

CARBINE CREDIT UNION
(the "Credit Union")



10059929262

MEMORANDUM OF AMENDMENT TO REGISTERED PROSPECTUS

[Pursuant to Section 43 Securities Act 1978]

DATED the 15 day of December 2010

1. The Credit Union as the issuer of a registered Prospectus dated 30 August 2010 ("the Prospectus"), seeks to amend the Prospectus.
2. Due to an amendment to the Trust Deed of the Credit Union the following pages are amended as follows, and as marked up and **attached** as "A":

(a) **Amendment to Page 2-** adding the following reference to the prospectus date (as underlined): "This Prospectus is dated 30 August 2010 (as amended by Memorandum of Amendment dated 15 December 2010)"

(b) **Amendment to Page 3** – adding reference to the date of the previous Deed of Modification (21 October 2002).

(c) **Amendment to Page 8-**replacing the existing paragraph 4 to read:

"4. MATERIAL CONTRACTS

The Credit Union entered into a Deed of Modification with the Prudential Supervisor dated 19 November 2010. The Deed of Modification amends the Trust Deed between the Prudential Supervisor and the Credit Union to incorporate the obligations required by the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010. A copy of the Deed has been filed with the Registrar.

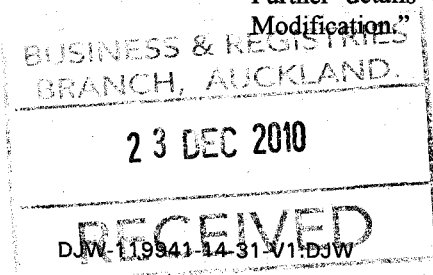
There are no other material contracts that have been entered into by the Credit Union in the two years prior to the date this Prospectus, as amended by the Memorandum of Amendment dated 15 December 2010, was delivered to the Registrar other than contracts entered into in the ordinary course of business of the Credit Union."

- (d) **Amendment to Page 9** – adding a reference at clause 7.1 to the dates of the respective Deeds of Modification.
- (e) **Amendment to Page 9** – the addition of the following paragraph under the heading "**Other Charges and Financial Ratios**":

"Pursuant to the Deed of Modification dated 19 November 2010 the Credit Union has also covenanted with the Prudential Supervisor that it will:

- (a) ensure that at all times its capital ratio is not less than 10% if it does not have a credit rating; and
- (b) ensure that at all times the aggregate exposure to related parties does not exceed a maximum of 15% of capital; and
- (c) at all times comply with a risk management programme that meets the requirements of the Reserve Bank of New Zealand Act 1989.

Further details on how the amounts above are calculated are contained in the Deed of Modification."




(f) **Amendment to Page 12-** amending point 5 – Regulatory Risk as follows. Removal of the paragraph:

“From 1 December 2010 the Credit Union will have to comply with the Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010 (“Deposit Taker Regulations”). Under the Deposit Taker Regulations the Credit Union’s Trust Deed must include provisions requiring the Credit Union to:

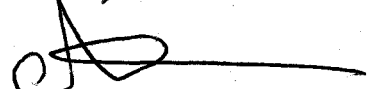
- maintain a minimum capital ratio of 10%. This ratio is to be calculated by measuring the Credit Union’s capital against specified weightings for credit, market and operational risks that the Credit Union is exposed to in the course of its business; and
- limit its aggregate related party exposures to no more than 15% of its capital. Related parties to the Credit Union include directors, senior management and relatives of directors or senior managers.

Currently the Prudential Supervisor and the Credit Union are working towards ensuring compliance with these requirements, and will advise members of any necessary changes to the Trust Deed prior to 1 December 2010.”

Signed by the Directors of the Credit Union


LORRAINE LYONS


DOROTHY CHAPLIN



CLIVE BIDDULPH

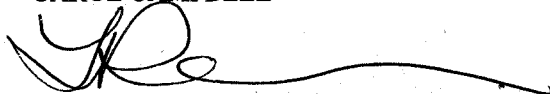

WHETU FLESHER



ANDREW CRUICKSHANK


BOWEN BATISTICH


CAROL CAMPBELL


MIKE MOA


LIONEL PEREIRA


MARSH McLEOD

"A"

PROSPECTUS OF CARBINE CREDIT UNION

This Prospectus is dated 30 August 2010 (as amended by Memorandum of Amendment dated 15 December 2010).

Formatted: Font: CG Times, 10 pt, No underline

Formatted: Font: CG Times, 10 pt

Formatted: Font: CG Times, 10 pt, No underline

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

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

Clauses 2, 4, 6 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 2005**, 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 11 of the Second Schedule, and clauses 1 (2) and 3 of the Fifth Schedule of the Securities Regulations 1983; 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 Reserve Bank of New Zealand Act 1989. More details regarding the exemption are set out on page 12; and
3. **The Securities Act (Transition to Securities Regulations 2009) Exemption Notice 2009**, whereby certain clauses in the exemption notices relied upon by the Credit Union have transitioned to the equivalent new Securities Regulations 2009. In terms of the Exemption Notice above, this means the Credit Union has been granted an exemption from clauses 1(3) and 12 of Schedule 2 to the Securities Regulations 2009, and clause 1(2) and 3 of Schedule 15 to the Securities Regulations 2009.

All legislation referred to in this Prospectus may be viewed, free of charge, at 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 section 157J of the Reserve Bank of New Zealand Act 1989.

1. MAIN TERMS OF OFFER

1.1 Name and Address of the Credit Union

Name of Credit Union: Carbine Credit Union.
Registered Office: 113 Carbine Road, Mt Wellington, Auckland
Ordinary office Hours: Monday-Friday 8.30am-3.30pm.
Branch Offices and Service Locations: 113 Carbine Road, Mt Wellington, Auckland
Agencies: Goodman Fielder (NZ) Ltd, Watties Ltd and Fonterra Brands Limited (Tip Top Icecream) will deduct members' contributions directly from salary on request.

1.2 Description of the Activities of the Credit Union

The Credit Union

The Credit Union is a public-benefit financial co-operative registered as a credit union under the Friendly Societies and Credit Unions Act 1982 ("the Act"). 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 Companies for registration, has been to provide a co-operative saving facility for members to form a loan fund.

The Credit Union's fixed assets are comprised of office equipment and furniture.

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) Present and past employees and their immediate families and regular contractors to Watties Ltd, Goodman Fielder and Associate Companies;
- (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 sub-paragraph (ii) above.

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 an 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 of shares and unpaid share capital (if any). This equitable assignment by way of security has been granted in favour of Trustees Executors Limited ("the Prudential Supervisor"). As a consequence of and in addition to the first ranking equitable assignment by way of security, the Credit Union has granted to the Prudential Supervisor a security interest in all its present and after-acquired personal property pursuant to the Personal Property Securities Act 1999 ("PPSA"). 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 equitable assignment by way of security and the parties respective rights and obligations are recorded in the trust deed entered into by the parties, dated 16 March 2001 (the "Trust Deed") and registered with the Registrar of Companies.

The grant of the security interest was recorded and confirmed in the Deed of Modification dated 21 October 2002 which has been registered with the Registrar of Companies. Please refer to paragraph 6 for further information on the ranking of securities. Please refer to paragraph 7 for further details of the Trust Deed and Deeds of Modification.

A copy of the auditor's report together with his consent to the report appearing in this Prospectus, is attached to the Second Schedule.

3.5 Solicitors

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

3.6 Prudential Supervisor

The Prudential Supervisor's contact details are included in the Directory.

3.7 Bankers

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

4. MATERIAL CONTRACTS

The Credit Union entered into a Deed of Modification with the Prudential Supervisor dated 19 November 2010. The Deed of Modification amends the Trust Deed between the Prudential Supervisor and the Credit Union to incorporate the obligations required by the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010. A copy of the Deed has been filed with the Registrar.

There are no other material contracts that have been entered into by the Credit Union in the two years prior to the date this Prospectus, as amended by the Memorandum of Amendment dated 15 December 2010, was delivered to the Registrar other than contracts entered into in the ordinary course of business of the Credit Union.

Formatted: Font: CG Times

Formatted: Justified, Indent: Left: 0.56 cm, First line: 0 cm, Right: 0 cm, Tab stops: 2 cm, Left + 3 cm, Left + 8.5 cm, Left

Formatted: Font: CG Times

Formatted Table

Formatted: Font: CG Times

Formatted: Font: CG Times

Formatted: Justified, Tab stops: 2 cm, Left + 3 cm, Left + 8.5 cm, Left

5. PENDING PROCEEDINGS

There are no legal proceedings or arbitrations pending at the date this Prospectus that may materially effect in an adverse manner, the Credit Union.

6. RANKING

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 \$1,097,237 as at 30 April 2010 (\$1,073,886 as at 30 April 2009). There were nil prior ranking securities as at 30 April 2010 (nil as at 30 April 2009).

The repayment of monies owing on members' shares is principally secured to the extent permitted by law 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 of shares and unpaid share capital (if any). The equitable assignment by way of security 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 7, for further details of the Trust Deed.

As a consequence of and in addition to the first ranking equitable assignment by way of security, the Credit Union has granted to the Prudential Supervisor a security interest in all its present and after-acquired personal property and the Prudential Supervisor has registered a financing statement under the PPSA in respect of the same. The grant of the security interest was recorded and confirmed in the Deed of Modification dated 21 October 2002 which has been registered with the Registrar of Companies. Please refer to paragraph 7.1 for further details.

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 of 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

(c) at all times comply with a risk management programme that meets the requirements of the Reserve Bank of New Zealand Act 1989.

Formatted: Font: CG Times

Further details on how the amounts above are calculated are contained in the Deed of Modification.

Formatted: Font: CG Times

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;
- . 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 timeously 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 (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; and
- . 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.

The Credit Union is also required to furnish the Prudential Supervisor with half-yearly unaudited and annual audited financial statements prepared in accordance with generally accepted accounting practice. The directors are also required to furnish the Trustee 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. Shareholders 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.

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; and
- (b) sufficient assets to meet its obligations to members, as they fall due.

the members 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 interest may take priority to the member's claims for withdrawal secured by the Trust Deed.

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

7.1 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 16 March 2001 as modified by the Deeds of Modification dated 21 October 2002 and 19 November 2010.

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 right in relation to all accounts receivable, to the Prudential Supervisor is recorded in the Deed of Modification. Please refer to paragraph 6 for further information about the security interest in the Credit Union's personal property.

Prudential Reserve

The Credit Union is required by the Trust Deed to maintain a prudential reserve. The general reserve and retained earnings comprise part of the prudential reserve. The Trust Deed requires that the Credit Union transfer an amount equal to ten per cent (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.

Other Charges and Financial Ratios

Under the Trust Deed, the Credit Union has covenanted that it will not grant any charge or other security interest in priority to or ranking equally with the deed of assignment by way of security 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, not to:

- (a) permit its total liabilities to exceed 90% of its total tangible assets;
- (b) permit its secured liabilities to exceed 1% of its total tangible assets;
- (c) permit its liquid assets to be less than 8% of its total tangible assets;
- (d) 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;
- (e) fail to ensure that it has sufficient assets at times to discharge all debts as they fall due;
- (f) permit the aggregate of its secured investments, unsecured investments and listed securities, to exceed 15% of its total tangible assets;
- (g) permit the aggregate of its unsecured investments to exceed 1% of its total tangible assets.

The Prudential Supervisor has agreed that, in calculating the amount under 7.1(g) above, the amount of \$42,219 represented by subordinated capital notes issued by the New Zealand Association of Credit Unions, on terms further set out in note 11 to the financial statements in the Third Schedule of this Prospectus, may be disregarded.

Pursuant to the Deed of Modification dated 19 November 2010 the Credit Union has also covenanted with the Prudential Supervisor that it will:

- (a) ensure that at all times its capital ratio is not less than 10% if it does not have a credit rating; and
- (b) ensure that at all times the aggregate exposure to related parties does not exceed a maximum of 15% of capital; and

Formatted: Font: CG Times

Formatted: Indent: Left: 3 cm, Don't suppress line numbers, Hyphenate

Formatted: Font: CG Times

Formatted: Font: CG Times

(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

The principal risks that may affect the solvency of the Credit Union, and consequently any investment with the Credit Union are:

1. Competition

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. As the Credit Union is competing with banks, other credit unions and companies operating 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.

2. Common Bond Limitations

Because of Common Bond limitations, in the Credit Union's case being those associated with a particular employer or industry, the Credit Union is vulnerable to any economic downturn affecting that employer or industry reflected in its Common Bond. 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 where there is a concentration of membership in that particular region.

3. 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.

4. Interest Rate Margin Risk

The Credit Union 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.

5. Regulatory 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.

From 1 December 2010 the Credit Union will have to comply with the Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010 ("Deposit Taker Regulations"). Under the Deposit Taker Regulations the Credit Union's Trust Deed must include provisions requiring the Credit Union to:

- maintain a minimum capital ratio of 10%. This ratio is to be calculated by measuring the Credit Union's capital against specified weightings for credit, market and operational risks that the Credit Union is exposed to in the course of its business; and

- ~~limit its aggregate related party exposures to no more than 15% of its capital. Related parties to the Credit Union include directors, senior management and relatives of directors or senior managers.~~

~~Currently the Prudential Supervisor and the Credit Union are working towards ensuring compliance with these requirements, and will advise members of any necessary changes to the Trust Deed prior to 1 December 2010.~~

6. Unrated Offeror

The Credit Union is not rated because it is operating under an exemption from the Reserve Bank of New Zealand Act 1989 to have a credit rating. The exemption is set out in the Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2009 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 Reserve Bank of New Zealand Act 1989 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.

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
 - (iii) is referred to in this Prospectus.

9. PLACES OF INSPECTION OF DOCUMENTS

9.1 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, the Investment Statement and the Trust Deed; and
- (c) the Credit Union's most recent audited financial statements.

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

9.2 Companies Office

Copies of:

- (a) the Credit Union's Rules;
- (b) this Prospectus, the Deed of Modification and the Trust Deed; and
- (c) the Credit Union's audited financial statements;

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"]. Copies may also be obtained by telephoning the MED Business Service Centre on (0508) 266 726.

CARBINE CREDIT UNION

PROSPECTUS

-relating to-

the Offer of Debt Securities by the Carbine Credit Union

Carbine Credit Union

having offices at:
113 Carbine Rd, Mt Wellington, Auckland
Telephone Number: (09) 573 7285
Facsimile: (09) 573 7301

BUSINESS & REGISTRIES
BRANCH, AUCKLAND.

23 DEC 2010

RECEIVED

DJW-119941-14-14-V1:DJW

DIRECTORY

CARBINE CREDIT UNION

113 Carbine Rd,
Mt Wellington
Auckland
Telephone: (09) 573 7285
Facsimile: (09) 573 7301

SOLICITORS TO THE CREDIT UNION

Stace Hammond
34 Shortland Street
Auckland
P.O. Box 106 376
Auckland
Telephone: (09) 307 7909
Facsimile: (09) 307 7908

PRUDENTIAL SUPERVISOR

Trustees Executors Limited
45 Queen Street
PO Box 4197
Auckland
Telephone: (09) 308 7100
Facsimile: (09) 308 7101

AUDITOR

Hayes Knight Audit
1 Broadway Newmarket, Auckland
P.O. Box 9588 Newmarket
Telephone: (09) 550 5910

BANKERS

Westpac
Manurewa
184 Great South Rd
Manurewa
Telephone: (09) 267 3773

SECURITIES REGISTRAR

Lorraine Lyons
Carbine Credit Union Registered Office:
113 Carbine Rd, Mt Wellington, Auckland
Telephone: (09) 573 7285
Facsimile: (09) 573 7301

PLACE WHERE REGISTER KEPT

Carbine Credit Union Registered Office:
113 Carbine Rd, Mt Wellington, Auckland
Telephone: (09) 573 7285
Facsimile: (09) 573 7301

COMPANIES OFFICE

Companies Office
Ministry of Economic Development (MED)
Level 18, ASB Centre, 135 Albert Street
Private Bag 92061
Auckland Mail Centre
Auckland
Telephone: (0508) 266 726
Facsimile: (09) 912 7787

PROSPECTUS OF CARBINE CREDIT UNION

This Prospectus is dated 30 August 2010 (as amended by Memorandum of Amendment dated 15 December 2010).

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

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

Clauses 2, 4, 6 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 2005**, 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 11 of the Second Schedule, and clauses 1 (2) and 3 of the Fifth Schedule of the Securities Regulations 1983; 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 Reserve Bank of New Zealand Act 1989. More details regarding the exemption are set out on page 12; and
3. **The Securities Act (Transition to Securities Regulations 2009) Exemption Notice 2009**, whereby certain clauses in the exemption notices relied upon by the Credit Union have transitioned to the equivalent new Securities Regulations 2009. In terms of the Exemption Notice above, this means the Credit Union has been granted an exemption from clauses 1(3) and 12 of Schedule 2 to the Securities Regulations 2009, and clause 1(2) and 3 of Schedule 15 to the Securities Regulations 2009.

All legislation referred to in this Prospectus may be viewed, free of charge, at 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 section 157J of the Reserve Bank of New Zealand Act 1989.

1. MAIN TERMS OF OFFER

1.1 Name and Address of the Credit Union

Name of Credit Union: Carbine Credit Union.

Registered Office: 113 Carbine Road, Mt Wellington, Auckland

Ordinary office Hours: Monday-Friday 8.30am-3.30pm.

Branch Offices and Service

Locations: 113 Carbine Road, Mt Wellington, Auckland

Agencies: Goodman Fielder (NZ) Ltd, Watties Ltd and Fonterra Brands Limited (Tip Top Icecream) will deduct members' contributions directly from salary on request.

1.2 Description of the Activities of the Credit Union

The Credit Union

The Credit Union is a public-benefit financial co-operative registered as a credit union under the Friendly Societies and Credit Unions Act 1982 ("the Act"). 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 Companies for registration, has been to provide a co-operative saving facility for members to form a loan fund.

The Credit Union's fixed assets are comprised of office equipment and furniture.

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) Present and past employees and their immediate families and regular contractors to Watties Ltd, Goodman Fielder and Associate Companies;
- (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 sub-paragraph (ii) above.

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 an 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 of shares and unpaid share capital (if any). This equitable assignment by way of security has been granted in favour of Trustees Executors Limited ("the Prudential Supervisor"). As a consequence of and in addition to the first ranking equitable assignment by way of security, the Credit Union has granted to the Prudential Supervisor a security interest in all its present and after-acquired personal property pursuant to the Personal Property Securities Act 1999 ("PPSA"). 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 equitable assignment by way of security and the parties respective rights and obligations are recorded in the trust deed entered into by the parties, dated 16 March 2001 (the "Trust Deed") and registered with the Registrar of Companies.

The grant of the security interest was recorded and confirmed in the Deed of Modification dated 21 October 2002 which has been registered with the Registrar of Companies. Please refer to paragraph 6 for further information on the ranking of securities. Please refer to paragraph 7 for further details of the Trust Deed and Deeds of Modification.

Shares

Members contribute to the Credit Union by way of shares that 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 \$250,000 (or such other amount as determined by the provisions of the Act or the Trust Deed).

The Credit Union offers prospective and existing members the ability to subscribe \$1.00 shares in the Credit Union. However, at the time of application, and at all times during the term of their shareholding, a member may elect in writing to have all or any part of their shareholding held in one or more of the share accounts operated by the Credit Union. 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 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 members 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. 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.

The maintenance of the rate of dividend paid on members' accounts is largely dependent on the annual surplus earned and the ongoing profitability of the Credit Union. The amount of the surplus available for distribution to members is also subject to the statutory obligation of the Credit Union to maintain a general reserve. The current obligation in this regard is an annual transfer from the surplus of five percent (5%) of the gross earnings or such lesser amount as may be necessary to maintain the general reserve. The Credit Union also has an obligation under the Trust Deed to maintain a prudential reserve, which is described under the heading "Prudential Reserve" at paragraph 7.1. The general reserve and prudential reserve are not able to be utilised for payment of interest or dividends without the consent of the Registrar of Friendly Societies and Credit Unions or Prudential Supervisor respectively.

As any dividend return is dependent on the terms of the share account, the timing of the application and the annual surplus of the Credit Union, the current return attributable to each share account cannot be quantified in this Prospectus.

On Call Accounts

The Credit Union currently provides two On Call accounts.

The first account is called "Call Shares". A member may withdraw funds from this account at any time notwithstanding the fact that they have a loan with the Credit Union. For further details please contact the Credit Union.

The second account is called "Loan Provider". This account can be used to pledge funds as security against a loan. Where this is done, the funds are not available to members but do earn interest at the current rate. Further details may be found in the Fourth Schedule or by contacting the Credit Union.

Special Share Accounts

Shares in a Special Share Account may either earn interest or entitle the member to receive a dividend from the profits of the Credit Union.

The method of calculating the rate of return together with the terms and conditions of this account is set out in the Fourth Schedule of this Prospectus.

The Credit Union currently offers a Special Share Account called the "Christmas Club Account", which provides interest payable on 30 November each year. Withdrawals from this account are available in November and December each year.

Payment of Returns

Returns payable on members share accounts will be credited to member's 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 may 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.

Unless otherwise specified in the terms of the share account 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, who 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 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 38% (or such other amount as required by law – from 1 October 2010 this rate will be 33%);
- (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 19.5 % (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 may 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 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 share capital, at any particular time.

Loans to members will only be made in accordance with the Credit Union's Rules and the provisions of the Act, 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 and the Act at the date of application, please contact the Credit Union. Currently loans of over \$10,000 require approval of the board of directors.

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 12 June 1975 under the Friendly Societies and Credit Unions Act 1909. The Credit Union's registered number is 1802858. Section 160(2) of the Act deems the Credit Union to be registered under Part III of the Act.

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.

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, Secretary, and Treasurer.

A list of the current directors and officers of the Credit Union is included in the Sixth Schedule. Of these, the following are employees of the Credit Union: Lorraine Lyons (General Manager).

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.

Neither the directors, the trustees, the Prudential Supervisor nor any other persons guarantee the repayment of the value of the shares, or the payment of any interest or dividends payable on shares held in the Credit Union.

3.3 Supervisory Committee

The following named persons were appointed under the Credit Union's Rules to act as the Supervisory Committee of the Credit Union: Megan Proffitt, Marie Marshall.

3.4 Auditor

The Credit Union has appointed Hayes Knight Audit as the Credit Union's auditors. The auditor's contact details are included in the Directory.

A copy of the auditor's report together with his consent to the report appearing in this Prospectus, is attached to the Second Schedule.

3.5 Solicitors

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

3.6 Prudential Supervisor

The Prudential Supervisor's contact details are included in the Directory.

3.7 Bankers

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

4. MATERIAL CONTRACTS

The Credit Union entered into a Deed of Modification with the Prudential Supervisor dated 19 November 2010. The Deed of Modification amends the Trust Deed between the Prudential Supervisor and the Credit Union to incorporate the obligations required by the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010. A copy of the Deed has been filed with the Registrar.

There are no other material contracts that have been entered into by the Credit Union in the two years prior to the date this Prospectus, as amended by the Memorandum of Amendment dated 15 December 2010, was delivered to the Registrar other than contracts entered into in the ordinary course of business of the Credit Union.

5. PENDING PROCEEDINGS

There are no legal proceedings or arbitrations pending at the date this Prospectus that may materially effect in an adverse manner, the Credit Union.

6. RANKING

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 \$1,097,237 as at 30 April 2010 (\$1,073,886 as at 30 April 2009). There were nil prior ranking securities as at 30 April 2010 (nil as at 30 April 2009).

The repayment of monies owing on members' shares is principally secured to the extent permitted by law 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 of shares and unpaid share capital (if any). The equitable assignment by way of security 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 7, for further details of the Trust Deed.

As a consequence of and in addition to the first ranking equitable assignment by way of security, the Credit Union has granted to the Prudential Supervisor a security interest in all its present and after-acquired personal property and the Prudential Supervisor has registered a financing statement under the PPSA in respect of the same. The grant of the security interest was recorded and confirmed in the Deed of Modification dated 21 October 2002 which has been registered with the Registrar of Companies. Please refer to paragraph 7.1 for further details.

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 of 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 members 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 interest may take priority to the member's claims for withdrawal secured by the Trust Deed.

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

7.1 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 16 March 2001 as modified by the Deeds of Modification dated 21 October 2002 and 19 November 2010.

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 right in relation to all accounts receivable, to the Prudential Supervisor is recorded in the Deed of Modification. Please refer to paragraph 6 for further information about the security interest in the Credit Union's personal property.

Prudential Reserve

The Credit Union is required by the Trust Deed to maintain a prudential reserve. The general reserve and retained earnings comprise part of the prudential reserve. The Trust Deed requires that the Credit Union transfer an amount equal to ten per cent (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.

Other Charges and Financial Ratios

Under the Trust Deed, the Credit Union has covenanted that it will not grant any charge or other security interest in priority to or ranking equally with the deed of assignment by way of security 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, not to:

- (a) permit its total liabilities to exceed 90% of its total tangible assets;
- (b) permit its secured liabilities to exceed 1% of its total tangible assets;
- (c) permit its liquid assets to be less than 8% of its total tangible assets;
- (d) 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;
- (e) fail to ensure that it has sufficient assets at times to discharge all debts as they fall due;
- (f) permit the aggregate of its secured investments, unsecured investments and listed securities, to exceed 15% of its total tangible assets;
- (g) permit the aggregate of its unsecured investments to exceed 1% of its total tangible assets.

The Prudential Supervisor has agreed that, in calculating the amount under 7.1(g) above, the amount of \$42,219 represented by subordinated capital notes issued by the New Zealand Association of Credit Unions, on terms further set out in note 11 to the financial statements in the Third Schedule of this Prospectus, may be disregarded.

Pursuant to the Deed of Modification dated 19 November 2010 the Credit Union has also covenanted with the Prudential Supervisor that it will:

- (a) ensure that at all times its capital ratio is not less than 10% if it does not have a credit rating; and
- (b) ensure that at all times the aggregate exposure to related parties does not exceed a maximum of 15% of capital; and

- (c) at all times comply with a risk management programme that meets the requirements of the Reserve Bank of New Zealand Act 1989.

Further details on how the amounts above are calculated are contained in the Deed of Modification.

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;
- . 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 timeously 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 (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; and
- 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.

The Credit Union is also required to furnish the Prudential Supervisor with half-yearly unaudited and annual audited financial statements prepared in accordance with generally accepted accounting practice. The directors are also required to furnish the Trustee 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. Shareholders 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.

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; and
- (b) sufficient assets to meet its obligations to members, as they fall due.

7.2 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 the any monies that may become payable by the Credit Union to any member.

7.3 Other Restrictions on the Credit Union

The Credit Union's ability to borrow is further restricted by sections 101(2) and 108 – 117 of the Act. 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*".

Section 108 of the Act provides that the Credit Union may not accept deposits except by way of subscriptions for its shares. A "deposit" is defined as a sum of money which is to be repaid and which is not referable to the provision of property or services or the giving of security.

Section 109 provides that the Credit Union may not without the Registrar of Friendly Societies and Credit Union's written consent:

- (a) accept a bank overdraft for a period exceeding six (6) months;
- (b) borrow money from another Credit Union, or the New Zealand Association of Credit Unions, for a period exceeding one (1) year.

Section 110 provides that the Credit Union may not grant an unsecured loan to a member which would exceed 5% of the Credit Union's total tangible assets or be (without the approval of the Registrar) for a period longer than 5 years nor may it grant a secured loan to a member which would exceed 10% of the Credit Union's total tangible assets or, without the approval of the Registrar, for a period longer than 10 years.

Section 111 makes it an offence for the Credit Union to make a loan in contravention of a limit on loans set by the Minister of Finance. At present there are no limits on loans imposed under this section.

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 solely for the purpose of conducting its business thereon or therein. It may hold an interest in land as security for a loan to a member. If the credit union, as creditor under such a loan, acquires an interest in the land, it must dispose of that interest as soon as possible and, in any event, within 6 months unless the Registrar allows a longer period.

Under section 117 the Credit Union may invest its funds only in accordance with the Trustee Act 1956 or with an association of credit unions of which it is a member (in the Credit Union's case, the Association) or with a bank.

Section 109 of the Act further provides, that any Credit Union that borrows and does not repay any amount or amounts which exceed 30% of its paid up capital, commits an offence under the Act.

8. 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 7.3 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

The principal risks that may affect the solvency of the Credit Union, and consequently any investment with the Credit Union are:

1. **Competition**

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. As the Credit Union is competing with banks, other credit unions and companies operating 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.

2. **Common Bond Limitations**

Because of Common Bond limitations, in the Credit Union's case being those associated with a particular employer or industry, the Credit Union is vulnerable to any economic downturn affecting that employer or industry reflected in its Common Bond. 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 where there is a concentration of membership in that particular region.

3. **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.

4. **Interest Rate Margin Risk**

The Credit Union 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.

5. **Regulatory 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.

6. **Unrated Offeror**

The Credit Union is not rated because it is operating under an exemption from the Reserve Bank of New Zealand Act 1989 to have a credit rating. The exemption is set out in the Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2009 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 Reserve Bank of New Zealand Act 1989 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.

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
 - (iii) is referred to in this Prospectus.

9. PLACES OF INSPECTION OF DOCUMENTS

9.1 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, the Investment Statement and the Trust Deed; and
- (c) the Credit Union's most recent audited financial statements.

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

9.2 Companies Office

Copies of:

- (a) the Credit Union's Rules;
- (b) this Prospectus, the Deed of Modification and the Trust Deed; and
- (c) the Credit Union's audited financial statements;

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"]. Copies may also be obtained by telephoning the MED Business Service Centre on (0508) 266 726.

10. 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.

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).

11. SUMMARY OF FINANCIAL STATEMENTS

The summary of the financial statements of the Credit Union for the five years ended 30 April 2010, as required by clause 8 of Schedule 2 to the Securities Regulations 2009, are set out in the First Schedule.

12. FINANCIAL STATEMENTS

The audited financial statements of the Credit Union for the twelve months ending 30 April 2010 have been registered under the Financial Reporting Act 1993 on the same day as this Prospectus, being 30 August 2010. A copy of the financial statements for the twelve months ending 30 April 2010 is attached to the Third Schedule.

13. 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 Companies for registration.

14. DIRECTORS STATEMENT

The Directors having made due enquiry in relation to the period between the balance date of the latest balance sheet set out in the Third Schedule to this Prospectus 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.

<hr/> LORRAINE LYONS	Director/Treasurer/ Securities Registrar
<hr/> CLIVE BIDDULPH	Director
<hr/> ANDREW CRUICKSHANK	Director/Trustee
<hr/> CAROL CAMPBELL	Director/Trustee
<hr/> LIONEL PEREIRA	Director/Secretary
<hr/> DOROTHY CHAPLIN	Director/Trustee
<hr/> WHETU FLESHER	Director
<hr/> JASON ROSS	Director/Chairperson
<hr/> STEVEN McVEY	Director
<hr/> MARSH McLEOD	Director


14. DIRECTORS STATEMENT

The Directors having made due enquiry in relation to the period between the balance date of the latest balance sheet set out in the Third Schedule to this Prospectus 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.


LORRAINE LYONS

Director/Treasurer/
Securities Registrar


CLIVE BIDDULPH

Director


ANDREW CRUICKSHANK

Director/Trustee


CAROL CAMPBELL

Director/Trustee


LIONEL PEREIRA

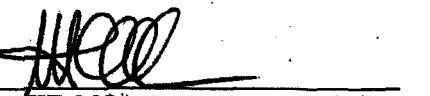
Director/Secretary


DOROTHY CHAPLIN

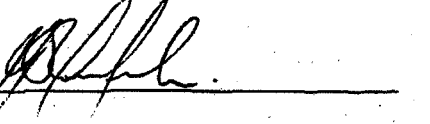
Director/Trustee


WHETU FLESHER


Director


MIKE MOA

Director/Chairperson


BOWEN BATISTICH

Director


MARSH McLEOD

Director

**FIRST SCHEDULE
SUMMARY OF FINANCIAL INFORMATION**

	Audited For Year Ended 30-Apr 2010 NZ IFRS	Audited For Year Ended 30-Apr 2009 NZ IFRS	Audited For Year Ended 30-Apr 2008 NZ IFRS	Audited For Year Ended 30-Apr 2007 NZ IFRS	Audited For Year Ended 30-Apr 2007 Previous NZ GAAP	Audited For Year Ended 30-Apr 2006 Previous NZ GAAP
	\$	\$	\$	\$	\$	\$
STATEMENT OF COMPREHENSIVE INCOME						
Total Operating Revenue	211,349	213,307	217,969	270,040	270,040	239,169
Finance Costs	28,909	33,438	50,949	65,670	65,670	50,923
Profit from Operating Activities	29,273	15,884	15,873	57,719	57,719	45,527
Income Tax Expense	0	0	0	0	0	0
Total Comprehensive Income	29,273	15,884	15,873	57,719	57,719	45,527
STATEMENT OF CHANGES IN EQUITY						
Retained Earnings Brought Forward	529,148	515,887	500,014	442,295	442,295	397,832
Total Comprehensive Income	29,273	15,884	15,873	57,719	57,719	45,527
Transfer to General Reserve	590	2,425	0	0	0	1,064
Total Equity	648,279	617,006	601,322	585,449	585,449	527,730
Note Total Equity made up of:						
Retained Earnings	557,829	529,148	515,887	500,014	500,014	442,295
General Reserve	88,450	87,860	85,435	85,435	85,435	85,435
BALANCE SHEET						
Cash & Bank	523,343	645,633	684,669	663,320	663,320	553,988
Deposits at NZACU	-	-	-	-	-	-
Trade and other receivables	8,648	5,413	3,723	8,546	8,546	6,907
Loans to members	1,193,055	1,020,579	870,880	934,401	934,401	1,098,621
Capital Notes	42,219	42,219	42,219	42,219	42,219	38,880
Property, plant & equipment	2,211	2,637	1,028	1,807	1,807	2,600
Total Assets	1,769,476	1,718,481	1,602,719	1,650,293	1,650,293	1,700,986
Trade and other payables	25,980	25,589	26,584	39,862	39,862	56,506
Short-term borrowings	-	-	-	-	-	-
Members' deposits	1,097,237	1,073,886	974,813	1,024,982	1,024,982	1,116,750
Total Liabilities	1,123,197	1,099,475	1,001,397	1,064,844	1,064,844	1,173,256
Equity	646,279	617,006	601,322	585,449	585,449	527,730
CASHFLOWS						
Net Cashflows from or used in operating activities	27,007	21,576	14,774	37,258	37,258	63,803
Net Cashflows from or used in investing activities	(172,848)	220,116	326,944	23,842	23,842	(49,888)
Net Cashflows from or used in financing activities	23,351	99,073	(50,169)	(91,768)	(91,768)	(3,013)

Notes to Financial Statements

- The amounts stated have been taken from audited financial statements.
- There are no abnormal items that derive from the ordinary activities of the Credit Union.
- There are no extraordinary items that derive from events outside the ordinary activities of the Credit Union.
- The equity method of accounting has not been used.
- NZIFRS means New Zealand International Financial Reporting Standards; GAAP means Generally Accepted Accounting Practice

Notes to the Summary Financial Statements

1. **The amounts stated in the summary financial statements are for the entity Carbine Credit Union (Credit Union) and have been extracted from the full audited financial statements for the years ended 30 April 2006 to 30 April 2010.**
2. **The summary financial statements are presented in New Zealand Dollars and all values are rounded to the nearest dollar.**
3. **The above summary financial statements were authorised for issue in accordance with a resolution of the directors on 26 July 2010.**
4. **The directors at the relevant times have previously authorised the issue of full financial statements as follows:**
 - **Year ended 30 April 2010: Authorised by the directors on 26 July 2010**
 - **Year ended 30 April 2009: Authorised by the directors on 24 July 2009**
 - **Year ended 30 April 2008: Authorised by the directors on 17 June 2008**
 - **Year ended 30 April 2007: Authorised by the directors on 5 July 2007**
 - **Year ended 30 April 2006: Authorised by the directors on 30 June 2006**
5. **The full financial statements, from which these summary financial statements were extracted, have been prepared in accordance with NZGAAP (New Zealand Generally Accepted Accounting Practice) and comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for public benefit entities for the years ended 30 April 2008 to 30 April 2010. The 30 April 2006 and 30 April 2007 financial years were prepared under the applicable NZ GAAP at the time.**

The Credit Union has made an explicit and unreserved statement of compliance with IFRS in its full financial statements for the years ended 30 April 2008 to 30 April 2010.
6. **The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements.**
7. **For a copy of the full financial statements please refer to pages 1 to 30 of the Third Schedule of this Prospectus.**
8. **There are no abnormal items that derive from the ordinary activities of the Credit Union.**
9. **There are no extraordinary items that derive from the ordinary activities of the credit union.**
10. **The equity method of accounting has not been used.**
11. **The full financial statements in the Third Schedule of this Prospectus have been audited by Hayes Knight Audit.**
12. **The audit reports for the full financial statements for the years ended 30 April 2006 to 30 April 2010, include unqualified audit opinions.**
13. **There were no changes in accounting policies affecting the prior period other than the transition to NZ IFRS in 2007 and the application of new accounting standards as they were issued and became effective.**
14. **The summary financial statements are in compliance with FRS 43.**



HAYES KNIGHT | AUDIT

The Directors
Carbine Credit Union
113 Carbine Road
Mt Wellington
Auckland

Dear Directors

As auditors of the Carbine Credit Union (the 'Credit Union') we have prepared this report pursuant to clause 22 of Schedule 2 of the Securities Regulations 2009 for inclusion in a prospectus to be dated 30 August 2010 for the issue of debt securities.

We have audited the financial statements on pages 1 to 30 of the Third Schedule of the prospectus. The financial statements provide information about the past financial performance and cashflows, and financial position of the Credit Union as at 30 April 2010. This information is stated in accordance with the accounting policies set out on pages 5 to 9.

Directors Responsibilities

The directors are responsible for the preparation and presentation of:

- a) the financial statements provided pursuant to clause 17 of Schedule 2 of the Securities Regulations 2009, that comply with generally accepted accounting practice in New Zealand; and give a true and fair view of the state of affairs of the Credit Union as at 30 April 2010 and its financial performance and cash flows for the financial year ended on that date; and
- b) a summary of financial statements of the Credit Union for the financial years ended 30 April 2006 through to 2010 as required by clause 8 of Schedule 2; and
- c) the details and amounts relating to the ranking of securities of the Credit Union as at 30 April 2010 as required by clause 13 of Schedule 2 of the Securities Regulations 2009.

Auditor's Responsibilities

It is our responsibility to:

- a) express an independent opinion on the financial statements presented by the directors and report our opinion to you in accordance with clause 22 (1) of Schedule 2 of the Securities Regulations 2009; and
- b) report in accordance with clause 22 (1)(h) of Schedule 2 on the amounts included in the summary of financial statements and those relating to the ranking of securities as at 30 April 2010.

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

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, and
- whether the accounting policies are appropriate to the Credit Union's circumstances, consistently applied and adequately disclosed.

Hayes Knight Audit
CHARTERED ACCOUNTANTS

Level 1, 1 Broadway
Newmarket
Auckland
New Zealand

PO Box 9588
Newmarket
Auckland 1149

T +64 9 550 5910
F +64 9 307 0143
E audit@hayesknight.co.nz
W hayesknight.co.nz



We 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 which we considered necessary. We obtained sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no relationship with, or interests in, Carbine Credit Union.

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by the directors as far as appears from our examination of those records; and
- the financial statements on pages 1 to 30 of the Third Schedule of the prospectus, that are provided pursuant to clause 17 of Schedule 2 of the Securities Regulations 2009, to be audited:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the state of affairs of the Credit Union as at 30 April 2010 and their results and cash flows for the period ended on that date;

We completed our audit of the financial statements of Carbine Credit Union on 29 July 2010 and our unqualified opinion is expressed as at that date.

In addition to our statutory audit of the financial statements we have also completed the following:

- The amounts stated pursuant to clause 8 of Schedule 2 to the Securities Regulations 2009 set out in the first schedule of the prospectus have been correctly taken from the audited financial statements for the years ended 30 April 2006 to 2010.
- There are no amounts stated pursuant to clauses 9(2) and 9(3) of Schedule 2 to the Securities Regulations 2009.
- The ranking of securities, on page 8, pursuant to clause 13 of Schedule 2 has been correctly taken from audited financial statements of the Credit Union as at 30 April 2010.

In accordance with clause 18(1)(c)(ii) of the Securities Regulations 2009 we consent to the distribution of this opinion with Carbine Credit Union Prospectus dated 30 August 2010.

Hayes Knight Audit

HAYES KNIGHT AUDIT

AUCKLAND, NEW ZEALAND



THIRD SCHEDULE

CARBINE CREDIT UNION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2010

CARBINE CREDIT UNION

COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 30 APRIL 2010

	Note	2010 \$	2009 \$
Interest revenue	2	194,242	190,671
Other revenue	2	17,107	22,636
TOTAL REVENUE		211,349	213,307
EXPENDITURE			
Interest expenditure	2	28,909	33,436
Loan impairment expenses	2	172	7,992
Employee benefits			
Occupancy			
Depreciation	2	426	585
Impairment losses			
Other expenditure	2	152,569	155,610
TOTAL EXPENDITURE		182,076	197,623
Profit for the period attributable to members		29,273	15,684
Total comprehensive income		29,273	15,684

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



CARBINE CREDIT UNION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 APRIL 2010

	Retained Earnings \$	General Reserve \$	Total \$
Balance at 1 May 2009	529,146	87,860	617,006
Total Comprehensive Income	<u>28,683</u>	<u>590</u>	<u>29,273</u>
Balance at 30 April 2010	<u>557,829</u>	<u>88,450</u>	<u>646,279</u>
Balance at 1 May 2008	515,887	85,435	601,322
Total Comprehensive Income	<u>13,259</u>	<u>2,425</u>	<u>15,684</u>
Balance at 30 April 2009	<u>529,146</u>	<u>87,860</u>	<u>617,006</u>



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

CARBINE CREDIT UNION

BALANCE SHEET AS AT 30 APRIL 2010

	Note	2010	2009
		\$	\$
MEMBERS' FUNDS			
Retained earnings	4	557,829	529,146
General reserves	4	88,450	87,860
TOTAL MEMBERS FUNDS		646,279	617,006
ASSETS			
Cash & Bank	5	523,343	645,633
Deposits at NZACU	5	-	-
Trade and other receivables	6	8,648	5,413
Loans to members	7-8	1,193,055	1,020,579
Property, plant & equipment	10	2,211	2,637
Capital Notes	11	42,219	42,219
TOTAL ASSETS		1,769,476	1,716,481
LIABILITIES			
Trade and other payables	12	25,960	25,589
Short-term borrowings	13	-	-
Members' deposits	14	1,097,237	1,073,886
TOTAL LIABILITIES		1,123,197	1,099,475
NET ASSETS		646,279	617,006

These Financial Statements are authorised for issue by:

D M Steph
Director

M H Lyden
Director

26-7-10.
Date

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



CARBINE CREDIT UNION
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 APRIL 2010

	Note	2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		172,488	147,663
Fees and commissions received		18,456	44,205
Bad loans recovered		3,721	5,384
Other income		13,386	17,252
Interest paid		(28,909)	(33,436)
Payments to suppliers and employers		<u>(152,135)</u>	<u>(159,492)</u>
Net cash provided by/(used in) operating activities	27	<u>27,007</u>	<u>21,576</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net movement in members' loans		(172,648)	(157,691)
Payments for property, plant and equipment		-	(2,194)
Proceeds from sale of property, plant and equipment			
Net movement in short term investments		-	380,000
Net cash provided by/(used in) investing activities		<u>(172,648)</u>	<u>220,115</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in member deposits		23,351	99,073
Proceeds from borrowings			
Repayment of borrowings			
Net cash provided by/(used in) financing activities		<u>23,351</u>	<u>99,073</u>
Total net increase/(decrease) in cash held		(122,290)	340,764
Cash at the beginning of the period		<u>645,633</u>	<u>304,869</u>
Cash at the end of the period		<u><u>523,343</u></u>	<u><u>645,633</u></u>



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

CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2010

Reporting Entity

The Credit Union is registered under the Friendly Societies and Credit Unions Act 1982. 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 Practice ("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.

These financial statements also comply with International Financial Reporting Standards ('IFRS'). The presentation currency is \$NZ and rounded to the nearest dollar.

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 is 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. Segment information is represented by the amounts disclosed in the income statement, balance sheet and cashflow statement.

Trust Deed

To meet the requirements of The Securities Act 1978 a Trust Deed was entered into on the 16 March 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.

(a) Measurement Base

The financial statements have been prepared on a going concern basis in accordance with the historical concept, except for certain financial instruments which are stated at fair value. The presentation currency used in the financial statements is the New Zealand dollar. The financial statements presented have been rounded to the nearest dollar.



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2010

(b) 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 as debt instruments. 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.

(c) Financial Instruments Recognition

A financial instrument is recognised if the Credit Union becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Credit Union's contractual rights to the cash flows from the financial assets expire or if the Credit Union transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Credit Union's obligations specified in the contract expire or are discharged or cancelled.

A financial asset and a financial liability are offset only when the credit union has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial instruments are initially measured at fair value plus, for financial instruments not at fair value through profit or loss, directly attributable transactions costs. Subsequent to initial recognition these instruments are measured as set out below.

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.

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 less impairment losses.

Held-to-maturity investments

Capital Notes are defined as held to maturity investments. The capital notes are measured at amortised cost as its fair value could not be measured reliably as there is no active market for this investment.

Available for Sale Financial Assets

The Credit Union has no available for sale financial assets

Financial liabilities

Non- derivative financial liabilities are recognised at amortised cost, comprising original debt less principal repayments and amortisation using the effective interest rate method.

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

(d) 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

Loan origination fees are not material. These are taken to revenue when the loan is drawn down.

If material, loan origination fees will initially be deferred as part of the loan balance and brought to account as income over the expected life of the loan.

Fees collected represent reimbursement of costs incurred as specified by the Credit Contracts and Consumer Finance Act 2006 (CCCFA).



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

(e) Impairment – Loans & Advances

All loans are subject to regular management review to assess whether there is any objective evidence that any loan or group of loans is impaired. Impairment loss is measured as the difference between the loan's carrying amount and the value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. Individual financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised in the income statement.

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 an impairment allowance 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 allowance for impaired loans.

"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 in arrears which has not been operated within its key terms by the borrower and which is not an impaired loan.

(f) Derivative financial instruments and hedge accounting

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

(g) Goods & Services Tax

The Credit Union is not registered for GST. Where applicable, all amounts are stated on a GST inclusive basis.

(h) 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.

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

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

Property

The Credit Union does not own freehold land or buildings.

Plant and Equipment

Plant and equipment are measured on the cost basis less accumulated 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 Income Statement 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.



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

Depreciation

The depreciable amount of all plant and equipment is depreciated over their useful lives to the Credit Union commencing from the time the asset is held ready for use.

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

Computer Hardware 30%	Office Furniture and Equipment 9.6%-20%
-----------------------	---

Assets under \$200 are not capitalised.

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 Income Statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(j) 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 Income Statement.

(k) 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.

Finance leases are capitalised recording an asset and a liability equal to lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and are amortised on a straight-line basis over the life of the lease term.

(l) Employee Benefits

Accruals are 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 on an undiscounted basis and are expensed as the service is provided by the employee. 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.



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

(m) 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.

(n) 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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.



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

2 REVENUE AND EXPENDITURE

REVENUE

	2010	2009
<i>Interest Revenue</i>	\$	\$
Interest on Loans	173,943	148,519
Interest on Investments	20,299	42,152
Other Interest		
Total Interest Revenue	194,242	190,671

Other Income

	2010	2009
<i>Other Income</i>	\$	\$
Loan Application Fees	8,140	9,040
Cost Recoveries	-	-
Bad Debts Recovered	3,721	5,384
Commissions	-	-
Rental Income	-	-
Profit on Sale of Property Plant & Equipment	-	-
Other Income	5,246	8,212
Total Other Income	17,107	22,636

TOTAL REVENUE

211,349	213,307
----------------	----------------

EXPENDITURE

	2010	2009
<i>Interest Expenditure</i>	-	-
Interest on Members Call Shares	28,909	33,436
Interest on Members Term Shares	-	-
Interest on Overdraft from NZACU	-	-
Other interest	-	-
Total Interest Expenditure	28,909	33,436



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

	2010	2009
Other Expenditure	\$	\$
Auditors Remuneration	-	-
External Audit:		
Audit of Financial Statements	12,434	12,363
Accountancy Fees	10,946	12,715
Internal Audit:	-	-
Leasing and Rental Costs	-	-
Loss on Disposal of Property Plant & Equipment	-	-
Directors Fees	-	-
Directors Expenses and Training	1,726	2,066
Donations Made / Community Support	-	-
Employee Benefit Expense	70,660	68,348
Other Expenses	56,803	60,118
Total Other Expenditure	<u>152,569</u>	<u>155,610</u>
Loan Impairment Expenditure		
Bad Debts Written Off to impairment allowance	7,748	11,984
Movement in allowance for impaired Loans	(7,576)	(3,992)
Total Loan Impairment Expenditure	<u>172</u>	<u>7,992</u>
Depreciation Expenditure		
Buildings	-	-
Computer Hardware	-	135
Computer Software	-	-
Motor Vehicles	-	-
Office Furniture and Equipment	426	450
Leasehold Improvements	-	-
Total Depreciation Expenditure	<u>426</u>	<u>585</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:

		2010	2009
Loan Provider Shares-	2% to \$1,000 then	3%	2.5%
Christmas Club Shares		2%	4%



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2010

4 RESERVES

Reserves at 30 April 2010

	Retained Earnings	General Reserve	Revaluation Reserve	Other Reserves	Total Members' Reserves
Balance brought forward	529,146	87,860			617,006
Operating profit for the period	29,273				29,273
Transfer to/from retained earnings	(590)	590			-
Balance carried forward	557,829	88,450			646,279
The Reserve % to Total Assets	31%	5%	0%	0%	36%

Reserves at 30 April 2009

	Retained Earnings	General Reserve	Revaluation Reserve	Other Reserves	Total Members' Reserves
Balance brought forward	515,867	85,435			601,322
Operating profit for the period	15,684				15,684
Transfer to/from retained earnings	(2,425)	2,425			-
Balance carried forward	529,146	87,860			617,006
The Reserve % to Total Assets	30%	5%	0%	0%	35%

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 1982 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.



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2010

RESERVES - Continued

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	2010	2009
Cash & Cash equivalents		\$	\$
Deposits at NZ Association of Credit Unions	1%-4.6%	523,343	645,633
	0%	-	-
		<u>523,343</u>	<u>645,633</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. The credit union has access to an overdraft facility of \$10,000, which has not been utilised at year end.

6 TRADE AND OTHER RECEIVABLES

	2010	2009
Accrued Interest	\$ 8,648	\$ 5,350
Sundry Debtors	-	-
Prepayments	-	-
Other Receivables	-	63
	<u>8,648</u>	<u>5,413</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 income in the Income Statement in the period in which they are deemed irrecoverable.

(a) Loans to members comprises:

	2010	2009
Neither Past Due nor Impaired	\$ 1,193,055	\$ 1,020,579
Past due but not impaired	3,776	11,352
Impaired Individually	-	-
Impaired -Collectively	-	-
Gross Loans	1,196,831	1,031,931
Less:		
Allowance for impairment individually	3,776	11,352
Allowance for impairment collectively	-	-
Net	<u>1,193,055</u>	<u>1,020,579</u>



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

LOANS TO MEMBERS - Continued

(b) Credit quality - Security dissection

	2010	2009
	\$	\$
Secured by mortgage over real estate	-	-
Secured by members shares	837,782	722,352
Gross Loans	<u>837,782</u>	<u>722,352</u>

The security held by members shares is valued at cost and represents locked in amounts on the loan provider members accounts to be used as security against loans made. There is no other security held against personal loans.

(c) Credit quality - Concentration of loans

Loans to individual or related groups of members which exceed 10% of member funds in aggregate	Nil	Nil
Loans to members are concentrated to individuals employed in Tip Top Ice Cream Co. Bluebird Foods Ltd and Irvines Bakery.	100%	100%
Loans to members are concentrated solely in New Zealand and principally within the common bond of the Credit Union	100%	100%
Loans drawn down by member type:		
Loans to natural persons	-	-
Residential loans and facilities	-	-
Personal loans and facilities	1,196,831	1,031,931
Business loans and facilities	-	-
Loans to Charitable Trusts and Incorporated Societies	-	-
TOTAL	<u>1,196,831</u>	<u>1,031,931</u>



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

8 IMPAIRMENT OF LOANS AND ADVANCES

(a) Allowance for Impairment

	2010	2009
	\$	\$
Balance as at 1 May 2009	11,352	15,345
Addition / (reduction) in allowance	(7,576)	(3,993)
Bad Debts written off to allowance	-	-
Asset acquired through the enforcement of security	-	-
Other Adjustments	-	-
Balance at 30 April 2010	3,776	11,352

(b) Calculation of allowance for Impairment

Allowance per Prudential Standards (impaired collectively)	11,352	15,345
Additional(reduction) in Specific Allowance (impaired individually)	(7,576)	(3,993)
Nb. Where individual loans are impaired and that impairment is deemed to be less than reflected in the Allowance then the Specific Allowance adjustment will reduce the Allowance balance.	-	-
Closing Balance	3,776	11,352

Period of Impairment	% of Balance
31 days to 90 days	20%
91 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 allowance is checked to impaired loans and an additional allowance is made if the impaired loans are greater than the provision.

(c) Impairment expense

	2010	2009
	\$	\$
Allowance for impairment- Change in period		
Bad loans written off as an expense during the period	7,748	11,984
	7,748	11,984



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

IMPAIRMENT OF LOANS AND ADVANCES - Continued

<i>(d) Impairment of Loans</i>	2010 \$	2009 \$
Non Accrual Loans (No interest charged)		
Loans with allowance for impairment	-	-
Allowance for impairment	-	-
Total non accrual loans	-	-
Past Due Loans 30 days to 90 days		
Total past due loans	-	-
Allowance for impairment	-	-
Past Due Loans beyond 90 days		
Total past due loans	-	-
Allowance for impairment	-	-
Other Impaired Loans		
Total other loans	-	-
Allowance for impairment	-	-

There were no restructured loans, or loans where real estate or other assets were acquired through the enforcement of security at 30 April 2010.

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.

(e) Interest and Other Revenue recognised and foregone

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

(f) 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	-	-
	-	-



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

(g) Loans with repayments past due but not impaired

Loans with repayments past due but not impaired comprise

Loans to members

	< 3 Months	3-6 Months	6-12 Months	> 1 year	Total
2010					
Mortgage secured					
Other loans	-	3,776	-	-	3,776
Total					

	< 3 Months	3-6 Months	6-12 Months	> 1 year	Total
2009					
Mortgage secured					
Other loans		11,352			11,352
Total					

IMPAIRMENT OF LOANS AND ADVANCES - Continued

(h) Restructured Loans

There are no past due or impaired loans that have been restructured that fall outside the Credit Unions normal lending criteria.

9 DERIVATIVES

Derivative Instruments used by the Credit Union

The Credit Union does not normally enter into derivative transactions in the normal course of business.

10 PROPERTY, PLANT AND EQUIPMENT

(a) Classes of Property, Plant & Equipment

Office Equipment

At cost

Accumulated depreciation

Accumulated impairment losses

	2010 \$	2009 \$
	4,503	4,503
	(2,852)	(2,562)
	-	-
	<u>1,651</u>	<u>1,941</u>

Furniture & Fittings

At cost

Accumulated depreciation

Accumulated impairment losses

	1,129	1,129
	(569)	(433)
	-	-
	<u>560</u>	<u>696</u>
Total Property, Plant & Equipment	<u>2,211</u>	<u>2,637</u>

Total Property, Plant & Equipment



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

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.

	Office Eqpt \$	Furn & Fittings \$	Total \$
Balance at the Beginning of the period	1,941	696	2,637
Additions	-	-	-
Disposals	-	-	-
Depreciation Expense	290	136	426
Impairment write-downs	-	-	-
Net Revaluation increment/(decrement)	-	-	-
Carrying amount at the end of the financial period	<u>1,651</u>	<u>560</u>	<u>2,211</u>

(c) Impairment Losses

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



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

11 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.

	2010	2009
Capital Notes at Cost	\$ 42,219	\$ 42,219
Less Impairment	-	-
	<u>42,219</u>	<u>42,219</u>

12 TRADE AND OTHER PAYABLES

	2010	2009
Trade Payables	\$ 25,960	\$ 25,589
Accrued Interest Payable	-	-
Resident Withholding Tax	-	-
Sundry Creditors and Accrued Expenses	-	-
Employee Entitlements	-	-
ACCESSCARD Settlement	-	-
Other Liabilities	-	-
	<u>25,960</u>	<u>25,589</u>

13 SHORT-TERM BORROWINGS

	2010	2009
Secured Loans	\$ -	\$ -
Unsecured Loans	-	-
	<u>-</u>	<u>-</u>

Refer to Note 16 for details of borrowing facilities.



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

14 MEMBERS' DEPOSITS

	2010	2009
<i>Ordinary Shares</i>	\$	\$
Savings Accounts	2,908	3,459
Christmas Club	112,443	130,088
Loan Provider Account	981,886	940,338
Total Ordinary Shares	1,097,237	1,073,885
<i>Term Shares:</i>		
<i>Original Maturity Terms:</i>		
0-3 months	-	-
6 months	-	-
9 months	-	-
12 months	-	-
Greater than 12 months	-	-
Total Term Shares	-	-
Total Members' Deposits	1,097,237	1,073,885

15 COMMITMENTS

The Credit Union has no future commitments.

16 STANDBY BORROWING FACILITIES

The Credit Union does not have a borrowing facility with NZACU.



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

17 CONTINGENT LIABILITIES

There are no contingent liabilities not provided for in the financial statements . (2009 NIL)

18 SEGMENTAL REPORTING

The Credit Union operates in the New Zealand financial services industry with a concentration of members and activity in Auckland and its satellite towns.

19 EVENTS OCCURRING AFTER BALANCE DATE

There are no known events that have occurred subsequent to balance date which would materially affect these financial statements. (2009: NIL)

20 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 measured gap in each 3 month range to be maintained is between 9- 10% of the difference between loans and members deposits. The gap is measured monthly to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposits liabilities to rectify the imbalance to within acceptable levels. 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 22 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



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

	2010 - Interest Rate Risk			2009 - Interest Rate Risk		
	Carrying Amount	-1% Profit & Equity	+1% Profit & Equity	Carrying Amount	-1% Profit & Equity	+1% Profit & Equity
	\$	\$	\$	\$	\$	\$
Financial Assets						
Bank deposits	523,342	(5,233)	5,233	645,633	(6,456)	6,456
Loan receivables	1,193,055	(11,931)	11,931	1,020,579	(10,206)	10,206
		(17,164)	17,164		(16,662)	16,662
Financial Liabilities						
Members deposits	1,097,237	(10,972)	10,972	1,073,886	(10,739)	10,739
Total Increase / (Decrease)		(6,192)	6,192		(5,923)	5,923

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 the 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 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. There is no concentration of credit risk with respect to loans and receivables as the Credit Union has a large number of customers dispersed in areas of employment. 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 impairments of loans
- Debt recovery procedures
- Review of compliance with the above policies

Regular review of compliance are conducted at Board meetings.

The Credit Union has a concentration in the retail lending for members who comprise employees and family in Tip Top Ice Cream Co. Bluebird Foods Ltd and Irvines Bakery. 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.



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2010

Weekly 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 as appropriate. 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. Directors have established policies that spread the investment equally between trading banks and NZACU.

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.

Credit Risk - Equity Investments

The Credit Union does not have investments in equity investments.

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 no standby facility with NZACU.

The Credit Union's policy is to maintain at least 8% 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.

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 Credit Union has just one staff member/manager attending to most office duties.
- the annual and half yearly accounts are completed by an outside Accountant.
- the Board of Trustees approve the loans.
- 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

Capital Management

The Credit Union is regulated under the Friendly Societies and Credit Union Act 1982. 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 as the end of the reporting period is stated in note 4.

The Credit Union's capital is determined as follows:

	2010	2009
Tier 1		
Retained profits & other revenue reserves	557,829	529,146
General reserve	88,450	87,860
Tier 2		
Asset revaluation reserves	-	-
Other reserves	-	-
Total reserves	646,279	617,006



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

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 trustee 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.

21 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.

	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
2010 Monetary Assets										
Receivable Cash & Bank		523,343								523,343
Deposits at NZACU										-
Trade and other receivables		8,648								8,648
Loans to members		59,252	111,648	173,061	259,250	346,965	227,988	14,891		1,193,055
Capital Notes									42,219	42,219
Future Interest Receivable		1,651	399	1,237	2,780	7,442	11,411	1,065	2,955	28,940
Monetary Assets Receivable		592,894	112,047	174,298	262,030	354,407	239,399	15,956	45,174	1,796,205
2010 Monetary Liabilities										
Payable Trade and other payables		25,960								25,960
Members Deposits		1,097,237								1,097,237
Short-term borrowings										-
Future										-
Total Monetary Liabilities Payable		1,123,197	-	-	-	-	-	-	-	1,123,197



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

	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
2009 Monetary Assets										
Receivable Cash & Bank		645,663								645,663
Deposits at NZACU										-
Trade and other receivables		5,235	115							5,350
Loans to members		55,339	108,534	166,570	248,308	284,085	147,873	9,870		1,020,579
Capital Notes									42,219	42,219
Future Interest Receivable		2,623	3,825	11,743	26,258	60,083	72,975	6,958	2,709	187,174
Total Monetary Assets	-	708,860	112,474	178,313	274,566	344,168	220,848	16,828	44,928	1,900,985
2009 Monetary Liabilities										
Payable Trade and other payables		25,589								25,589
Members Deposits		1,073,886								1,073,886
Short-term borrowings										-
Future Interest Payable										-
Monetary	-	1,099,475	-	-	-	-	-	-	-	1,099,475



CARBINR CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2010

22 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 30 April 2010																					
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									
2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
\$'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	320	557												203	88			523	645	4.5	4.0
Deposits at NZACU	0	0																0	0	-	-
Trade & other receivables														8	5			8	5	-	-
Loans to members	1,193	1,020																1,193	1,020	14.0	14.0
Derivatives																		0	0	-	-
Capital Notes																		42	42	7.0	4.0
Total Monetary Assets	1,513	1,577	0	0	0	0	0	0	0	0	0	0	0	211	93	42	42	1,766	1,712		
Monetary Liabilities																					
Deposits	1,097	1,074																1,097	1,074	3.0	5.5
Other payables														26	25			26	25	-	-
Borrowings																		0	0	-	-
Total Monetary Liabilities	1,097	1,074	0	0	0	0	0	0	0	0	0	0	0	26	25	0	0	1,123	1,099		

* 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%. (2009: 7% per annum).



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2010

23 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	-	-
Between 90% and 100% of equity	-	-
Between 80% and 90% 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 16% p.a. (2009 12% to 16% 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 30 Years.

The proportion of loans with repayments in arrears in excess of three months is:

2010	2009
0.3%	1.1%

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



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

Loans to Members

Loans are for varying terms but the standard loan contract includes an "on demand" clause. The monthly repayments on the loans for the past period represent an average loan of :

	2010 months	2009 months
The proportion of loans owed in aggregate by the debtors who owe the six largest amounts is	22.54	19.14
	2010	2009
	10.4%	11.8%

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.

24 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 Auckland and its satellite towns as well as individuals and their families who are past or present employees of Tip Top Ice Cream Co., Bluebird Foods Ltd and Irvines Bakery. The funding from members is recorded as Members' Shares in the Balance Sheet.

25 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 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.

	2010 Fair Value	2010 Book Value	Variance	Fair Value	2009 Book Value	Variance
	\$	\$	\$	\$	\$	\$
FINANCIAL ASSETS						
Cash and Bank	523,343	523,343	-	645,633	645,633	-
Deposits at NZACU	-	-	-	-	-	-
Trade and other receivables	8,648	8,648	-	5,413	5,413	-
Derivatives	-	-	-	-	-	-
Loans to members	1,193,055	1,193,055	-	1,020,579	1,020,579	-
Capital Notes	42,219	42,219	-	42,219	42,219	-
Total Financial Assets	1,767,265	1,767,265	-	1,713,844	1,713,844	-
FINANCIAL LIABILITIES						
Trade and other payables	25,960	25,960	-	25,589	25,589	-
Short term borrowings	-	-	-	-	-	-
Deposits from members	1,097,237	1,097,237	-	1,073,866	1,073,866	-
Total Financial Liabilities	1,123,197	1,123,197	-	1,099,475	1,099,475	-



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

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 not used by the Credit Union.

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 16 March 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 7 January 2003, which has been registered with the Registrar of Companies.

Other Liabilities

Accounts Payable are carried at amortised cost but due to the short term nature of these financial liabilities, carrying value is deemed to be approximate fair value.

26 DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

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 one of the staff of the Credit Union 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:



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL - Continued

	2010		2009	
	Directors	Other KMP	Directors	Other KMP
	\$	\$	\$	\$
(a) short-term employee benefits		70,660		68,348
(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	-	70,660	-	68,348

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.

	2010	2009
	\$	\$
Directors' holdings at balance date are:		
Owing to Directors (Shares)	18,633	56,438
Owing to Key Management Personnel (Shares)	62	5,355
Owing to Other Related Parties (Shares)	1,888	20,633
Owing from Directors (Loans)	28,265	74,247
Owing from Key Management Personnel (Loans)	-	-
Owing from Other Related Parties (Loans)	18,607	25,294

There are no shares from directors exceeding 12 months and all directors loans are repayable upon demand.

27 RECONCILIATION OF CASHFLOW FROM OPERATING ACTIVITIES WITH OPERATING PROFIT

	2010	2009
	\$	\$
Operating profit	29,273	15,684
Non Cash Items		
Depreciation	426	585
Bad Debts	7,748	11,984
Provision for Loan Impairment	(7,576)	(3,992)
Changes in Assets and Liabilities		
Movements in Accounts Receivable	(3,235)	(1,690)
Movements in Accounts Payable	371	(995)
Net Cash Provided by / (Used in) Operating Activities	27,007	21,576



Fourth Schedule

Schedule of Accounts

On Call Accounts

NAME: Shares
Minimum Shareholding: \$1.00
Interest Rate: 0%
Withdrawals available anytime
Fees and Charges: \$1.00 joining fee

NAME: Loan Provider
Interest Rate: Calculated on minimum monthly balance.
The current rate is 2% pa to \$1000.00.
3% pa over \$1000.00 payable 30 April each year,
at the discretion of the Board of Directors of the
Credit Union. (If closed during the financial year
the rate is 2%
Funds are available to members unless pledged as
Security against loan.

Minimum Shareholding: \$1.00

Fees and Charges: \$1.00 joining fee

NAME: Christmas Club

Interest Rate: Calculated on minimum monthly balance. The current rate
is 2% pa payable 30th November
Each year, at the discretion of the Board of
Directors of the Credit Union. (If closed during the
Financial year, the rate is 1%

Minimum Shareholding: \$1.00

Timing of Repayments: Withdrawals are available in the months of November
December each year.

Fee and charges: \$1.00 joining fee



Trustees Executors

Level 12 45 Queen Street PO Box 4197 Auckland New Zealand
TEL 09 308 7100 DD1 09 308 7116 FAX 09 308 7101
Email: shahazad.contractor@trustees.co.nz

30 August 2010

The Directors
Carbine Credit Union
113 Carbine Road
Mt Wellington
AUCKLAND

CARBINE CREDIT UNION

Clause 14(3) of the Second Schedule to the Securities Regulations 2009 requires us to confirm that the offer of deposits (in this Statement referred to generally as "Shares") set out in this Prospectus complies with any relevant provisions of the Trust Deed dated 16 March 2001 (as amended). These provisions are those which:

- (i) Entitle Carbine 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 Carbine Credit Union to offer the Shares;

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

The Auditors have reported on the financial information set out in the Prospectus and our statement does not refer to that information or to any other material in the Prospectus which does not relate to the Trust Deed.

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

- (a) set out above; and
- (b) that, subject to the duties imposed on the Trustee by the Fifteenth Schedule of the Securities Regulations 2009, the Trustee relies on the information supplied to it by Carbine Credit Union pursuant to the Trust Deed and does not carry out an independent check of the figures supplied to it in that information.

Trustees Executors Limited does not guarantee the repayment of the Shares or the payment of interest thereon.

Yours sincerely

TRUSTEES EXECUTORS LIMITED


Shahazad Contractor
CORPORATE BUSINESS MANAGER
CORPORATE TRUST

**SIXTH SCHEDULE
DIRECTORATE**

Director's Name and Address	Title	Qualification
Lorraine Lyons 60 Opaheke Road Papakura AUCKLAND	Director/ Treasurer/ Securities Registrar	
Mike Moa 5 Flamingo Court Goodwood Heights MANUKAU	Director	
Lionel Pereira 17 Flinders Place Otara AUCKLAND	Director	
Bowen Batistich 55 Nukuroa Rd Oruawhoro R D 5 WELLSFORD	Director	
Carol Campbell 12 Camden Rd PAPATOETOE	Director/ Trustee	
Andrew Cruickshank 8 Billington Avenue Otara AUCKLAND	Director/ Trustee	
Dorothy Chaplin 12A Gunson Road Mount Wellington AUCKLAND	Director/ Trustee	
Clive Biddulph 43 Croftview Rd Wattle Cove MANUKAU	Director/ Chairman	
Whetu Flesher 15 Middlemore Rd OTAHUHU	Director/ Secretary	
Marsh McLeod 76 Swaffield Rd PAPATOETOE	Director	

CERTIFICATE OF AMENDMENT OF REGISTERED PROSPECTUS

(Under Section 43(6) of the Securities Act 1978)

CARBINE CREDIT UNION

1802858

This is to certify that a Memorandum dated the 15th day of December 2010, for the above issuer, containing amendments to a registered prospectus dated the 30th day of August 2010, was registered on the 23rd day of December 2010.



Neville Harris
Registrar of Credit Unions and Friendly Societies
11 January 2011

