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CREDIT UNION BAY OF PLENTY

PROSPECTUS

-relating to-

the Offer of Debt Securities by the Credit Union

Credit Union Bay of Plenty

having offices at:

160 Devonport Road, TAURANGA
Phone No: 07 578-6255
Fax No: 07 578-7162
E-mail chris@cubop.org.nz

DIRECTORY

CREDIT UNION BAY OF PLENTY

160 Devonport Road,
PO Box 178
TAURANGA
Phone: (07) 578-6255
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SOLICITORS TO THE CREDIT UNION

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TAURANGA

And in respect of this Prospectus:
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PRUDENTIAL SUPERVISOR

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NZACU Central Banking Facility
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PROSPECTUS OF CREDIT UNION BAY OF PLENTY

This Prospectus is dated 12 September 2006

The following index is provided pursuant to Regulation 5(6) of the Securities Regulations 1983. Clause references are to those clauses in the Second Schedule of the Securities Regulations 1983:

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

1. MAIN TERMS OF OFFER

1.1 Name and Address of the Credit Union

Name of Credit Union: Credit Union Bay of Plenty.
Registered Office: 160 Devonport Road
PO Box 178 Tauranga.
Ordinary office Hours: 8.30 am to 4.30 pm Monday, Tuesday, Wednesday, Friday
8.30am to 5.00pm Thursday
Branch Offices and Service Locations: 160 Devonport Road, Tauranga
Aladdins, 126 Jellicoe Street, Te Puke
Agencies: Westend Dry Cleaners, 1283 Cameron Road, Greerton, Tauranga
Tauranga Dry Cleaners, 763 Cameron Road, Tauranga
Welcome Bay Stationers, 248 Welcome Bay Road, Tauranga

1.2 Description of the Activities of the Credit Union

The Credit Union

The Credit Union is a not-for-profit financial co-operative registered as a credit union under the Friendly Societies and Credit Unions Act 1982 (hereinafter referred to as "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 principal fixed assets of the Credit Union are a building, furniture and fittings, computer equipment and a vehicle. The fixed assets of the Credit Union are solely for furthering its objects described above.

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) People living or working in the Western Bay of Plenty including any such person aged 16 years or younger.
- 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:
The spouse of that person, including any former spouse or de facto spouse:
 - (i) Any lineal ancestor, lineal descendant, brother, sister, uncle, aunt, nephew, niece, or first cousin of that person or that person's spouse;
 - (ii) The spouse (including any former spouse or de facto spouse) of any relative specified in sub-paragraph (i) 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 5 November 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 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 Deed 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). Should a member cease to meet the membership criteria outlined under "the Offer" above, that member will be deemed a "non-qualifying member". However, a member will not cease to fulfil these criteria merely by virtue of retirement.

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, if requested all deposits and withdrawals from a member's share account will be entered in the member's passbook. In addition, the Credit Union will on request, and at least every six (6) months during the period of membership, forward a statement of account to each member of their shareholding in the Credit Union.

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

Share Accounts

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

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

The board of the Credit Union may vary the rate of return, the terms and conditions of the account, or the timing of repayments. Any such variation shall be notified to members forthwith by notice displayed at the

Credit Union's head office and each of its branches.

Term Share Accounts

Shares in a Term Share Account will earn interest at the rate specified in the account application form. As any return is dependent on the terms of the share account, the timing of the application and the duration of the term, the return attributable to each term share account cannot be quantified in this Prospectus.

On Call and Notice of Withdrawal Accounts

It is the Credit Union's intention that shares in On Call and Notice of Withdrawal Accounts will, subject to the Credit Union's absolute discretion to vary the rate of return, receive an annual dividend from the profits of the Credit Union.

The maintenance of the rate of dividend paid on member accounts is largely dependent on the annual surpluses earned by the ongoing profitability of the Credit Union. The amount of the surplus available for distribution to members is 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 profits of up to 5 % of the gross income from the Credit Union's interest (and rent) receipts. The reserve is not able to be utilised for payment of interest or dividends.

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

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.

As any return under a special share account is dependant on the type of share account in which members shares are placed, the terms of the account, the timing of the application and the duration of the term, the return attributable to each special share account cannot be quantified in this Prospectus.

Payment of Returns

Returns payable on members share accounts will, unless otherwise advised in writing or as provided in the terms of the accounts, be credited to the members share accounts at such intervals as is provided in the terms of the accounts.

Fees and Charges

In addition to the costs of the shares, members may be required to pay account and membership fees and charges. To confirm the types, level and method of calculating the fees and charges payable at the date of application, please contact the Credit Union. The Credit Union's contact details are included in the Directory.

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.

Generally withdrawals would not be available where such withdrawal of shares would reduce a member's paid-up share holding in the Credit Union to less than the member's total liability (including any contingent liability) to the Credit Union. 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. 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 39% (or such other amount as required by law);
- (b) a member has notified the Credit Union of their IRD number, but omits to nominate at which RWT rate they wish RWT to be deducted, RWT will be deducted at 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 will have taxation implications. The effect of taxation will vary according to each member's personal circumstances. Prospective and existing members are encouraged to obtain independent professional advice on their personal circumstances.

Loans

The Credit Union makes loans from the share capital 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. The Credit Union's contact details are included in the Directory.

Periodic Reporting

In addition to the entry of deposits and withdrawals in the member's passbook, the Credit Union will forward upon request from a member, a statement of account of their shareholding in the Credit Union. In addition to any such requests, the Credit Union will forward a statement of account of each member of their shareholding in the Credit Union at least every six (6) months during the period for their shareholding.

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 13 November 1964 as a specially authorised society under the provisions of the Friendly Societies Act 1909. Section 160(2) of the Act deems the Credit Union to be registered under the Act. The Credit Union's registered number is 1802844.

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 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. **DIRECTORATE AND ADVISERS**

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 two years, retire by rotation, and are eligible for re-election.

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

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

A list of the current directors and officers of the Credit Union is included in the Sixth Schedule. Of these Christine O'Connor is an employee of the Credit Union (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 fifth schedule), for the use and benefit of all persons claiming through the members of the Credit Union according to the Credit Union's Rules.

The trustees do not 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 **Audit Committee**

The following named persons were appointed under the Credit Union's Rules to act as the Audit Committee of the Credit Union: Robert Hyde (Director) and Peter Fraser (Non-Director).

3.4 **Auditors**

The Credit Union has appointed KPMG (Tauranga) as the Credit Union's auditor. The auditor's contact details are included in the Directory.

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

3.5 **Solicitors**

The Credit Union's solicitors are Simpson Aspen Law and, in terms of this particular Prospectus, Stace Hammond. 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, and the New Zealand Association of Credit Union's Central Banking Facility. The contact details are included in the Directory.

4. **MATERIAL CONTRACTS**

There are no material contracts that have been entered into by the Credit Union in the two years preceding the date this prospectus was delivered to the Registrar for filing except for contracts entered into in the ordinary course of the Credit Union's business.

5. **PENDING PROCEEDINGS**

There are no legal proceedings or arbitrations pending at the date of this Prospectus that may materially affect 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 \$7,385,160 as at 31 March 2006 (\$6,978,064 as at 31 March 2005). The aggregate amount of securities that rank in point of security ahead of the securities being offered was nil as at 31 March 2006 (31 March 2005: nil).

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 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 member's shares, and the Prudential Supervisor had not exercised its powers under the Trust Deed to accelerate the repayment of the monies owing in respect of the shares then the member would be treated as a shareholder in the liquidation and would rank behind secured and unsecured creditors (if any). With the prior written consent of the Prudential Supervisor the Credit Union may grant a security interest over or affecting all or any part of its assets, and any such security interest may take priority to the members 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 5 November 2001 as modified by the Deed of Modification dated 21 October 2002.

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.

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.

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 securityholders;
- 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 un audited half-yearly 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.

The Prudential Supervisor has agreed that in calculating the amounts under 7.1(g) above, the amount of \$118,000 represented by Subordinated Capital Notes issued by the New Zealand Association of Credit Unions on terms further set out in Note 13 to the Financial Statements in the Third Schedule to this Prospectus, may be disregarded.

The Prudential Supervisor has agreed that for the purposes of calculating the amounts under 7.1(c) above, the Credit Union may include in its calculation of Liquid Assets (as that term is defined in the Trust Deed) the unused portion of the Credit Union's overdraft facility with the New Zealand Association of Credit Unions.

The Prudential Supervisor has agreed to waive the requirement for the Credit Union to provide 10 business days' notice to the Prudential Supervisor with regard to the issue of loans to an Associated Person provided

such loans are based on terms and conditions available to all members, are for full market value, are issued in the ordinary course of business, are for amounts of \$20,000 or less and are full reported in the quarterly Directors' Certificate provided to the Prudential Supervisor.

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 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. The Registrar of Friendly Societies and Credit Unions has approved the Credit Union's application for the following extension:

Secured Loan	10% of the value of the assets of the Credit Union and 25 years
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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.

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 of investing in shares in 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 is specified in the Credit Union's Rules. As the Credit Union is competing with banks, other Credit Unions and companies operating in the savings and loans market, restrictions on membership provided by the Common Bond may affect the Credit Union's profitability and the returns payable to members.

2. Common Bond Limitations

Because of Common Bond limitations, in the Credit Union's case being those of a geographical nature, the Credit Union is vulnerable to any economic downturn in the geographic region of its Common Bond. The Credit Union is also vulnerable to any natural disasters or other regional phenomena that occur in the area defined by the Credit Union's Common Bond.

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. The loans made by the Credit Union are also repayable on demand which allows liquidity to be maintained.

4. 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.

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 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 and the Trust Deed;
- (c) the Credit Union's audited financial statements; and
- (d) All other documents relating to the Registration of the Credit Union

are also filed on a public register at the Companies Office, and are available for inspection. The Credit Union file can also be inspected online through the Companies Office website. The Companies Office's contact details are included in the Directory.

The Companies Office will not charge a fee for producing the Credit Union's file, but will charge a fee for each photocopy made of any part of the file.

10. OTHER MATERIAL MATTERS

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

There are no other material matters relating to the offer of shares under this Prospectus, other than those set out in this Prospectus (except for 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 5 years ended 31 March 2006, as required by clause 7 of the Second Schedule of the Securities Regulations 1983, where applicable, are set out in the First Schedule.

12. FINANCIAL STATEMENTS

The most recent financial statements of the Credit Union were for the year ended 31 March 2006 and include the information required by clauses 16 to 31 (inclusive) of the Second Schedule of the Securities Regulations 1983. A copy of the registered financial statements 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 after due enquiry in relation to the period between the date of the latest statement of financial position as at 31 March 2006 as attached to the Third Schedule, and the date of registration of this Prospectus, are of the opinion that no circumstances have arisen that materially adversely affect:

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

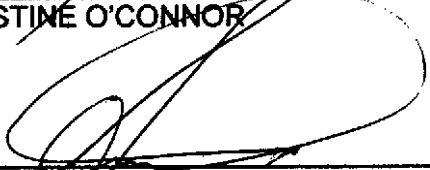
SIGNED BY the directors of the Credit Union Bay of Plenty.



PAUL O'CONNOR (Director/Chairperson/Trustee)



CHRISTINE O'CONNOR (Director/Treasurer/Securities Registrar)




TERRY MCINTOSH (Director/Trustee/Deputy Chairperson)



ANN PRENDEVILLE (Director/Trustee)



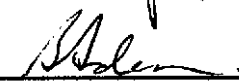
PAMELA HAWKINS (Director/Secretary)



ROBERT HYDE (Director)



DAVID SIMPSON (Director)



BOBBIE ANDERSON (Director)

FIRST SCHEDULE

SUMMARY OF FINANCIAL STATEMENTS

Statement of Financial Performance (in \$000)

	Year Ending 31 March				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Total Operating Revenue	1,187	1,060	950	872	855
Operating Expenses					
Total Interest Expense	2	2	2	2	2
Total Dividends	327	209	153	114	146
Total Other Expenses	736	760	758	591	594
Net Surplus Before and After Tax	122	89	37	165	113

Summary of Statement of Financial Position (in \$000)

	As at 31 March				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Total Assets	8,801	8,241	6,528	6,098	5,513
Total Tangible Assets	8,801	8,241	6,528	6,098	5,513
Total Liabilities	7,597	7,160	5,535	5,142	4,722
Total Equity	1,204	1,081	993	956	791

Dividend Rates (As Percentages Over prior 12 Months)

Rate Ordinary (On Call Accounts)	0-2	0-2	0-2	0-2	0-2
Rate Loan Provider	0-5	0-3	0-3	0-3	0-3
Rate Christmas Club	0-5	0-5	0-5	0-5	0-5
Rate Student Shares (Future Account)	0-5	0-5	0-5	0-5	0-5
Rate Term Shares:					
Maturing in less that 12 Months	3.5-7	3.25-7.25	3-6.5	3-6.5	3-6.5
Maturing in more that 12 months but less Than 24 months	7.75	6.95-8	7	7	8

With the exception of term shares, dividends are calculated on the minimum monthly account balance.

Notes to Financial Statements Relating to the Statement of Financial Performance

- (a) The amounts stated have been taken from audited financial statements, with rounding to thousands.
- (b) There are no extraordinary items that derive from events outside the ordinary activities of the Credit Union.
- (c) Dividends payable on member shares are recognised on an accrual basis.
- (d) No amounts have been provided for income tax as the Credit Union's income from members is exempt under section CW37 of the Income Tax Act 2004. Income derived other than from members does not produce a taxable surplus.
- (e) There have been no changes in accounting policies relating to the Statement of Financial Performance.



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Fax +64 (7) 578 2555
Internet www.kpmg.co.nz

The Directors
Credit Union Bay of Plenty
PO Box 178
Tauranga

Our ref Prosp Audit Report 250806.doc

12 September 2006

Dear Sirs

Credit Union Bay of Plenty Prospectus

We have prepared this report for inclusion in the prospectus dated 12 September 2006.

As auditor of Credit Union Bay of Plenty, and in accordance with the requirements of the Securities Act 1978 and Clause 36 of the Second Schedule of the Securities Regulations 1983, we report as follows:

Audited financial statements of Credit Union Bay of Plenty

We audited the financial statements set out on pages 1 to 13 of the Third Schedule of this prospectus. These financial statements are required by Clauses 16 to 31 of the Second Schedule of the Securities Regulations 1983. The financial statements provide information about the past financial performance and cash flows of the Credit Union and its financial position as at 31 March 2006. This information is stated in accordance with the accounting policies set out on pages 4 and 5 of the Third Schedule of this prospectus.

Board of Directors' responsibilities

The Directors are responsible for the preparation and presentation of:

- a) the financial statements which gave a true and fair view of the financial position of the Credit Union as at 31 March 2006 and the results of its operations and cash flows for the year ended on that date, as required by clauses 16 to 31 of the Second Schedule of the Securities Regulations 1983; and
- b) the summary of financial statements of the Credit Union for the years ended 31 March 2002, 2003, 2004, 2005 and 2006 as required by clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983 (Refer First Schedule of this prospectus); and
- c) the ranking of securities of the Credit Union as at 31 March 2006 as required by clause 12 of the Second Schedule of the Securities Regulations 1983 (Refer page 8 of the prospectus).

Associate Firms at:

Offices at:

Auckland
Christchurch
Hamilton
Rarotonga
Tauranga
Wellington

Christchurch
Dunedin
Gisborne
Gore
Invercargill
Milton
Napier
New Plymouth
Otautau
Palmerston North
Queenstown
Winton

Auditors' responsibilities

It was our responsibility in accordance with clause 36(1) of the second schedule of the Securities Regulations 1983, to express an independent opinion on the financial statements, summary financial statements and ranking of securities presented by the board of directors and report our opinion to the directors.

Basis of opinion

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

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the Credit Union's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain 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 Credit Union Bay of Plenty.

Unqualified opinion

We obtained all the information and explanations we required.

In our opinion:

- proper accounting records were kept by the Credit Union Bay of Plenty as far as appeared from our examination of those records;
- the financial statements on pages 1 to 13 of the Third Schedule of this prospectus that are required by Clauses 16 to 31 of the Second Schedule of the Securities Regulations 1983 and that are required to be audited:
 - comply with these regulations;
 - subject to these regulations, comply with New Zealand generally accepted accounting practice;

- give a true and fair view of the financial position of the Credit Union Bay of Plenty as at 31 March 2006 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 25 May 2006 and our unqualified opinion was expressed as at that date.

Historical summary of financial statements

In respect of the amounts stated pursuant to clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983, included in the historical summary of financial statements set out in the First Schedule, in our opinion:

- the amounts for the five years to 31 March 2006 have been correctly taken from the audited financial statements of Credit Union Bay of Plenty;

There are no amounts in respect of clauses 8(2) and 8(3) of the Second Schedule of the Securities Regulations 1983.


Ranking of securities

In our opinion the amounts stated pursuant to clause 12 of the Second Schedule of the Securities Regulations 1983 have been correctly taken from audited financial statements of Credit Union Bay of Plenty.

Directors' responsibilities

The Directors are responsible for the preparation of this prospectus, including the financial statements, historical summary of financial statements, and the ranking of securities contained therein. It is our responsibility to report on the matters contained in this report. KPMG takes no responsibility for, nor do we report on, any part of the prospectus not mentioned in this report.

Yours faithfully



Glenn Kearney
Partner



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Tauranga
New Zealand

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Fax +64 (7) 578 2555
Internet www.kpmg.co.nz

The Directors
Credit Union Bay of Plenty
PO Box 178
Tauranga

12 September 2006

Dear Sirs

Prospectus for Credit Union Bay of Plenty

In terms of Regulation 7(1)(b)(ii) of the Securities Regulations 1983 we hereby give our consent to our audit report dated 12 September 2006 appearing in the registered Prospectus to be dated on or about 12 September 2006 in the form in which it appears. We have not authorised or caused the issue of the prospectus and take no responsibility for any part of the prospectus other than our audit report attached as the second schedule to the prospectus.

We also confirm that we have not, before delivery of a copy of the Prospectus for registration, withdrawn our consent to the issue thereof.

Yours faithfully

L G Keane
Partner

Offices at:

Auckland
Christchurch
Hamilton
Rarotonga
Tauranga
Wellington

Associate Firms at:

Christchurch
Dunedin
Gisborne
Gore
Invercargill
Milton
Napier
New Plymouth
Otautau
Palmerston North
Queenstown
Winton

**THIRD SCHEDULE
FINANCIAL STATEMENTS**

**CREDIT UNION BAY OF PLENTY
Statement of Financial Performance
For the Year Ended 31 March 2006**

	Note	2006	2005
Income From:			
Interest - Loans		854,502	739,709
Interest - Investments		103,789	97,930
Bad Loans Recovered		760	5,300
Other Income	2	227,912	216,590
		1,186,963	1,059,529
Less Operating Expenditure			
Association Affiliation Costs		32,324	27,645
Audit Fees & Expenses	16	16,517	14,451
Depreciation - Building		18,357	18,007
Depreciation - Furniture and Fittings		6,675	7,483
Depreciation - Computer Equipment		26,817	26,813
Depreciation - Vehicle		1,500	1,500
Directors Meeting Expenses		3,469	1,499
Interest Paid		2,333	2,082
Loans - Provision Doubtful		(25,000)	5,512
- Written Off		7,901	26,865
Rent & Rates		47,323	45,789
Trust Deed Costs		12,825	11,934
Wages, ACC & Staff Training		222,800	205,587
Other Operating Expenses		343,225	348,925
Total Expenses		717,066	744,092
Surplus before Member Benefits		469,897	315,437
Less Member Benefits			
Life Savings & Loan Insurance		20,555	17,558
Dividends - Ordinary Shares	3	145,797	79,717
Dividends - Term Shares	3	181,270	129,455
		347,622	226,730
NET SURPLUS		122,275	88,707

**Statement of Movements in Equity
For the Year Ended 31 March 2006**

	2006	2005
Net Surplus for the Year	122,275	88,707
Members Equity at Beginning of the Year	1,081,425	992,718
Members Equity at the end of the Year	1,203,700	1,081,425

The Notes to the Financial Statements form part of and are to be read in conjunction with the above accounts

CREDIT UNION BAY OF PLENTY
Statement of Financial Position
As at 31 March 2006

	Note	2006	2005
MEMBERS RESERVES			
Retained Earnings	6	751,700	669,425
General Reserve	7	452,000	412,000
Total Reserves		1,203,700	1,081,425
LIABILITIES			
Current:			
Members Shares:			
Ordinary Shares	8	4,586,587	4,645,495
Term Shares	8	2,506,993	2,228,489
Accounts Payable	9	204,689	179,499
Total Current Liabilities		7,298,269	7,053,483
Term:			
Members Term Shares	8	291,580	104,080
Accounts Payable	9	7,471	2,329
Total Term Liabilities		299,051	106,409
Total Liabilities		7,597,320	7,159,892
Total Reserves and Liabilities		8,801,020	8,241,317
ASSETS			
Current Assets:			
Cash & Bank	10	220,679	227,650
NZACU Deposits	10	1,050,000	1,300,000
Accounts Receivable		18,620	31,352
Loans to Members	11	1,967,427	2,001,742
Prepayments		15,723	10,119
Total Current Assets		3,272,449	3,570,863
Term Assets:			
Loans to Members	11	4,999,698	4,092,301
Capital Notes	12	135,963	135,963
		5,135,661	4,228,264
Fixed Assets	13	392,910	442,190
Total Assets		8,801,020	8,241,317

The Notes to the Financial Statements form part of and are to be read in conjunction with the above accounts

CREDIT UNION BAY OF PLENTY
Statement of Cash Flows
For the Year Ended 31 March 2006

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from/(applied to):		
Interest on Loans to Members	855,105	736,562
Interest on other Investments	115,807	81,347
Bad Loans Recovered	760	5,300
Other Income	227,912	213,615
Administration Expenses	(702,501)	(666,183)
Dividends Paid to Members	(301,418)	(173,190)
Net Operating Cash Flows	195,665	197,451
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from/(applied to):		
Member Loan Repayments	4,471,104	3,927,459
Sale of Fixed Assets	-	350
Investments Matured	11,800,000	7,115,000
Member Loan Advances	(5,327,407)	(5,169,855)
Purchase of Fixed Assets	(3,749)	(10,584)
Investments Made	(11,550,000)	(7,700,000)
Net Investing Cash Flows	(610,052)	(1,837,630)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from/(applied to):		
Member Share Deposits	38,190,417	34,182,937
Member Share Withdrawals	(37,783,001)	(32,606,308)
Net Financing Cash Flows	407,416	1,576,629
Net (Decrease)/Increase in Cash	(6,971)	(63,550)
Add Cash at beginning of Year	227,650	291,200
Ending Cash Carried Forward	220,679	227,650
Reconciliation of Operating Surplus:		
Net Surplus for the Year	122,275	88,707
<i>Add Non-Cash Items:</i>		
Base Capital Note Bonus Dividend	-	(6,607)
Depreciation	53,349	53,803
Gain on Asset Disposal	-	(2,975)
Loans Written Off	7,901	26,865
Provision Doubtful Loans	(25,000)	5,512
<i>Movement in working capital items:</i>		
Movement in Accounts Receivable	12,732	(13,234)
Movement in Prepayments	(5,604)	(2,570)
Movement in Accounts Payable	30,332	47,950
Cash Flows From Operating Activities	195,985	197,451

The Notes to the Financial Statements form part of and are to be read in conjunction with the above accounts

CREDIT UNION BAY OF PLENTY
Notes to the Financial Statements
For the Year Ended 31 March 2006

Note 1 – Statement of Accounting Policies

Reporting Entity

These are the financial statements of Credit Union Bay of Plenty which is registered under the Friendly Societies and Credit Union Act 1982.

Credit Union Bay of Plenty is a reporting entity for the purposes of the Financial Reporting Act 1993.

Basis of Reporting

The Credit Union is an issuer for the purposes of the Financial Reporting Act 1993. The Financial Statements have been prepared in accordance with the requirements of the Friendly Societies and Credit Unions Act 1982, the Financial Reporting Act 1993, the Securities Regulations 1983 and New Zealand Generally Accepted Accounting Practice.

Nature of Business

The Credit Union's primary activity has been to provide a co-operative saving facility for members to form a loan fund.

The Credit Union is restricted in its borrowing and members contribute to the Credit Union by way of share subscriptions. 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 members 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 members shareholding, or monies payable by the Credit Union, up to a maximum of \$2,000. 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.

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 a dividend on shares.

Trust Deed

A Trust Deed was entered into on 19th December 2001 between Trustees Executors Limited and Credit Union Bay of Plenty. Trustees Executors Limited is the Prudential Supervisor and acts 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. Also the Prudential Supervisor is under 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.

Other than the security entered into under the Trust Deed there are no securities that are secured by mortgage or charge over any assets of the Credit Union.

General Accounting Policies

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed. Where appropriate all amounts are inclusive of Goods and Services Tax (GST) as the Credit Union is treated as an end user for GST purposes on its financial services operations.

Members Shares

Members shares in the Credit Union have characteristics of both debt and equity instruments. For the purposes of financial reporting, members shares have been treated substantially as debt instruments.

CREDIT UNION BAY OF PLENTY
Notes to the Financial Statements
For the Year Ended 31 March 2006

Specific Accounting Policies

The following specific accounting policies which materially effect the measurement of financial performance and the financial position have been applied:

- a. Recognition of Revenue: Income is recorded on an accrual basis. An allowance has been made for a potential reduced collection of interest on doubtful loans.
- b. Loans to Members: Loans to members are recorded in the financial records at the original loan value less repayments and write offs to date. To meet the "true and fair view" required by the generally accepted accounting principles, the Financial Reporting Act 1993 and the Securities Regulations 1983, a provision has been made for doubtful loans. Loans are written off in accordance with policy set by Directors. The provision for doubtful loans has been based on a review of loans and reference to the prudential guidelines as promoted by the New Zealand Association of Credit Unions.
- c. Investments: Investments are stated at cost. Where income earned has been credited to the investment value the recorded cost has been increased to reflect the value movement.
- d. Receivables: Receivables are valued at their expected realisable value.
- e. Fixed Assets: Fixed Assets are recorded at cost less accumulated depreciation.
- f. Depreciation: Depreciation is provided on a straight line basis at rates calculated to write off the assets over their expected useful lives. Depreciation rates applied in the current financial year are as follows;

Buildings	5.0%
Furniture and Equipment	20.0%
Computer Equipment	20.0%
Motor Vehicle	12.5%
- g. Income Tax: No amounts have been provided for Income Tax as the Credit Union's income from members is exempt under section CW37 of the Income Tax Act 2004. Income derived other than from members does not produce a taxable surplus.

Comparatives

Certain changes have been made to comparative information to conform to current year presentation.

Changes in Accounting Policies

There have been no changes in accounting policies during the year. All policies have been applied on bases consistent with prior years.

Note 2 – Other Income

Other income includes the following:

	2006	2005
Commissions	21,068	17,377
Data Processing Fees	168,961	158,785
Member Joining Fees	2,890	3,590
Other Member Fees	33,888	30,566
Fees to non-Members	655	2,472
Rent	450	825
Gain on Sale of Assets	0	2,975
	227,912	216,590

Note 3 – Dividends Paid

Interest is paid to depositing members in the form of a dividend and relates to the Credit Union's ability to pay the dividend. At times during the year the Credit Union may offer depositors special accounts which have a pre-set dividend rate. Dividend rates applied to members' deposits were:

	2006	2005
Ordinary Shares (On Call Accounts)	0 - 2%	0 - 2%
Loan Provider Shares	0 - 5%	0 - 3%
Christmas Club Shares	0 - 5%	0 - 5%
Student Shares (Future Account)	0 - 5%	0 - 5%
Fixed Term Shares:		
Maturing in less than 12 months	3.5 - 7%	3.25 - 7.25%
Maturing in more than 12 months but less than 24 months	7.75 %	6.95 - 8%

CREDIT UNION BAY OF PLENTY
Notes to the Financial Statements
For the Year Ended 31 March 2006

Note 3 – Dividends Paid (continued)

Where dividends were not credited by balance date the dividend rates directors expect to apply are used to accrue dividends payable. With the exception of Term Shares, dividends are calculated on the minimum monthly share balance.

Note 4 – Lease Commitments

The following lease commitments for premises are payable as follows:

	2006	2005
not later than one year	45,000	45,000
later than one year but not later than two years	33,750	45,000
later than two years but not later than five years	-	33,750

The Credit Union has rights of renewal until 01 December 2017.

Note 5 – Related Parties

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

Directors holdings at balance date are:

	2006	2005
Owing to Directors (Shares)	71,042	102,204
Owing from Directors (Loans)	309	4,601

There are no shares or loans to directors with fixed payment terms exceeding 12 months.

Note 6 – Retained Earnings

Reserve arising from retained profits accumulated from operations.

	2006	2005
Balance brought forward	669,425	665,718
Transfer from Trading	122,275	88,707
Transfer to General Reserve (Note 7)	(40,000)	(85,000)
Balance carried forward	<u>751,700</u>	<u>669,425</u>

Retained earnings represents 8.54% of total assets (2005: 8.12%)

Note 7 – General Reserve

A General Reserve has been established in accordance with S119 of the Friendly Societies and Credit Unions Act 1982. The reserve may not be distributed until the Credit Union is being wound up or dissolved, but may be applied for the following purposes:

- (a) To offset realised losses made by the Credit Union to members, and
- (b) To such persons of such amounts in such special circumstances as the Registrar, on application, may approve.

	2006	2005
Balance brought forward	412,000	327,000
Transfer for the year (Note 6)	40,000	85,000
Balance carried forward	<u>452,000</u>	<u>412,000</u>

The Reserve represents 5.14% of Total Assets (2005: 5.0%)

The transfer to reserves meets the minimum required under the Act.

CREDIT UNION BAY OF PLENTY
Notes to the Financial Statements
For the Year Ended 31 March 2006

Note 8 – Member Shares

	2006	2005
Ordinary Shares		
Primary Shares (all On Call Accounts unless otherwise stated)	1,281,974	1,354,463
Loan Provider	3,044,172	3,038,674
Christmas	43,614	47,415
Student (Future Account)	216,827	204,943
Total ordinary shares	4,586,587	4,645,495
Term Shares		
Maturity profile is as follows:		
0 - 3 months	14,531	814,753
3 - 6 months	112,719	476,832
6 - 12 months	2,379,743	936,904
Total Current Term Shares	2,506,993	2,228,489
12 - 24 months	291,580	104,080
Total term shares	2,798,573	2,332,569
Total ordinary and term shares	7,385,160	6,978,064

Note 9 – Accounts Payable

Current

Trade Creditors	45,715	43,471
Dividends Accrued	80,007	59,500
Resident Withholding Tax	30,533	17,226
Employee entitlements	16,376	14,645
Sundry Payables	32,058	44,657
	204,689	179,499

Term:

Dividends Accrued	7,471	2,329
Total Payables	212,160	181,828

Note 10 – Cash & Bank and Short Term Deposits

	Current Interest Rates	2006	2005
Cash & Bank	0.00 to 7.25%	220,679	227,650
NZ Association of Credit Unions	6.91 to 7.59%	1,050,000	1,300,000
		1,270,679	1,527,650

The Credit Union has not historically traded its securities. The effective interest rates for NZACU deposits are the original contracted values. In accordance with the Credit Union's accounting policy of recording investments at cost, movements in market rates are not reflected in the recorded value of investments.

Note 11 – Loans to Members

Loans are made in accordance with the lending policy of the Credit Union. A provision for doubtful loans has been made at balance date.

	2006	2005	Doubtful loan Movement
Total Loans	6,977,125	6,129,043	
Provision for doubtful loans	10,000	35,000	(25,000)
Net	6,967,125	6,094,043	
Less: Current Portion	(1,967,427)	(2,001,742)	
Term Portion	4,999,698	4,092,301	

CREDIT UNION BAY OF PLENTY
Notes to the Financial Statements
For the Year Ended 31 March 2006

Note 11 – Loans to members (continued)

In accordance with the Financial Reporting Standard No. 33 (FRS33), the following analysis of loans to members is provided.

As at 31 March 2006	Gross Amount	Prov'n for Loss	Net Amount	Movement in Provision
Non Accrual Assets	0	0	0	0
Restructured Asset	0	0	0	0
Enforced Security Assets	0	0	0	0
Real Estate Assets	0	0	0	0
Past Due Assets	12,007	8,886	3,121	(306)
Other Loan Assets with Interest				
Accrued	6,965,118	1,114	6,964,004	(24,694)
Total Loans	6,977,125	10,000	6,967,125	(25,000)
As at 31 March 2005				
Non Accrual Assets	0	0	0	0
Restructured Asset	0	0	0	0
Enforced Security Assets	0	0	0	0
Real Estate Assets	0	0	0	0
Past Due Assets	39,871	9,192	30,679	(12,703)
Other Loan Assets with Interest				
Accrued	6,089,172	25,808	6,068,876	18,215
Total Loans	6,129,043	35,000	6,099,555	5,512

Past Due Assets	2006	2005
Opening Balance	39,871	57,510
Additions to past due status	11,061	50,711
Less: Amounts written off	7,901	26,865
Less: Deletions	31,024	41,485
Closing Balance	12,007	39,871

- **Non accrual assets** are those loans to members for which the Credit Union may not be able to collect all amounts owing in accordance with the terms of the contract with those members.
- **Restructured Assets.** The Credit Union occasionally restructures loan terms, however, amended terms are generally comparable with the new loans criteria, however, there are instances when a members changing financial circumstances mainly due to the economic climate dictate that loan repayments be extended over a greater period of time than would normally be the case.
- **Real Estate and enforced security assets** are assets acquired through the enforcement of a security.
- **Past Due Assets** are any loans that have not been operated by the member (within the terms of the loan contract) for at least 90 days.

Method for calculation of the Doubtful Debt Provision.

Provision has been made to reflect the expectation that some recorded loans will not be recovered in full in the future. The specific and general provisions have been based on an individual review of those loans which have been identified as having a higher risk than the average portfolio after considering past and future economic indicators. Industry standards promoted for the calculation of the provision produce a provision requirement which the directors do not consider represents a fair appraisal.

CREDIT UNION BAY OF PLENTY
Notes to the Financial Statements
For the Year Ended 31 March 2006

Note 12 – Capital Notes	2006	2005
Capital Notes		
Opening Balance	135,963	129,356
Bonus Dividend	0	6,607
Closing Balance	<u>135,963</u>	<u>135,963</u>

NZ Association of Credit Unions (NZACU) Business Services Division Trust Base Capital Notes represent monies invested with the NZACU Business Services Division Trust for an open ended term. The Base Capital Notes constitute unsecured obligations of the NZACU Business Services Division and rank equally and without priority or preference among themselves. The Base Capital Notes rank after creditors in the event of the winding up of the NZACU Business Services Division. Base Capital Notes may only be sold or transferred to another Credit Union that is a member of the NZACU Business Services Division and with the consent of the Business Services Board of Directors. The investment is recorded at cost. There is no active market for these securities which have no guaranteed interest rate return. Effective 1st July 2004 the NZACU credited the Credit Union with a \$6,607 bonus dividend paid by credit to the Capital Notes. The bonus dividends have been considered abnormal as there has been no guarantee of this return. Continuation of bonus dividends may require a review of accounting policies appropriate for these items. Income has been accrued at 15% for 3 months to balance date.

Note 13 – Fixed Assets	2006	2005
Buildings (leasehold) – Cost	360,139	359,789
Less accumulated depreciation	45,578	27,221
Closing Book Value	<u>314,561</u>	<u>332,568</u>
Furniture & Fittings – Cost	109,980	110,010
Less accumulated depreciation	95,382	88,707
Closing Book Value	<u>14,598</u>	<u>21,303</u>
Computer Equipment – Cost	180,687	176,938
Less accumulated depreciation	120,311	93,494
Closing Book Value	<u>60,376</u>	<u>83,444</u>
Motor Vehicle – Cost	12,000	12,000
Less accumulated depreciation	8,625	7,125
Closing Book Value	<u>3,375</u>	<u>4,875</u>
Total Book Value	<u>392,910</u>	<u>442,190</u>

Note 14 – Financial Instruments

The Credit Union is a party to financial instruments as part of its day to day operations.

Risk Management Policies

a. Maximum Credit Risk

Financial instruments which potentially subject the Credit Union to credit risk principally consist of bank balances, Cash Investments, NZACU Capital Notes, Accounts Receivable and Loans to members. The maximum credit risk is therefore the total balances outstanding on the aforementioned items as reported in the Statement of Financial Position - \$8,392,387 (March 2005: \$7,789,008). The Credit Union has no "off balance sheet" financial instruments.

CREDIT UNION BAY OF PLENTY
Notes to the Financial Statements
For the Year Ended 31 March 2006

Note 14 – Financial Instruments (continued)

Loans to Members

Loans can only be made to Credit Union members. The Credit Union membership is drawn from the Western Bay of Plenty with a concentration of members based in the Tauranga, Mt. Maunganui, and Te Puke Districts. Loan interest rates range from 7% to 20% pa with delinquent loans possibly incurring an additional penalty rate of 5% pa. The Credit Union has a lending policy which requires security for loans and a portion of loans 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 individuals loan to the limit of their liability. Under section 110 of the Act, the maximum indebtedness and repayment terms of a member, without the prior consent of the Registrar, shall not 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 the Credit Union's application for the following extension:

- Secured Loan - 10% of the value of the assets of the Credit Union and 25 years

Accounts Receivable

Accounts receivable comprises interest on loans and investments plus minor amounts payable for services provided and there is no perceived credit risk associated with this asset. Receivables are recorded at expected realisable value.

Cash Investments

The Credit Union's management policies comply with the Friendly Societies and Credit Unions Act 1982, S49 and S117 in regard to investments made by Trustees. Details of investments are outlined in Notes 10 and 12. The composite total of both cash investments and NZACU Capital Notes is not considered by the Directors to be high risk investment. No collateral securities are held on the bank balances and investments.

Collateral

Current management policy generally requires collateral to be in place prior to a loan being made. Collateral securities include mortgage over real property and instruments by way of security over assets – predominantly motor vehicles and chattels. Loans can only be made to members and Credit Union shares are thus available for security.

b. Liquidity Risk

Investments

Liquidity risk is minimised with the short term nature of the majority of Credit Union's cash investments. With the exception of the NZACU Capital Notes, investments are either on call or can be converted into cash within 5 working days.

Loans to Members

Loans are for varying terms but the standard loan contract includes an "on demand" clause.

The monthly repayments on loans for the period represent an average loan of 14.42 months (2005: 19 months)

The proportion of loans with repayments in arrears in excess of three months is 0.1% (2005: 1.04%).

Other than loans to members, identified in Note 11, there are no monetary assets in arrears.

The proportion of loans owed in aggregate by debtors who owe the six largest amounts is 29% (March 2005: 24.03%).

Short term deposits held with the NZACU are the only monetary assets receivable which exceed the individual value of the 6 largest loans to members.

Member Shares

Member share deposits may be withdrawn at any time but the Credit Union has the right to require members to give 60 days notice of their intention to withdraw the whole or part of the shares deposited.

CREDIT UNION BAY OF PLENTY
Notes to the Financial Statements
For the Year Ended 31 March 2006

Note 14 – Financial Instruments (continued)

b. Liquidity Risk (continued)

Transactional Banking Facility (TBF)

On 21 May 2003 the Credit Union entered into a contract with the NZACU Business Services Division to provide transactional banking services. The contract required either a settlement bond or undrawn overdraft facility to secure any obligations the Credit Union may incur from using the service. The Credit Union has satisfied the contractual obligations with a \$250,000 overdraft facility with the NZACU.

c. Concentration of Credit Risk

Financial instruments which potentially subject the Credit Union to concentrations of credit risk principally consist of cash, short term investments, loans to members and trade receivables.

The Credit Union places its cash and short term investments with high quality financial institutions and sovereign bodies and limits the amount of credit exposure to any one financial institution.

Concentration of credit risk with respect to loans to members is limited due to the large number and varied membership base who are from a wide range of financial and employment backgrounds. The membership is drawn from the Western Bay of Plenty with a concentration of members based in the Tauranga, Mt Maunganui and Te Puke Districts and the Credit Union is exposed to the risk of a regional natural disaster. The directors do not consider the risk to exceed normal business risk.

d. Large Counterparties

The Credit Union has exposure to counterparties as follows:

	2006		2005	
	Assets	Liabilities	Assets	Liabilities
Between 70% and 100% of equity	1 NZACU	-	1 NZACU -	-
Between 60% and 70% of equity	-	-	-	-
Between 50% and 60% of equity	-	-	-	-
Between 40% and 50% of equity	1 Member	-	-	-
Between 30% and 40% of equity	1 Member	-	1 Member	-
Between 20% and 30% of equity	1 Member	-	3 Members	-
Between 10% and 20% of equity	7 Members	1 Member	6 Members	2 Members

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.

e. 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" as outlined in Note 21. This funding from members is recorded as Members Shares in the Statement of Financial Position.

f. Interest Rate Risk

Loans to Members

The Credit Union standard loan agreement provides for adjustments to the interest rate on existing loans upon written notice to members. Loans vary from 1 month to 25 years with the majority of loans for less than 2 years. Loan Agreements include a clause allowing the Credit Union to demand repayment of the loan at any time. Given the nature of the loan portfolio the Credit Union does not face any material interest rate risk on loans.

Investments

The policy requiring that all investments except for NZACU capital notes be able to be converted into cash in 5 working days limits the interest rate risk on investments due to market fluctuations.

Shares

Dividend rates payable on members' shares are set by the Board of Directors. These rates and their effect on the Credit Union's overall return are kept under constant review.

CREDIT UNION BAY OF PLENTY
Notes to the Financial Statements
For the Year Ended 31 March 2006

Note 14 – Financial Instruments (continued)

g. Currency Risk

The Credit Union has no currency risk given the financial instrument it deals with are New Zealand dollars.

h. Fair Values

Financial Assets:

Loans to Members

As detailed in the accounting policies, loans are carried at estimated realisable value after providing for doubtful loans. The directors believe this reflects the fair value.

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.

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:

Shares

Members shares 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 are deemed to be subscriptions for shares and added to the members' share balance in the Credit Union. The Directors believe the reported values reflect fair value.

Other Liabilities

Accounts Payable are carried at fair value.

Note 15 – Financial Instrument Maturities and Repricing

The following table shows the expected maturity period of financial assets and liabilities.

As at 31 March 2006	Total	0-6 months	7-12 months	1-2 years	2-5 years	> 5 years
<u>Financial Assets</u>						
Cash & Bank	220,679	220,679	0	0	0	0
Receivables	18,620	18,620	0	0	0	0
Investments	1,185,963	1,185,963	0	0	0	0
Loans	6,967,125	1,115,862	851,565	1,261,068	1,242,394	2,496,236
TOTAL	8,392,387	2,541,124	851,565	1,261,068	1,242,394	2,496,236

Financial Liabilities

Payables	212,160	178,427	26,262	7471	0	0
Members Shares	7,385,160	5,767,404	1,410,256	207,500	0	0
	7,597,320	5,945,831	1,436,518	214,971	0	0

As at 31 March 2005	Total	0-6 months	7-12 months	1-2 years	2-5 years	> 5 years
<u>Financial Assets</u>						
Cash & Bank	227,650	227,650	0	0	0	0
Receivables	31,352	31,352	0	0	0	0
Investments	1,435,963	1,435,963	0	0	0	0
Loans	6,094,043	1,082,910	918,832	1,328,494	1,225,325	1,538,482
TOTAL	7,789,008	2,777,875	918,832	1,328,494	1,225,325	1,538,482

Financial Liabilities

Payables	181,828	181,828	0	0	0	0
Members Shares	6,978,064	5,937,080	936,904	104,080	0	0
	7,159,892	6,118,908	936,904	104,080	0	0

Although loans are for varying terms the loan agreement includes a clause requiring repayment on demand.

CREDIT UNION BAY OF PLENTY
Notes to the Financial Statements
For the Year Ended 31 March 2006

Note 16 – Audit Fees

The Audit Fees expense included in Administration Expenses refer to fees paid to both the Internal and External Auditors. External audit fees arise from annual accruals and audit services in relation to the prospectus prepared in the financial period.

External Auditors:	2006	2005
KPMG	12,917	10,851
Internal Auditor:		
KPW Harland	3,600	3,600

Note 17 – Abnormal Items

The following items are considered abnormal due to their size and frequency:

March 2006

1. A \$7,110 insurance premium refund was received. The receipt has been offset against the Life Savings and Loan Insurance expense listed under Member Benefits in the Statement of Financial Performance.

March 2005

1. A \$8,160 insurance premium refund was received. The receipt has been offset against the Life Savings and Loan Insurance expense listed under Member Benefits in the Statement of Financial Performance.
2. A \$6,607 Base Capital Note dividend was received. Refer note 12.

Note 18 – Capital Commitments

There are no capital commitments not provided for in the accounts (2005: Nil).

Note 19 – Contingent Liabilities

There are no contingent liabilities not provided for in the financial statements (2005: Nil).

Note 20 – Commodity Instruments

Commodity Instruments are defined by FRS 33 to include contracts that provide for settlement only by receipt or delivery of a physical asset. The Credit Union has no commodity instruments at balance date.

Note 21 – Segment Reporting

The Credit Union operates in the New Zealand financial services industry with a concentration of members and activity in the Western Bay of Plenty and Tauranga City districts.

Note 22 – Events Subsequent to Balance Date

There are no known events subsequent to balance date which have a measurable material effect on the state of affairs of the Credit Union.

Note 23 – Adoption of New Zealand Equivalents To International Financial Reporting Standards

New Zealand is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1st January 2007. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The Credit Union's management, along with its auditors are assessing the significance of these changes and preparing for their implementation. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

To date, key differences between existing accounting policies and those that are expected to arise from adopting NZ IFRSs have not yet been determined and consequently, the impact of the changes on the financial statements cannot be quantified.

**FOURTH SCHEDULE
SCHEDULE OF ACCOUNTS**

Term Accounts

Term Investments:

Name	Term	Interest Rate*	Minimum Shareholdings	Timing of Repmts**	Fees #
I 1	1 month	Variable	\$500.00	Upon maturity	nil
I 2	2 months	Variable	\$500.00	Upon maturity	nil
I 3	3 months	Variable	\$500.00	Upon maturity	nil
I 4	4 months	Variable	\$500.00	Upon maturity	nil
I 5	5 months	Variable	\$500.00	Upon maturity	nil
I 6	6 months	Variable	\$500.00	Upon maturity	nil
I 7	7 months	Variable	\$500.00	Upon maturity	nil
I 8	8 months	Variable	\$500.00	Upon maturity	nil
I 9	9 months	Variable	\$500.00	Upon maturity	nil
I10	10 months	Variable	\$500.00	Upon maturity	nil
I11	11 months	Variable	\$500.00	Upon maturity	nil
I12	12 months	Variable	\$500.00	Upon maturity	nil
I24	24 months	Variable	\$500.00	Upon maturity	nil

* Interest rates vary & are based on schedules provided by our Association and the liquidity.

** Timing of Repayments: Upon maturity, however in the event of extraordinary circumstances early termination will be allowed.

Fees: No fees, however an early termination may incur up to 2% reduction in interest rate.

On Call Accounts

		Interest rate
Access Account	S1 Under \$100.00 balance Over \$100.00	nil 2%
Minimum shareholdings:	\$1.00	
Timing of Repayments:	On demand.	
Fees:		
Accesscard fees apply	Initial issue \$10 (under 18yrs or over 60yrs Free) Reissue up to \$10 Pin change up to \$ 5 Eftpos 4 free per month, thereafter \$ 0 .50c ATM \$ 1.75 External Automatic payment up to \$ 2.00	
Terms & conditions:	All adults must have at least a minimum balance in this account to be a shareholder	
Goal Account	S2 Under \$100.00 balance Over \$100.00	nil 2%

Minimum shareholdings nil
 Timing of Repayments: On demand
 Fees External Automatic Payment up to \$ 2.00
 Terms & conditions : None

BillPay S3 nil

Minimum shareholdings: nil
 Timing of Repayments: On demand
 Fees External Automatic Payment:
 To set up per auto pmt up to \$ 10.00
 To alter an existing auto up to \$ 15.00
 To process an auto pmt up to \$ 2.00
 To cease an authority up to \$ 10.00

Education Account S4 Under \$100.00 balance nil
Over \$100.00 5%

Minimum shareholdings nil
 Timing of Repayments: On demand
 Fees External Automatic Payment up to \$ 2.00
 Terms & conditions: Account held by parents for children's education costs

Future Account S5 5%

Minimum shareholdings: \$1.00
 Timing of Repayments On demand
 Fees:
 Accesscard fees apply Reissue up to \$ 10.00
 Pin change up to \$ 5.00
 Eftpos 4 free per month, thereafter \$.50
 ATM \$ 1.75
 External Automatic Payment up to \$ 2.00

Terms & conditions: For members up until the age of 18 then account transfers to Adult account (cash access: S1)

Moneymaker Account S8 Under \$500.00 balance nil
\$500.00 and over variable

Minimum shareholdings: nil
 Timing of Repayments: On demand
 Terms & conditions None

Notice of Withdrawal Accounts

Loan Provider Account	S6	Under \$100.00 balance	nil
		Over \$100.00 balance	2%
Minimum shareholdings:		nil	
Timing of Repayments:		Allowable on demand but able to be withheld for 14days written notice	
Fees:		nil	
Terms & conditions:		This account can be frozen and is unable to be withdrawn if used as security for a loan.	

Special Share Accounts

Christmas Club	S7	Under \$100 balance	nil
		Over \$100 balance	2%
		Bonus interest if no withdrawals before 30 th Nov	5%
Minimum shareholdings:		nil	
Timing of Repayments:		The shares and interest are transferred to the Access Account at 30 th November each year and are available from 1 st December.	
Fees:		nil	
Terms & conditions:		No withdrawals are permitted during the year. A withdrawal is deemed to have closed the account for the current year.	

12 September 2006

The Directors
Credit Union Bay Of Plenty
160 Devonport Road
TAURANGA

CREDIT UNION BAY OF PLENTY

Clause 13(3) of the Second Schedule to the Securities Regulations requires us to confirm that the offer of deposits (in this Statement referred to generally as "the Securities") set out in this Prospectus complies with any relevant provisions of the Trust Deed dated 5 November 2001. These provisions are those which:

- (i) Entitle Credit Union Bay Of Plenty to constitute and issue under or with the benefit of the Trust Deed (as the case may be) the Securities offered in the Prospectus;
- (ii) Impose restrictions on the right of Credit Union Bay Of Plenty to offer the Securities;

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

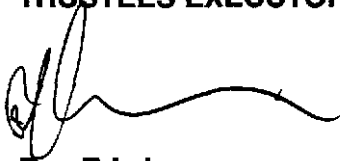
The Auditors have reported on the financial information set out in the Prospectus and our statement does not refer to that information or to any other material in the Prospectus which does not relate to the Trust Deed.

We confirm that the offer of Securities 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 Fifth Schedule of the Securities Regulations 1983, the Trustee relies on the information supplied to it by Credit Union Bay Of Plenty pursuant to the Trust Deed and does not carry out an independent check of the figures supplied to it in that information.

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

**Signed for and on behalf of
TRUSTEES EXECUTORS LIMITED**



**Ray Edwin
CORPORATE BUSINESS MANAGER
CORPORATE TRUST**

**SIXTH SCHEDULE
DIRECTORATE
[Paragraph 3.1]**

Full Name & Address	Title	Qualification
Paul O'CONNOR 69 Francis Road RD 2 TAURANGA	Director Trustee Chairperson	
Christine O'CONNOR 69 Francis Road RD 2 TAURANGA	Director Securities Registrar Treasurer	
Terry MCINTOSH 3 Moffat Way TAURANGA	Director Deputy Chairperson Trustee	
Ann PRENDEVILLE 79 Judea Road TAURANGA	Director Trustee	DIPTCH
Pamela HAWKINS 2 Ranfurly Terrace Pyes Pa TAURANGA	Director Secretary	
Robert HYDE 389 Ngatai Road TAURANGA	Director	
David SIMPSON 5 13 TH Avenue TAURANGA	Director	BA. LL.B Dip. t.p
Bobbie ANDERSON 1 Tautara Place TAURANGA	Director	

CERTIFICATE OF REGISTRATION OF PROSPECTUS

(Under Section 42(5) of the Securities Act 1978)

CREDIT UNION BAY OF PLENTY

1802844

This is to certify that a Prospectus, for CREDIT UNION BAY OF PLENTY, dated the 12th day of September 2006 was registered on the 18th day of September 2006.



Neville Harris
Registrar of Credit Unions and Friendly Societies
Dated this 19th day of September 2006

