparation of this Prospectus, including the Financial Statements and Historical Summary of Financial Statements contained therein. It is our responsibility to report on the matters contained in this Report.

We take no responsibility for, nor do we report on, any part of the Prospectus not mentioned in this Report.


Crowe Horwath New Zealand Audit Partnership
Invercargill, New Zealand
CHARTERED ACCOUNTANTS

**SECOND SCHEDULE (Cont.)
AUDITORS LETTER OF CONSENT**



Crowe Horwath
New Zealand Audit Partnership
Member Crowe Horwath International

173 Spey Street
Invercargill 9810 New Zealand
Tel +64 3 211 3355
Fax +64 3 218 2581
www.crowehorwath.co.nz

24 February 2015

The Directors
Alliance Group Credit Union
PO Box 759
Invercargill

Dear Directors,

AUDITORS LETTER OF CONSENT

We, the undersigned auditors, hereby confirm that pursuant to regulation 18 (1)(c)(ii) of the Securities Regulations 2009, we hereby give consent to the inclusion in the Credit Union's Prospectus dated 24 February 2015 of our report dated 24 February 2015, in the form in which it is included. We also confirm that we have not, before delivery of a copy of the Prospectus for registration, withdrawn our written consent to the issue hereof.

Yours faithfully


Crowe Horwath New Zealand Audit Partnership

**THIRD SCHEDULE
FINANCIAL STATEMENTS**



Crowe Horwath
New Zealand Audit Partnership
Member Crowe Horwath International
173 Spey Street
Invercargill 9810 New Zealand
Private Bag 90106
Invercargill 9840 New Zealand
Tel +64 3 211 3355
Fax +64 3 218 2581
www.crowehorwath.co.nz

INDEPENDENT AUDITOR'S REPORT

To the Members of Alliance Group Credit Union

Report on the Financial Statements

We have audited the financial statements of Alliance Group Credit Union on pages 1 to 24, which comprise of the balance sheet as at 31 August 2014 the statement of comprehensive income, statement of changes in equity and statement of cash flows, for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director's Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate; this includes the design, implementation and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, the credit union.

Opinion

In our opinion, the financial statements on pages 1 to 24:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of Alliance Group Credit Union as at 31 August 2014 and the results of its operations and cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

We have obtained all information and explanations that we have required. In our opinion, proper accounting records have been kept by the Credit Union in accordance with section 60 of the Friendly Societies and Credit Unions Act 1982 as far as appears from an examination of those records.

Crowe Horwath New Zealand Audit Partnership
Invercargill, New Zealand
CHARTERED ACCOUNTANTS
11 November 2014

ALLIANCE GROUP CREDIT UNION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2014

ALLIANCE GROUP CREDIT UNION

DIRECTORY

FOR THE YEAR ENDED 31 AUGUST 2014

Board of Directors	Chairman	D Ronald	Appointed	20/11/2014
	Secretary	V Howden		
	Directors	C Hay		
		M Winsloe		
		S Gillespie		
		R Colyer		
		A Gillespie		20/11/2014
	Resigned	M Cooper		20/11/2014
		D Blomfield		17/06/2014
Trustees	C Hay			
	M Winsloe			
	D Ronald			
Trustee Supervisors	Trustees Executors Ltd			
Auditors	Crowe Horwath NZ Audit Partnership			
Bankers	NZ Association of Credit Unions			
Solicitors	Stace Hammond			
Affiliations	New Zealand Association of Credit Unions Credit Union Institute of New Zealand			
Registered Office	Alliance Group Ltd, Lorneville Plant Riverton Highway 96 Invercargill			

ALLIANCE GROUP CREDIT UNION

**CONTENTS OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014**

Statement of Comprehensive Income	Page 1
Statement of Changes in Equity	Page 2
Balance Sheet	Page 3
Cash Flow Statement	Page 4
Notes to the Financial Statements	Page 5 - 24

ALLIANCE GROUP CREDIT UNION

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2014

	Note	2014 \$	2013 \$
Interest revenue	2	195,796	191,783
Interest expenditure	2	<u>10,052</u>	<u>7,474</u>
NET INTEREST REVENUE		185,744	184,309
Other Income	2	<u>75,522</u>	<u>71,178</u>
TOTAL REVENUE		<u>261,266</u>	<u>255,487</u>
<hr/>			
EXPENDITURE			
Bad & doubtful debts	2	474	246
Employee benefits		127,555	126,138
Depreciation	2	1,826	2,825
Other expenditure	2	<u>125,972</u>	<u>121,387</u>
TOTAL EXPENDITURE		<u>255,827</u>	<u>250,596</u>
Total Comprehensive Income		<u><u>5,439</u></u>	<u><u>4,891</u></u>



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

ALLIANCE GROUP CREDIT UNION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2014

	Retained Earnings \$	Other Reserves \$	Total Reserves \$
Balance at 1 September 2012	551,963	123,613	675,576
Total comprehensive income	4,891	-	4,891
Total recognised income	4,891	-	4,891
<i>Transfers to and from reserves:</i>			
- general reserve	(3,000)	3,000	-
Balance at 31 August 2013	553,854	126,613	680,467
Total comprehensive income	5,439	-	5,439
Total recognised income	5,439	-	5,439
<i>Transfers to and from reserves:</i>			
- prudential reserve	-	-	-
- general reserve	(3,550)	3,550	-
Balance at 31 August 2014	555,743	130,163	685,906



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

ALLIANCE GROUP CREDIT UNION


BALANCE SHEET AS AT 31 AUGUST 2014

	Note	2014	2013
		\$	\$
MEMBERS' FUNDS			
Retained earnings	4	555,743	583,854
Other reserves	4	130,163	126,613
TOTAL MEMBERS FUNDS		685,906	710,467
ASSETS			
Cash & Bank	5	35,936	25,378
Deposits at NZACU	5	1,565,000	1,430,000
Trade and other receivables	3	17,000	17,853
Loans to members	7-8	887,469	986,450
Property, plant & equipment	9	6,804	4,793
Capital Notes	10	87,771	87,771
TOTAL ASSETS		2,802,980	2,532,045
LIABILITIES			
Trade and other payables	11	70,845	65,352
Members' deposits	12	1,848,128	1,785,216
TOTAL LIABILITIES		1,917,074	1,851,578
NET ASSETS		685,906	680,467

These Financial Statements are authorized for issue by:



Director



Director

11/11/2014

11/11/2014



ALLIANCE GROUP CREDIT UNION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 AUGUST 2014

	Note	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		195,820	188,863
Fees and commissions received		73,159	70,173
Bad loans recovered		-	630
Other income		2,363	375
Interest paid		(7,677)	(6,543)
Payments to suppliers and employees		(240,489)	(228,204)
Net cash provided by/(used in) operating activities	25	22,976	25,294
CASH FLOWS FROM INVESTING ACTIVITIES			
Net movement in members' loans		78,981	(57,568)
Purchase of property, plant and equipment		(3,837)	-
Net movement in short term investments		(135,000)	(100,000)
Net cash provided by/(used in) investing activities		(59,856)	(157,568)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in member deposits		50,438	106,295
Net cash provided by/(used in) financing activities		50,438	106,295
Total net increase/(decrease) in cash held		13,558	(25,979)
Cash at the beginning of the period		25,378	51,357
Cash at the end of the period		38,936	25,378



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

ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

Reporting Entity

The Credit Union is registered under the Friendly Societies and Credit Unions Act 1982 and is domiciled in New Zealand. The Credit Union is an issuer for the purposes of the Financial Reporting Act 1993. The financial report is a general purpose financial report which has been prepared in accordance with the Financial Reporting Act 1993, the Friendly Societies and Credit Unions Act 1982 and relevant Securities Regulations.

These financial statements have also been prepared in accordance with New Zealand Generally Accepted Accounting Principles ("GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for public benefit entities for the benefit of their members. The presentation currency is \$NZ.

The financial statements of the Credit Union were authorised for issue by the Directors on 7 November 2014.

Nature of Business

The purpose of a Credit Union is to promote savings among its members and to use those savings for their mutual benefit.

The Credit Union is restricted in its borrowings and members contribute to the Credit Union by way of share subscriptions. The shares cannot be transferred or sold. Members are able to withdraw their funds subject to certain conditions. The Credit Union makes loans to members or invests funds on the members' behalf. Interest and other income are received by the Credit Union and interest is paid to depositing members in the form of interest on shares.

The Credit Union operates predominantly in one industry, being the investment of members' funds. All operations are based in New Zealand.

Trust Deed

To meet the requirements of The Securities Act 1978 a Trust Deed was entered into on the 30 November 2001 between the Trustees of the Credit Union and Trustees Executors Limited. Trustees Executors Limited as the Prudential Supervisor was appointed to act in the interests of the members of the Credit Union by monitoring the compliance by the Credit Union of its obligations, its Rules, the Trust Deed and the Friendly Societies and Credit Unions Act 1982. In addition, the Prudential Supervisor is under duty to exercise reasonable diligence to ascertain whether the Credit Union has:

- (a) committed any breach of the Trust Deed or any of the conditions of issue of the shares; and
- (b) sufficient assets to meet its obligations to members, as they fall due.

1. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Credit Union in the preparation of the financial report. Except where stated, the accounting policies have been consistently applied to all periods presented

(a) Measurement Base

The financial statements have been prepared on a going concern basis in accordance with the historical concept. The presentation currency used in the financial statement is the New Zealand dollar.

(b) Receivables Due from other Financial Institutions

Receivables from other financial institutions are primarily settlement account balances due from banks, New Zealand Association of Credit Unions (NZACU) and other credit unions. They are brought to account at the gross value of the outstanding balance. Interest is brought to account in the income statement on the effective interest basis.

(c) Financial Instruments Recognition

Financial instruments are initially measured fair value plus transactions costs. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

The Credit Union has no financial assets at fair value through the income statement as defined in NZ IAS 39.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised costs using the effective interest rate method.

Held-to-maturity investments

The Credit Union has no held-to-maturity investments.



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

Available for Sale Financial Assets

Capital Notes are defined as available for sale Financial Assets. The capital notes are measured at cost as its fair value could not be measured reliably as there is no active market for this investment.

Financial liabilities

The Credit Union has no financial liabilities at fair value through the income statement as defined in NZ IAS 39.

(d) Members' Shares (Deposits)

Members' shares in the Credit Union have characteristics of both debt and equity instruments. For the purposes of financial reporting, members' shares are recorded debt instruments as they are essentially savings accounts in nature. All payments of dividends on these shares are recorded as interest payments. Members have the right to one vote at the meetings of the Credit Union, regardless of how many shares they hold in the Credit Union.

Members' deposits are brought to account at cost. Interest on deposits is brought to account on an accrual basis. Interest accrued at balance date is shown as a part of other payables.

(e) Revenue

Loans Interest Revenue

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the members loan account on the repayment date. Loan interest is recognised in the income statement using the effective interest rate method.

Investment Interest Revenue

Investment interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Fees & Commissions Revenue

Fees and commission are brought to account on an accrual basis once a right to receive consideration has been attained.

Loan Origination Fees Revenue

Where loan origination fees are not material these are taken to revenue when the loan is drawn down. Fees collected represent reimbursement of costs incurred as specified by the Credit Contracts and Consumer Finance Act 2003 (CCCFA).

(f) Impairment – Loans & Advances

All loans are subject to frequent management review to assess whether there is any objective evidence that any loan or group of loans is impaired.

The amount provided for impairment of loans is determined by management and the board. The Prudential Standards issued by NZACU enable the minimum provision to be based on specific percentages of the loan balance, contingent upon the length of time the repayments are in arrears, and the security held. This approach is adopted by the Credit Union. In addition, the board makes a provision for loans in arrears where the collectability of the debts is considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

In addition a statutory General Reserve as required by section 119 of the Friendly Society and Credit Unions Act 1982 is maintained to cover risks inherent in the loan portfolios. Movements in the General Reserve for credit losses are recognised as an appropriation of retained earnings.

Bad debts are written off when identified to the provision for impaired loans.

The various components of impaired assets are as follows:

"Non-accrual loans" are loans and advances for which there is reasonable doubt that the Credit Union 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.

"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.

"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.

"Past-due loans" are loans or similar facilities that are considered past due when a counterparty has failed to make a payment when contractually due.



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

(g) Derivative financial instruments and hedge accounting

Derivatives (Interest Rate Swaps) are not entered into by the Credit Union.

(h) Goods & Services Tax

The Credit Union is not registered for GST as it operates in the financial services industry. GST is included in the amounts recognised as expenses and assets.

(i) Income Tax

No amounts have been provided for Income Tax as the Credit Union's income from members is exempt under section CW 44 of the Income Tax Act 2007. Income derived other than from members does not produce a taxable profit.

(j) Property, plant and equipment ("PPE")

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, adjusted for any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal. Any decrement in the carrying amount is recognised as an impairment expense in the Statement of Comprehensive Income in the reporting period in which the impairment loss occurs. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all property, plant and equipment including buildings and capitalised leased assets but excluding freehold land, is depreciated over their useful lives to the Credit Union commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

Plant and equipment is depreciated on a straight-line basis. A summary of the rates used is:

- Computer Hardware 40%
- Office Furniture and Equipment 20%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income.

(k) Impairment Testing of Assets (excluding PP&E and Loans & Advances)

At each reporting date, the Credit Union reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the the Statement of Comprehensive Income.

(l) Leases

Leases of property, plant and equipment, other than operating leases, where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the Credit Union are classified as finance leases.

The credit Union uses as its office, premises owned by Alliance Group Ltd. No lease or rental expenses are paid in respect of the premises.

(m) Employee Benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made if material.

(n) Comparative figures

Comparative figures are provided for the year ended 31 August 2013. The comparative figures are audited.



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

(o) Statement of Cash Flows

The Statement of Cash Flows is prepared using the direct approach.

Definitions of Terms Used in the Statement of Cash Flows:

"Cash" includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdrafts, used by the organisation as part of their day-to-day cash management.

"Investing Activities" are those activities relating to the acquisition and disposal of current and non current investments and any other non current assets.

"Financing Activities" are those activities relating to changes the size and composition of the capital structure of the Credit Union.

"Operating Activities" include all transactions and other events that are not investing or financing activities.

Netting of Cash flows

Certain cash flows have been netted in order to provide more meaningful disclosure as many of the cash flows are received and disbursed on behalf of members and reflect the activities of the members rather than those of the Credit Union. These include members' loans and borrowings.

(p) Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires the use of management judgements, estimates and assumptions that affect reported amounts and the application of policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable. Actual results may differ from these estimates.

Management have made judgements when applying the Credit Union's accounting policies with respect to the classification of financial instrument recognition.

The details of the critical accounting estimates and assumptions are set out in note 8 for the impairment provisions for loans.

q) New and amended Standards & Interpretations

The following new accounting standards and amendments to existing standards have been adopted by the Credit Union in the year ended 31 August 2014. The changes to the accounting standards have no material impact in the financial statements as a whole:

Amendments NZ IFRS 7 Financial Instruments

The amendments to NZ IAS 32 add application guidance to address inconsistencies when determining whether financial assets and financial liabilities could be offset.

Qualitative and quantitative disclosures have been added to NZ IFRS 7 relating to gross and net amounts of recognised financial instruments that are:

(a) set off in the statement of financial position and

(b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statements of financial position.

The adoption of the amendments has had no impact on the recognition or measurement of financial asset and liabilities, and changes have been limited to additional note disclosure.

NZ IFRS 13 Fair Value Measurement

NZ IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements used. The new standard does not impact when fair value measurement is required but has the potential to impact how the fair value is determined.

The scope of NZ IFRS 13 is broad; it applies to both financial instruments and non-financial instrument (i.e. property, plant and equipment measured at fair value) where the standards require or permit fair value measurement and disclosure of fair values.

The application of the new standard in the current year has not significantly changed the basis for determining the carrying amounts of assets and liabilities measured at fair value. The impact of the standard has been limited to additional note disclosure.

Financial Reporting Standards Frozen

Public Benefit Entities (PBE's)

The External Reporting Board (XRB) has introduced a revised Accounting Standards Framework. The revised framework intends to introduce Public Benefit Entity Accounting Standards (PAS) comprising International Public Sector Accounting Standards (IPSAS), modified as appropriate for New Zealand circumstances.

The Financial Reporting Act 2013 was enacted in December 2013 and will bring the revised framework into law. As a result the financial reporting requirements for public benefit entities are frozen in the short-term and that all NZ IFRS with a mandatory effective date for annual reporting commencing on or after 1 January 2012 are not applicable to public benefit entities. Accordingly no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Under the revised Accounting Standards Framework the Union is expected to prepare annual financial statements in accordance in IPSAS based standards for the first-time for the year ended 30 June 2016.

The Governing Body is currently assessing the impact of IPSAS adoption on the annual financial statements of the Union. While changes in presentation and additional disclosures are expected, significant changes to the measurement of the financial performance and position are not, based on a preliminary assessment.

Standards and Interpretations issued that are not yet effective

At the date of authorisation of these financial statements, certain new standards and interpretations to existing standards have been published but not yet effective, and have not been adopted early by the Union.

NZ IFRS 15 – Revenue from Contracts with Customers (effective date from 1 January 2017)

The new standard establishes principles for reporting about the nature, amount, timing and uncertainty of revenue arising from an entity's contracts with customers. It prescribes when an entity will recognise revenue, how much revenue to recognise, and what disclosures to make about revenue.

The core principle of the Standard is to recognise revenue for the amount of consideration due to an entity in exchange for the goods and services provided to the customer. This is done following a 5 step process:

Step 1: Identify the contract with the customer.



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

Step 1: Identify the contract with the customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract; and

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation by transferring control of an asset to a customer. This may be at a point in time (typically for goods), or over time (typically for services).

Based on the short-period of the average revenue contract entered into by the Union, the new standard is not expected to have a significant impact on the timing of current revenue recognition. However the Directors are still conducting further analysis of the impact of this new standard.

A number of new standards and interpretations have been issued but are not yet effective for the current year-end. The reported results and financial position of the Union is not expected to change on adoption of these pronouncements as they do not result in any changes to the Union's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements. The Union do not intend to adopt any of the new pronouncements before their effective dates.

2 REVENUE AND EXPENDITURE

	2014	2013
<i>Interest Revenue</i>	\$	\$
Interest on Loans	141,085	140,612
Interest on Investments	54,416	50,802
Other Interest	295	289
Total Interest Revenue	195,796	191,783
<i>Interest Expenditure</i>		
Interest on Members Call Shares	10,052	7,474
Interest on Members Term Shares	-	-
Interest on Overdraft from NZACU	-	-
Other Interest	-	-
Total Interest Expenditure	10,052	7,474
Net Interest Revenue	185,744	184,309
<i>Other Income</i>		
Fees	64,263	62,063
Bad Debts Recovered	-	630
Commissions	8,698	8,110
Other Income	2,363	375
Total Other Income	75,522	71,178
Total Operating Revenue	271,318	262,661



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

	2014	2013
	\$	\$
Other Expenditure		
Auditors Remuneration		
External Audit:		
Audit of Financial Statements	8,207	8,683
Audit of Directors Certificates & Prospectus	369	861
Directors Expenses and Training	465	151
Donations Made / Community Support	817	1,000
Other Expenses	<u>115,114</u>	<u>110,692</u>
Total Other Expenditure	<u>125,972</u>	<u>121,387</u>
Bad and Doubtful Debts		
Bad Debts Written Off	474	246
Provision for Loan Impairments	-	8,034
Total Bad and Doubtful Debts	<u>474</u>	<u>8,280</u>
Depreciation Expenditure		
Office Furniture and Equipment	1,826	2,825
Total Depreciation Expenditure	<u>1,826</u>	<u>2,825</u>

3 INTEREST PAID

Interest is paid to depositing members and relates to the Credit Union's ability to pay the interest. At times during the period the Credit Union may offer depositors special accounts that have a pre-set interest rate. Interest rates applied to members' deposits for the period were:

	2014	2013
S1 Shares Account	0.00%	0.00%
S2 Off Season Account	0.00%	0.00%
S6 Loan Provider Account	0.00%	0.00%
S7 Christmas Club	3.00%	3.00%



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

4 RESERVES

Reserves at 31 August 2014

	Retained Earnings	General Reserve	Total Members' Reserves
Balance brought forward	553,854	128,613	680,467
Operating profit for the period	5,439	-	5,439
Transfer to/from retained earnings	(3,550)	3,550	-
Balance carried forward	555,743	130,163	685,906
The Reserve % to Total Assets	21.35%	5.00%	26.35%

Reserves at 31 August 2013

	Retained Earnings	General Reserve	Total Members' Reserves
Balance brought forward	551,963	123,613	675,576
Operating profit for the period	4,891	-	4,891
Transfer to/from retained earnings	(3,000)	3,000	-
Balance carried forward	553,854	128,613	680,467
The Reserve % to Total Assets	21.87%	5.00%	26.87%

Retained Earnings

Reserve arising from retained profits accumulated from operations.

General Reserve

A General Reserve has been established in accordance with S119 of the Friendly Societies and Credit Unions Act 1962 which requires the Credit Union to transfer 5% of gross earnings to the General Reserve until the General Reserve is the equivalent of 5% of total assets, and thereafter maintained at 5% of total assets. The reserve may not be distributed until the Credit Union is being wound up or dissolved, but may be applied for the following purposes:

- To offset losses made by the Credit Union on loans to members', and
- To such persons of such amounts in such special circumstances, as the Registrar, on application, may approve.

Total Reserves

The Trust Deed requires that the total reserves, including retained earnings, of the Credit Union amount to at least 10% of the total assets of the Credit Union.

5 CASH AND CASH EQUIVALENTS

	Interest Rates	2014	2013
		\$	\$
Cash & Bank	0.04%	38,936	25,378
Deposits at NZ Association of Credit Unions	3.36%	1,565,000	1,430,000
		<u>1,603,936</u>	<u>1,455,378</u>

The Credit Union does not hold tradeable securities. Effective interest rates are the original contracted values. Movements in market rates will not affect the recorded value of investments. The deposits with the NZACU's central banking facility are excess funds held by the Credit Union. The NZACU minimises its exposure to credit risk by maintaining a diversified portfolio with controls over maturity, counter party and concentration of investment risks.



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

6 TRADE AND OTHER RECEIVABLES

	2014	2013
	\$	\$
Accrued Interest	11,074	10,898
Prepayments	5,928	6,765
	<u>17,000</u>	<u>17,653</u>

7 LOANS TO MEMBERS'

Loans are made in accordance with the lending policy of the Credit Union and are repayable on demand. A provision for impairment has been made at the end of the reporting period. Bad loans are written off against the provision for impairments.

(a) Loans to members comprises:

	2014	2013
	\$	\$
Neither Past Due nor Impaired	798,846	867,682
Past due but not Impaired	82,877	101,515
Impaired Individually	-	8,193
Impaired -Collectively	14,645	7,969
Gross Loans	906,368	985,349
Less:		
Allowance for Impairment Individually		8,193
Allowance for Impairment collectively	18,899	10,706
Net	<u>887,469</u>	<u>966,450</u>

(b) Credit quality - Security dissection

	2014	2013
	\$	\$
Secured by members shares	458,398	478,892
	<u>458,398</u>	<u>478,892</u>

It is impractical to provide a valuation of the security held against loans due to the large number of assets to be valued to arrive at the amount.

(c) Credit quality - Concentration of loans

	2014	2013
(i) Loans to individual or related groups of members which exceed 10% of member funds in aggregate	Nil	Nil
(ii) Loans to members are concentrated to individuals employed by Alliance Group Ltd	100%	100%
(iii) Loans to members are concentrated solely in New Zealand and principally within the common bond of the Credit Union	100%	100%

(iv) Loans drawn down by member type:

	2014	2013
	\$	\$
Loans to natural persons		
Personal loans and facilities	906,368	985,349
TOTAL	<u>906,368</u>	<u>985,349</u>



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

8 IMPAIRMENT OF LOANS AND ADVANCES

(a) Provision for Impairment

	2014	2013
	\$	\$
Balance as at 01 September	18,899	10,865
Addition / (reduction) in provision	-	8,034
Bad Debts written off to provision	-	-
Asset acquired through the enforcement of security	-	-
Other Adjustments	-	-
Balance at 31 August	18,899	18,899

(b) Provision for Impairment Calculation

Provision per Prudential Standards (impaired collectively)	18,899	18,899
Additional Specific Provision (impaired individually)	-	-
Closing Balance	18,899	18,899

Period of Impairment	% of Balance
31 days to 60 days	20%
61 days to 180 days	40%
181 days to 270 days	60%
271 days to 365 days	80%
Over 365 days	100%
Unauthorised O/D Savings	100%

Key assumptions in determining the provision for impairment

In the course of the preparation of the annual report the Credit Union has determined the likely impairment loss on loans which have not maintained loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances.

In identifying the impairment likely from these events the Credit Union is required to estimate the potential impairment using the length of time the loan is in arrears and the historical losses arising in past years. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses. An estimate is based on the period of impairment.

This provision is checked to impaired loans and an additional provision is made if the impaired loans are greater than the provision.

(c) Impaired Loans Disclosure

Impaired loans as at balance date

	2014	2013
	\$	\$
Balance of impaired loans	14,645	16,182
Estimated value of loans which is secured	7,985	11,669

Analysis of loans that are individually impaired

Loans individually impaired are based on the age of the loans and the evidence that the members is unable to repay the debt in full, such as notice of bankruptcy or default notice being issued.

Balance of the Individually Impaired loans	-	-
--	---	---



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

IMPAIRMENT OF LOANS AND ADVANCES - Continued

	2014	2013
<i>Loans upon which interest is not being accrued</i>	\$	\$
Loans with provision for impairment	-	8,183
Less: specific provision	-	8,183
Loans with no provision for impairment	-	-
Total non accrual loans	-	-

Restructured loans with no provision for impairment

Assets acquired via enforcement of security (excluding loans reported)

Real Estate	-	-
Other	-	-
	-	-

The policy is to sell the assets via auction at the earliest opportunity after measures to assist the member to repay the debts are exhausted.

(d) Interest and Other Revenue recognised and foregone

Interest revenue on non-accrual and restructured loans	-	-
Interest foregone on non-accrual and restructured loans	-	-
Revenue on real estate acquired	-	-
Revenue on other assets acquired	-	-
	-	-

(e) Fair Value of Assets Acquired

Assets acquired through the enforcement of security

Assets acquired through the enforcement of security used by the Credit Union in its operations	-	-
--	---	---

(f) Loans with repayments past due but not impaired

	2014	2013
	\$	\$
Past Due Loans 1 to 30 days	66,786	82,577
Past Due Loans 30 to 60 days	4,362	11,832
Past Due Loans 60 to 90 days	21,866	-
Past Due Loans 90 to 120 days	63	7,106
	92,877	101,515

(g) Loans restructured

Loans that were past due or impaired that have been restructured by the Credit Union are

	2014	2013
Restructured Loans not impaired	\$	\$
Balance of the Restructured loans	-	-
Estimated value of these loans which are secured	-	-
	-	-

9 PROPERTY, PLANT AND EQUIPMENT

(a) Classes of Property, Plant & Equipment

	2014	2013
	\$	\$
Plant & Equipment		
At cost	23,366	19,528
Accumulated depreciation	(16,562)	(14,736)
Accumulated impairment losses	-	-
	6,804	4,793
Total Property, Plant & Equipment	6,804	4,793



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

PROPERTY, PLANT AND EQUIPMENT - Continued

(b) Movements in Carrying Amounts
Reconciliations of the carrying amounts of each class of property, plant and equipment between the beginning and end of the current financial year are set out below.

	Plant & Equipm't \$	Total \$
Balance at 1 September 2013	4,793	4,793
Additions	3,837	3,837
Disposals	-	-
Depreciation Expense	(1,826)	(1,826)
Impairment write-downs	-	-
Net Revaluation Increment/(decrement)	-	-
Carrying amount at the end of the financial period	<u>6,804</u>	<u>6,804</u>

(c) Impairment Losses

There was no impairment loss in respect of property, plant and equipment

10 CAPITAL NOTES

NZACU Business Services Division Trust Base Capital Notes (Capital Notes). These represent monies invested with the NZACU Business Services Division Trust for an open-ended term. The Capital Notes constitute unsecured obligations of the NZACU Business Services Division Trust and rank equally and without priority or preference among themselves. The Capital Notes rank after creditors in the event of the winding up of the NZACU Business Services Division Trust. Capital Notes may only be sold or transferred to another Credit Union that is a member of the NZACU Business Services Division Trust and with the consent of the NZACU Business Services Division Trust Board of Directors. There is no active market for these securities which have no guaranteed interest rate return.

Dividends are payable on a six monthly basis subject to the profitability of the NZACU Business Services Division Trust.

	2014 \$	2013 \$
Capital Notes at Cost	87,771	87,771
Less Impairment	-	-
	<u>87,771</u>	<u>87,771</u>

11 TRADE AND OTHER PAYABLES

	2014 \$	2013 \$
Trade Payables	34,028	27,076
Accrued Interest Payable	8,428	6,054
Bulk Payees Payable	247	288
ATM Transactions	3,139	1,580
EFTPOS Transactions	3,604	2,889
Inter CU Transactions	320	1,200
Employee Entitlements	21,182	17,287
	<u>70,948</u>	<u>58,362</u>



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

12 MEMBERS' DEPOSITS

<i>Ordinary Shares</i>	2014	2013
	\$	\$
Savings Accounts	671,952	696,758
Christmas Club	430,430	344,340
Loan Provider Account	743,748	754,118
Total Ordinary Shares	<u>1,846,128</u>	<u>1,795,216</u>
 <i>Total Members' Deposits</i>	 <u>1,846,128</u>	 <u>1,795,216</u>

13 COMMITMENTS

<i>(a) Future Capital Commitments</i>	2014	2013
	\$	\$
The Credit Union has not entered into any contracts for the purchase of property, plant and equipment.	-	-
	<u>-</u>	<u>-</u>
 <i>(b) Finance Lease Commitments</i>		
The Credit Union has not entered into any Lease commitments	-	-
	<u>-</u>	<u>-</u>
 <i>(c) Operating Lease Commitments</i>		
The Credit Union has not entered into any Lease commitments	-	-
	<u>-</u>	<u>-</u>
 <i>(d) Outstanding Loan Commitments</i>		
Loans and credit facilities approved but not funded or drawn at the end of the financial year:		
Loans approved but not funded	-	-
Undrawn overdraft, line of credit and Accesscredit	-	-
	<u>-</u>	<u>-</u>
 <i>(e) Operating Leases Receivable</i>		
The credit Union has not entered into any lease commitments	-	-
	<u>-</u>	<u>-</u>



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

14 STANDBY BORROWING FACILITIES

The Credit Union has a gross borrowing facility with NZACU of:

	Approved Facility \$	Current Borrowing \$	Net Available \$
2014			
Overdraft Facility	15,000	-	15,000
Stand by Facility	-	-	-
	<u>15,000</u>	<u>-</u>	<u>15,000</u>
2013			
Overdraft Facility	15,000	-	15,000
Stand by Facility	-	-	-
	<u>15,000</u>	<u>-</u>	<u>15,000</u>

Currently the unused overdraft facility is for \$15,000 (2013, \$15,000). The interest rate is 5.40% p.a and the penalty rate is 8.10% p.a. There are no material terms of use.

15 CONTINGENT LIABILITIES

There are no contingent liabilities not provided for in the financial statements. (2013, NIL)

16 SEGMENTAL REPORTING

The Credit Union operates in the New Zealand financial services industry with a concentration of members and activity at Alliance Group Ltd and families of the members.

17 EVENTS OCCURRING AFTER BALANCE DATE

There are no known events that have occurred subsequent to balance date which would materially affect these financial statements. (2013, NIL)

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The board had endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union.

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

- Market Risk and Hedging Policy management
- Credit risk management
- Liquidity risk management
- Operations risk management
- Capital adequacy management

The Credit Union has undertaken the following strategies to minimise the risks arising from financial instruments:

Market Risk and Hedging Policy

The Credit Union is not exposed to currency risk, and other price risk. The Credit Union does not trade in the financial instruments it holds on its books.

The Credit Union is exposed to interest rate risk arising from changes in market interest rates.

The policy of the Credit Union to manage the risk is to maintain a balanced "on book" strategy by ensuring the net interest rate gaps between members loans and members shares are not excessive. The policy of the Credit Union is not to undertake derivatives to match the interest rate risks. The Credit Unions exposure to interest rate risk is set out in Note 20 which details the contractual interest change profile.

The following tables summarise the sensitivity of the Credit Union's assets and financial liabilities to 1% movement in interest rate risk on the Credit Union's financial position and results. The 1% movement is used because this is the industry standard.

	2014 Interest Rate Risk			2013 Interest rate Risk		
	Carrying Amount	-1% Profit & Equity	+1% Profit & Equity	Carrying Amount	-1% Profit & Equity	+1% Profit & Equity
Financial Assets						
Bank deposits	1,565,000	(14,978)	14,978	1,430,000	(13,498)	13,498
Loan receivables	906,368	(9,061)	9,061	968,450	(9,853)	9,853
		<u>(24,039)</u>	<u>24,039</u>		<u>(23,351)</u>	<u>23,351</u>
Financial Liabilities						
Member deposits	1,848,128	(18,447)	18,447	1,795,215	(17,811)	17,811
Total Increase/ (Decrease)		<u>(5,592)</u>	<u>5,592</u>		<u>(5,540)</u>	<u>5,540</u>



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

The Credit Union performs sensitivity analysis to measure market risk exposures. The method used in determining the sensitivity was to evaluate the profit based on the timing of the interest repricing between the members' loans and members' deposits for the next 12 months. In doing the calculation the assumptions applied were that:

- The interest rate change would be applied equally over to the loan products and term deposits
- The rate change would be as at the beginning of the 12 month period and no other rate changes would be effective during the period
- The term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposit with similar terms and rates applicable
- All loans would be repaid in accordance with the current contractual repayment terms
- The value and mix of call savings to term deposits will be unchanged
- The value and mix of personal loans to mortgage loans will be unchanged

There has been no change to the Credit Union's exposure to market risk or the way the Credit Union manages and measures market risk in the reporting period.

Credit Risk - Loans

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the entity. The concentration of credit risk with respect to loans and receivables is limited to an industry concentration amongst employees (and their families) of Alliance Group Ltd., and almost exclusively from individuals residing within Southland and its satellite towns. The credit policy is that loans and investments are only made to members that are credit worthy.

The credit union has established policies or procedures over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements
- Limits of exposure over the value to individual borrowers, non mortgage secured loans, 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 impelments of loans
- Debt recovery procedures
- Review of compliance with the above policies

Regular review of compliance are conducted as part of the internal audit scope.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken.

The Credit Union has a concentration in the retail lending for members who comprise employees and family of the Alliance Group Ltd. This concentration is considered acceptable on the basis that the Credit Union was formed to service these members, and the employment concentration is not exclusive. Should members leave the industry the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans. The Credit union has a geographical concentration of retail lending in Southland and its satellite towns.

Daily 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 doubtful, external consultants are engaged to conduct recovery action once the loan is over 90 days in arrears. The exposures to losses arise predominantly in the non secure personal loans and facilities.

The significant accounting judgements are related to the determination of the provision for impairment of loans are set out in Note 8.

Credit Risk - Liquid Investment

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

There is a concentration of credit risk with respect to investment receivables with the placement of investments in NZACU. The credit policy is that investments are only made to institutions that are credit worthy.

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.

The board policy is to place all of the investments in the NZACU, an association set up to support the member Credit Unions. This association does not have a credit rating. All other investments must be with New Zealand registered Banks.

Credit Risk - Equity Investments

The Credit Union does not have investments in equity investments.



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

Liquidity Risk

Liquidity risk is the risk that the Credit Union may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments. It is the policy of the Board of Directors that the Credit Union maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

The Credit Union 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 Credit Union has a standby borrowing facility with the NZACU to provide support to the Credit Union if necessary at short notice.

The Credit Union's policy is to maintain at least 10% of total assets as liquid assets capable of being converted to cash within 7 days. The ratio is checked daily. Should the liquidity ratio fall below this level, the management and board are to address the matter and ensure that the liquid funds are obtained from new deposits or borrowing facilities available.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in the specific Note 19.

Operational Risk

Operations risks relate to those risks arising from a number of sources including legal compliance, business continuity, data infrastructure and outsourced services failures and employees errors.

These risks are managed through the implementation of policies and systems to monitor the likelihood of the events and minimise the impact.

System of internal control are enhanced through:

- the segregation of duties between employee duties and functions, including approval and processing duties
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour
- Implementation of the whistleblowing policies to promote a compliant culture and awareness of the duty to report exceptions by staff
- education of members to review their account statements and report exceptions to the Credit Union promptly
- effective dispute resolution procedures to respond to members complaints
- effective insurance arrangements to reduce the impact of losses
- contingency plans for dealing with the loss of functionality of systems of premises or staff
- regular reviews by the internal auditor

Capital Management

The Credit Union is regulated under the Friendly Societies and Credit Union Act 1962. There is a statutory requirement over the minimum reserves required to be maintained. In addition the Credit Union operates under a trust deed which requires the minimum reserves to be held by the Credit Union to be 10% of total assets. The Credit Union reserves at the end of the reporting period are as stated in Note 4.

The Credit Union's capital is determined as follows:

	2014	2013
Tier 1		
Retained profits & other revenue reserves	555,743	553,854
General reserve	130,163	126,813
Tier 2		
Asset revaluation reserves	-	-
Other reserves	-	-
Total reserves	685,906	680,467

To manage the Credit Union's capital, which can be affected by excessive growth and by changes in total assets, the Credit Union reviews the capital adequacy ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the board and the trustees if the capital ratio falls below 10%. Further, an annual capital budget projection of the capital level is maintained annually to address how strategic decisions or trends may impact on the capital level.



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

19 MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term, and in the case of loans the repayment amount and frequency. The associated table shows the period in which different monetary 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. For term loans the above dissection is based upon contractual conditions of each loan being strictly complied with and is subject to change in the event that current repayment conditions are varied. Future Interest Receivable and Future Interest Payable represent the expected future interest cashflows arising from the contractual obligations of the underlying monetary assets and liabilities respectively.

Note that expected maturities are similar to the contracted maturities as below, except for members deposits which are due within one month are not expected to be repaid but to continue at the same level to provide continuing funds for the Credit Union.

2014	On Call	Within 1 Month	1-3 Months	3 - 6 Months	6 - 12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
Monetary Assets Receivable										
Cash & Bank	36,936	-	-	-	-	-	-	-	-	36,936
Deposits at NZACU	-	550,000	1,016,000	-	-	-	-	-	-	1,566,000
Trade and other receivables	17,000	-	-	-	-	-	-	-	-	17,000
Loans to members	-	33,671	66,930	87,283	183,954	308,046	215,484	-	-	908,368
Derivatives	-	-	-	-	-	-	-	-	-	-
Capital Notes	-	-	-	-	-	-	-	-	87,771	87,771
Future Interest Receivable	-	11,111	21,261	28,839	46,673	56,432	16,707	-	-	184,342
Total Monetary Assets Receivable	55,936	594,782	1,103,211	126,122	230,927	365,478	235,191	-	87,771	2,799,417

2014	On Call	Within 1 Month	1-3 Months	3 - 6 Months	6 - 12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
Monetary Liabilities Payable										
Trade and other payables	-	70,946	-	-	-	-	-	-	-	70,946
Members Deposits	1,846,128	-	-	-	-	-	-	-	-	1,846,128
Short-term borrowings	-	-	-	-	-	-	-	-	-	-
Future Interest Payable	-	-	-	-	-	-	-	-	-	-
Total Monetary Liabilities Payable	1,846,128	70,946	-	-	-	-	-	-	-	1,917,074

2013 Monetary Assets Receivable	On Call	Within 1 Month	1-3 Months	3 - 6 Months	6 - 12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
Cash & Bank	25,378	-	-	-	-	-	-	-	-	25,378
Deposits at NZACU	50,000	640,000	740,000	-	-	-	-	-	-	1,430,000
Trade and other receivables	17,653	-	-	-	-	-	-	-	-	17,653
Loans to members	-	34,321	68,875	103,744	199,954	323,831	254,824	-	-	985,349
Derivatives	-	-	-	-	-	-	-	-	-	-
Capital Notes	-	-	-	-	-	-	-	-	87,771	87,771
Future Interest Receivable	-	12,001	23,072	31,437	51,479	63,113	27,534	-	-	208,636
Total Monetary Assets Receivable	93,031	686,322	831,747	135,181	251,433	386,944	282,358	-	87,771	2,754,787

2013 Monetary Liabilities Payable	On Call	Within 1 Month	3 M	3 - 6 Months	6 - 12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
Trade and other payables	-	56,362	-	-	-	-	-	-	-	56,362
Members Deposits	1,795,216	-	-	-	-	-	-	-	-	1,795,216
Short-term borrowings	-	-	-	-	-	-	-	-	-	-
Future Interest Payable	-	-	-	-	-	-	-	-	-	-
Total Monetary Liabilities Payable	1,795,216	56,362	-	-	-	-	-	-	-	1,851,578



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

21 OTHER CREDIT RISKS

(a) Maximum Credit Risk Exposure

The Credit Union'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 Balance Sheet.

(b) Concentrations of Credit Risk

The Credit Union minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of customers. Credit risk is currently managed in accordance with the Prudential Standards to reduce the Credit Union's exposure to potential failure of counterparties to meet their obligations under the contract or arrangement.

(c) Large Counterparties

The Credit Union has exposure to counter-parties as follows:

	Number of Counter-parties	
	Assets	Liabilities
Greater than 100% of equity	1	-
Between 90% and 100% of equity	-	-
Between 80% and 80% of equity	-	-
Between 70% and 80% of equity	-	-
Between 60% and 70% of equity	-	-
Between 50% and 60% of equity	-	-
Between 40% and 50% of equity	-	-
Between 30% and 40% of equity	-	-
Between 20% and 30% of equity	-	-
Between 10% and 20% of equity	-	-

In relation to loans to members, where a member has shares as security or deemed security, the security has not been taken into account when calculating the percentage of exposure.

(d) Loans to Members

Loans can only be made to Credit Union members. Loan interest rates range from 12% to 15% p.a. (2013 12% to 15% p.a.). The Credit Union has a lending policy that requires various levels and types of security for loans and includes that a portion of loans may be secured over the borrowing members shares. The Friendly Societies and Credit Unions Act 1982 limits the risk of any one member and provides, along with the loan agreement that any and all shares might be used to offset an individual loan to the limit of their liability. Under section 110 of the Act, the maximum indebtedness and repayment terms of a member shall not, without the prior consent of the Registrar, exceed the following limits.

Unsecured Loan 5% of the value of the assets of the Credit Union and 5 Years

Secured Loan 10% of the value of the assets of the Credit Union and 10 Years

The Registrar of Friendly Societies and Credit Unions has approved an extension of the secured loan term from 10 to 20 Years.

	2014	2013
The proportion of loans with repayments in arrears in excess of three months is:	1.00%	2.36%

Other than loans, there are no other monetary assets in arrears.

Loans to Members

Loans are for	2014	2013
The monthly repayments on the loans for the past period represent an average loan	27 months	26 months

	2014	2013
The proportion of loans owed in aggregate by the debtors who owe the six largest amounts is	10.43%	10.77%

There are no other monetary asset receivables that exceed the individual value of these six largest loans.

The Credit Union does not offer an overdraft facility.

22 CONCENTRATION OF FUNDING

The Credit Union's source of funding is members' deposits. Accordingly, the funding is concentrated in and limited to the area of the 'common bond' and consequently the Credit Union funding is almost exclusively from individuals residing within Southland area and its satellite towns. The Credit Union also has an industrial concentration of funding from employees and families of Alliance Group Limited. The funding from members is recorded as Members' Shares in the Balance Sheet.



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

23 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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 the 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 Credit Union. There is no active market to assess the value of the capital notes.

	Fair Value	2014 Book Value	Variance	Fair Value	2013 Book Value	Variance
	\$	\$	\$	\$	\$	\$
FINANCIAL ASSETS						
Cash and Bank	38,936	38,936	-	25,378	25,378	-
Deposits at NZACU	1,565,000	1,565,000	-	1,430,000	1,430,000	-
Trade and other receivables	17,000	17,000	-	17,653	17,653	-
Derivatives	-	-	-	-	-	-
Loans to members	987,469	987,469	-	986,450	986,450	-
Capital Notes	87,771	87,771	-	87,771	87,771	-
Total Financial Assets	2,696,176	2,696,176	-	2,627,252	2,627,252	-
FINANCIAL LIABILITIES						
Trade and other payables	70,946	70,946	-	56,362	56,362	-
Short term borrowings	-	-	-	-	-	-
Deposits from members	1,848,128	1,848,128	-	1,795,216	1,795,216	-
Total Financial Liabilities	1,917,074	1,917,074	-	1,851,578	1,851,578	-

The net fair value estimates were determined by the following methodologies and assumptions:

Financial Assets

Loans to Members

As detailed in the accounting policies, loans are carried at estimated realisable value after providing for impairments. The directors believe that any differences between carrying value and fair value are not material because the loan periods are relatively short and can be changed to "on demand" by the trustees. In addition, interest rate differences between lending dates and balance date are not significant.

Cash and Bank

The reported amount is equal to fair value.

Receivables

The reported amount takes into account the likelihood of collecting the amounts owed. The Directors believe these amounts reflect their fair value.

Derivatives

Derivatives are used by the Credit Union to manage exposure to fluctuations in interest rates on loans. These contracts are re-priced every 90 days and are reflected in the accounts at their fair value.

Investments

Investments are disclosed on the basis of the value at the time of purchase. Any variance between market value and cost price is not material.

Financial Liabilities

Deposit from members

Deposits from members are accepted on the basis of a fixed value of \$1 per share. Deposits not in whole dollars are deemed to be advance subscriptions for shares. Dividends not paid in cash, and reinvested by members, are deemed to be subscriptions for shares and add to the members' share balance in the Credit Union. The Directors believe the reported values reflect fair value.

Members' shares are secured by a first ranking equitable assignment by way of security over the whole of the Credit Union's present and future undertaking, property, assets and revenues, including the proceeds received for the subscription shares and unpaid capital (if any). The equitable assignment by way of security was granted in favour of Trustees Executors Limited, the Prudential Supervisor of the Credit Union, under Trust Deed dated 30 November 2001, which has been registered with the Registrar of Companies.

The Credit Union has also granted to Trustees Executors Limited a security interest in all its present and after-acquired personal property as additional security for the members' shares. Trustees Executors Limited has registered a financing statement under the Personal Property Securities Act 1999 in respect of the same. The grant of this security interest was recorded in a Deed of Modification to Trust Deed dated 24 October 2002 which has been registered with the Registrar of Companies.

Other Liabilities

Accounts Payable are carried at fair value.



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

24 DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

a. Remuneration of key management persons (KMP)

Key management of persons are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any director (whether executive or otherwise) of that entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Key management persons (KMP) has been taken to comprise the directors and the one member of the executive management responsible for the day to day financial and operational management of the Credit Union.

The aggregate compensation of key management persons during the year comprising amounts paid or payable or provided for was as follows:

	2014		2013	
	Directors	Other KMP	Directors	Other KMP
	\$	\$	\$	\$
(a) short-term employee benefits	-	58,639	-	57,263
(b) post-employment benefits - superannuation contributions	-	-	-	-
(c) other long-term benefits - net increases in long service leave provision	-	-	-	-
(d) termination benefits	-	-	-	-
(e) share-based payment	-	-	-	-
Total	-	58,639	-	57,263

In the above table, remuneration shown as short term benefits means (where applicable) wages, salaries, paid annual leave and sick leave, profit-sharing and bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

The directors received no fees or honoraria for their services

The Credit Union deals with Directors and Trustees on the same terms and conditions applied to all members.

	2014	2013
	\$	\$
Directors' holdings at balance date are:		
Owing to Directors (Shares)	21,816	12,516
Owing from Directors (Loans)	26,171	13,098
There are no shares from directors exceeding 12 months and all directors loans are repayable upon demand.		

	2014	2013
	\$	\$
Owing to Other related parties (Shares)	67,667	36,857
Interest paid to Other related parties	255	227
Owing from Other related parties (Loans)	16,974	13,975
Interest paid from Other related parties	2,813	1,160

25 RECONCILIATION OF CASHFLOW FROM OPERATING ACTIVITIES WITH COMPREHENSIVE INCOME

	2014	2013
	\$	\$
Total Comprehensive Income	5,499	4,891
Non Cash Items		
Depreciation	1,826	2,825
Bad Debts	474	246
Provision for Loan Impairment	-	8,034
	<u>2,300</u>	<u>11,105</u>
Changes in Assets and Liabilities		
Movements in Accounts Receivable	653	665
Movements in Accounts Payable	14,584	(9,288)
	<u>16,237</u>	<u>(9,288)</u>
Net Cash Provided by / (Used in) Operating Activities	<u>22,976</u>	<u>25,294</u>



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2014

20 INTEREST RATE RISK

The Credit Union's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on classes of financial assets and financial liabilities, is as follows:

Repricing period at 31 August 2014																						
Floating interest rate		Fixed Interest Rate Maturing in:												Non-Interest sensitive		Set six monthly in arrears		Total		Weighted average effective interest rate*		
		0 to 3 months		3 to 6 months		6 to 12 months		1 to 2 years		2 to 5 years		Over 5 years										
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Monetary Assets																						
Cash & Bank	39	25																39	25	0.04%	0.04%	
Deposits at NZACU			1,565	1,430														1,565	1,430	3.4%	3.3%	
Trade & other receivables														17	18			17	18	n/a	n/a	
Loans to members			101	103	97	103	184	200	309	324	215	255						905	985	14.9%	14.9%	
Capital Notes																	88	88	88	88	5.9%	6.6%
Total Monetary Assets	39	25	1,665	1,533	97	103	184	200	309	324	215	255	0	0	17	18	88	88	2,515	2,546		
Monetary Liabilities																						
Deposits			1,846	1,795														1,846	1,795	1%	1%	
Other payables														71	58			71	58	n/a	n/a	
Total Monetary Liabilities			1,846	1,795	0	0	0	0	0	0	0	0	0	71	58	0	0	1,917	1,851			

* The weighted average effective interest rate has been calculated on the interest sensitive financial instruments in each category. N/A - Not Applicable.

(a) Capital notes do not have any pre determined rate of interest. Interest is payable on a six monthly basis in arrears subject to the profitability of the NZACU Business Services Division Trust. The last interest payment was 7.17%. (2013: 6.40% per annum).



**FOURTH SCHEDULE
SCHEDULE OF ACCOUNTS
[Paragraph 1.2 ("Share Accounts")**

On Call Accounts

Name: **SHARE ACCOUNT**
Interest Rate (or method of calculation): 0%
Minimum Shareholdings: \$1.00
Fees and Charges: 30 cents per withdrawal
50cents per external transfer
\$25.00 per stopped cheque fee

Special Purpose Accounts

Name: **OFF SEASON ACCOUNT (OR ALTERNATIVE NAME)**
Name: **SPECIAL SAVER ACCOUNT**
Name: **BILL PAYMENT ACCOUNT**
Name: **DIRECT DEBIT ACCOUNT**
Interest Rate (or method of calculation): 0%
Minimum Shareholdings: \$1.00
Fees and Charges: 30 cents per withdrawal
50 cents per external transfer
\$25.00 per stopped cheque fee

Name: **XMAS CLUB ACCOUNT**
Interest Rate (or method of calculation): 3%
Minimum Shareholdings: \$1.00
Fees and Charges: 30 cents per withdrawal
50 cents per external transfer
\$ 5.00 per early withdrawal
\$25.00 per stopped cheque fee

Terms and Conditions of Account: Available for withdrawal from 1 November to 31 January

Notice of Withdrawal Accounts

Name: **LOAN PROVIDER ACCOUNT**
Interest Rate (or method of calculation): 0%
Minimum Shareholdings: \$1.00
Fees and Charges: 30 cents per withdrawal
50 cents per external transfer
\$20.00 per early withdrawal
\$25.00 per stopped cheque fee

Terms and Conditions of Account: 14 days notice of withdrawal

Loan Application Fees

Fully secured with Loan Provider shares		per loan \$ 30.00
\$0	\$4,999	per loan \$ 50.00
\$5,000	\$8,999	per loan \$100.00
\$9,000	\$30,000	per loan \$150.00

General Fees

Membership Fee	per new member	\$ 1.00
Dormant Account Fee	per dormant account per 12 months	\$20.00
Account Administration Fee	Members, per 12 months	\$18.00
Account Administration Fee	Social Clubs, per member	\$ 1.00 (to a maximum of \$50.00 per year)
Automatic Payment Set Up	per automatic payment	\$ 3.00
Automatic Payment Amend/Defer	per automatic payment	\$ 1.00
Dishonoured Outward Payments	per reversal	\$10.00 (incl. direct debits, cheques etc.)
Stop Cheque Fee	per stopped cheque	\$25.00

Foreign Currency*

Travellers Cheques/Foreign Cash per currency		1% of value (\$5.00 minimum)
Telegraphic Transfer/Bank Draft	per transaction	\$5.00

• in addition to third party charges

Accesscard

Issue and Pin	per card	\$ 5.00
Replacement	per card	\$10.00
ATM	per transaction	\$ 1.00
EFTPOS	per transaction	30 cents
Overseas	per transaction	\$10.00

FIFTH SCHEDULE
PRUDENTIAL SUPERVISORS STATEMENT
[Paragraph 7]



Trustees Executors

Level 12 45 Queen Street PO Box 4197 Auckland New Zealand
TEL 09 308 7100 DDI 09 308 7116 FAX 09 308 7101
Email: shahazad.contractor@trustees.co.nz

24 February 2015

The Directors
Alliance Group Credit Union
Alliance Group Lorneville Plant
Riverton Highway 96
INVERCARGILL

ALLIANCE GROUP CREDIT UNION

Clause 14(3) of Schedule 2 to the Securities Regulations 2009 requires us to confirm that the offer of securities (in this Statement referred to generally as "Shares") set out in this Prospectus complies with any relevant provisions of the Trust Deed. These provisions are those which:

- (i) entitle Alliance Group Credit Union to constitute and issue under or with the benefit of the Trust Deed (as the case may be) the Shares offered in the Prospectus;
- (ii) impose restrictions on the right of Alliance Group Credit Union to offer the Shares;

and are described in the summary of the Trust Deed in the Prospectus.

The Prudential Supervisor's statement does not refer to any financial information or to any other material in the Prospectus which does not relate to the Trust Deed.

The Prudential Supervisor confirms that the offer of Shares set out in the Prospectus complies with any relevant provisions of the Trust Deed. We have given confirmation on the basis set out above.

The inclusion of this Prudential Supervisor's statement in the Prospectus should not be taken to imply that the Prudential Supervisor has responsibility for the material other than the Prudential Supervisor's statement.

The Prudential Supervisor does not guarantee or provide any assurances as to the repayment of the Shares or the payment of interest thereon.

Yours faithfully
TRUSTEES EXECUTORS LIMITED

Shahazad Contractor
CORPORATE BUSINESS MANAGER
CORPORATE TRUST

**SIXTH SCHEDULE
DIRECTORATE
[Paragraph 3.1]**

Director's Name and Address	Title	Qualifications	Experience
Dean Ronald 19 Helmsdale Street Invercargill	Trustee/Director Chairperson		1 year as Credit Union Director
Charles Hay 95 Albert Street Invercargill	Trustee/Director	Co-op Money Cert Co-op Money Advanced Cert In Credit Union Governance	14 years as Credit Union Director
Mary Winsloe 49 Gray Road, RD 4 Invercargill	Director/Trustee	N/A	3 years as Credit Union Director
Robyn Colyer 283 Orion Road, RD 6 Invercargill	Director/Internal Audit Committee	N/A	2 years as Credit Union Director
Susan Gillespie 15 Aerodrome Road, RD 6 Invercargill	Treasurer/Securities Registrar Manager Director	Co-op Money Cert NZ Diploma in Business	15 years as Credit Union Director
Virginia Howden 11 Branxholme Makarewa Road, RD 6 Invercargill	Secretary Director/Internal Audit Committee	LLB	2 years as Credit Union Director
Angela Gillespie 7 Dudley Street RD 4 Invercargill	Director	NZ Diploma in Competitive Manufacturing Management Certificate in Business Systems	1 year as Credit Union Director