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CARBINE CREDIT UNION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2011

CARBINE CREDIT UNION

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CARBINE CREDIT UNION

DIRECTORY

FOR THE YEAR ENDED 30 APRIL 2011

Board of Directors

Chairman: Clive Biddulph

Secretary: Whetu Flesher

Treasurer: Lorraine Lyons

Other Directors:

Marsh McLeod
Carol Campbell
Andrew Cruickshank
Dorothy Chaplin
Bowen Batistich
Lionel Pereira
Michael Moa

Trustees

Carol Campbell
Andrew Cruickshank
Dorothy Chaplin

Staff

Lorraine Lyons

Auditors

Hayes Knight Audit
1 Broadway, Newmarket

Bankers

Westpac Bank
184 Great South Rd
Manurewa

Solicitors

Stace Hammond
34 Shortland St, Auckland

Affiliations

New Zealand Association of Credit Unions
Credit Union Institute of New Zealand

CARBINE CREDIT UNION

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 APRIL 2011

	Note	2011 \$	2010 \$
Interest revenue	2	194,063	194,242
Other revenue	2	33,718	17,107
TOTAL REVENUE		227,781	211,349
EXPENDITURE			
Interest expenditure	2	27,144	28,909
Loan impairment expenses	2	24,153	172
Depreciation	2	799	426
Other expenditure	2	154,524	152,569
TOTAL EXPENDITURE		206,620	182,076
Profit for the year attributable to members		21,161	29,273
Total Comprehensive Income		21,161	29,273

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 2011

	Retained Earnings \$	General Reserve \$	Total \$
Balance at 1 May 2010	557,829	88,450	646,279
Total Comprehensive Income	<u>19,661</u>	<u>1,500</u>	<u>21,161</u>
Balance at 30 April 2011	<u>577,490</u>	<u>89,950</u>	<u>667,440</u>
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>

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 2011

	Note	2011	2010
		\$	\$
MEMBERS' FUNDS			
Retained Earnings	4	577,490	557,829
General Reserve	4	89,950	88,450
TOTAL MEMBERS' FUNDS		667,440	646,279
ASSETS			
Cash & Bank	5	666,553	523,343
Deposits at NZACU	5	-	-
Trade and other receivables	6	8,049	8,648
Loans to members	7-8	1,061,722	1,193,055
Property, plant & equipment	10	1,412	2,211
Capital Notes	11	42,219	42,219
TOTAL ASSETS		1,779,955	1,769,476
LIABILITIES			
Trade and other payables	12	26,695	25,960
Short-term borrowings	13	-	-
Members' deposits	14	1,085,820	1,097,237
TOTAL LIABILITIES		1,112,515	1,123,197
NET ASSETS		667,440	646,279

These Financial Statements are authorised for issue by:

D M Chapman
Director

M H Lapan
Director

28-7-2011
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 2011

	Note	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received on loans to members		179,596	172,488
Interest received on bank deposits		15,065	18,456
Bad loans recovered		2,108	3,721
Other income		31,610	13,386
Interest paid		(27,144)	(28,909)
Net movement in loans to members (excluding impairment)		107,180	(172,648)
Net movement in member deposits		(11,417)	23,351
Payments to suppliers and employees		(153,788)	(152,135)
Net cash provided by/(used in) operating activities	27	<u>143,210</u>	<u>(122,290)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		-	-
Proceeds from sale of property, plant and equipment		-	-
Net movement in short term investments		-	-
Net cash provided by/(used in) investing activities		<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Net cash provided by/(used in) financing activities		<u>-</u>	<u>-</u>
Total net increase/(decrease) in cash held		143,210	(122,290)
Cash at the beginning of the period		<u>523,343</u>	<u>645,633</u>
Cash at the end of the period		<u>666,553</u>	<u>523,343</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 2011

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 Principles ("GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

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 statement of comprehensive income, balance sheet and cash flow 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 cost basis, 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 2011

(b) Deposits from Members (Shares)

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 as they are essentially savings accounts in nature.

All payments of dividends on these shares are recorded as interest payments. Members have the right to one vote at the meetings of the Credit Union, regardless of how many shares they hold in the Credit Union.

(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 statement of comprehensive income 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 cost using the effective interest rate method less impairment losses.

Held-to-maturity investments

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

Available for Sale Financial Assets

Investments in New Zealand Association of Credit Unions Capital Notes provide equity for NZACU to enable it to provide essential services to the credit unions. They are held as "available-for-sale assets" under NZ IAS 39. This classification recognises that they do not meet the definition of "loans and receivables" or "held-to-maturity" investments because they do not have a fixed or determinable interest or dividend rates attached to them.

Recognition and Measurement

The Capital Notes held as available-for-sale assets are initially recognised at cost price, which is their fair value at the date of acquisition. Dividend income from available-for-sale assets is separately recognised in the Statement of Comprehensive Income as part of Interest Revenue when the Credit Union's right to receive payments is established (ex-dividend date).

Available-for-sale financial assets are normally carried at fair value in subsequent periods with changes in fair value being recognised in the Statement of Comprehensive Income as part of other comprehensive income. However, as the Capital Notes are equity instruments, do not have a quoted market price in an active market, and the fair value cannot be measured reliably, they are measured at cost price in terms of the accounting standard NZ IAS 39. Note that this concession is likely to be removed in future, with a requirement to record at fair value.

The Credit Union assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of Capital Notes classified as available-for-sale, the Directors assess the financial performance of NZACU itself to determine whether there is objective evidence that an impairment has occurred.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, is recognised in the Statement of Comprehensive Income.

Financial liabilities

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

The Credit Union has no financial liabilities at fair value through the profit or loss as defined in NZ IAS 39.



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2011

(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 statement of comprehensive income 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 2003 (CCCFA).

(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 profit or loss.

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

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.



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2011

(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 statement of comprehensive income in the reporting period in which the impairment loss occurs. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all 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 statement of comprehensive income. 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 Statement of Comprehensive Income.

(k) 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 2011

(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 cash, bank balances, call deposits and deposits with less than 3 months maturity 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 that relate to the principal revenue generating activities of the Credit Union.

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 2011

2 REVENUE AND EXPENDITURE

REVENUE

Interest Revenue

Interest on Loans

Interest on Impaired Loans

Interest on Investments

Total Interest Revenue

2011	2010
\$	\$
178,338	173,943
1,711	-
14,014	20,299
194,063	194,242

Other Income

Loan Application Fees

Bad Debts Recovered

Other Income

Total Other Income

2011	2010
\$	\$
7,160	8,140
2,108	3,721
24,450	5,246
33,718	17,107

TOTAL REVENUE

227,781	211,349
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EXPENDITURE

Interest Expenditure

Interest on Members Call Shares

Total Interest Expenditure

2011	2010
27,144	28,909
27,144	28,909



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2011

	2011	2010
	\$	\$
Other Expenditure		
Auditors Remuneration		
External Audit:		
Audit of Financial Statements	15,591	12,434
Accountancy Fees	12,489	10,946
Directors Expenses and Training	194	1,726
Employee Benefit Expense	65,078	70,660
Other Expenses	61,172	56,803
Total Other Expenditure	154,524	152,569
Loan Impairment Expenditure		
Bad Debts Written Off to impairment allowance	6,135	7,748
Movement in allowance for impaired Loans	18,018	(7,576)
Total Loan Impairment Expenditure	24,153	172
Depreciation Expenditure		
Office Furniture and Equipment	799	426
Total Depreciation Expenditure	799	426

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:

		2011	2010
Loan Provider Shares	2% to \$1,000 then	5%	3%
Christmas Club Shares		4%	2%



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2011

4 RESERVES

Reserves at 30 April 2011

30-Apr-11	Retained Earnings	General Reserve	Total Members' Reserves
Balance brought forward	557,829	88,450	646,279
Operating profit for the period	21,161	-	21,161
Transfer to/from retained earnings	(1,500)	1,500	-
Balance carried forward	577,490	89,950	667,440
The Reserve % to Total Assets	32%	5%	38%

Reserves at 30 April 2010

30-Apr-10	Retained Earnings	General Reserve	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%	36%

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 or such lesser amount as may be necessary to maintain the General Reserve at least the amount equivalent to 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:

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

Total Reserves

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



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2011

5 CASH AND CASH EQUIVALENTS

	Interest Rates	2011	2010
		\$	\$
Cash & Cash Equivalents	1%-4%	666,553	523,343
Deposits at NZ Association of Credit Unions	0%	-	-
		<u>666,553</u>	<u>523,343</u>

Effective interest rates are the original contracted values. Movements in market rates will not affect the recorded value of investments. 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

	2011	2010
	\$	\$
Accrued Interest	8,049	8,648
Sundry Debtors	-	-
Prepayments	-	-
Other Receivables	-	-
	<u>8,049</u>	<u>8,648</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 statement of comprehensive income in the period in which they are deemed irrecoverable.

(a) Loans to members comprises:

	2011	2010
	\$	\$
Neither Past Due nor Impaired	1,030,570	1,193,055
Past due but not impaired	24,617	-
Impaired Individually	28,329	3,776
Impaired -Collectively	-	-
Gross Loans	<u>1,083,516</u>	<u>1,196,831</u>
Less:		
Allowance for impairment individually	21,794	3,776
Allowance for impairment collectively	-	-
Net	<u>1,061,722</u>	<u>1,193,055</u>



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2011

LOANS TO MEMBERS - Continued

(b) Credit quality - Security dissection

	2011	2010
	\$	\$
Secured by mortgage over real estate	-	-
Secured by members shares	716,544	837,782
Gross Loans	<u>716,544</u>	<u>837,782</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 or previously 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	1,083,516	1,196,831
Business loans and facilities	-	-
Loans to Charitable Trusts and Incorporated Societies	-	-
TOTAL	<u>1,083,516</u>	<u>1,196,831</u>



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2011

8 IMPAIRMENT OF LOANS AND ADVANCES

(a) Allowance for Impairment

	2011	2010
	\$	\$
Balance as at 1 May 2010	3,776	11,352
Addition / (reduction) in allowance	18,018	(7,576)
Bad Debts written off to allowance	-	-
Asset acquired through the enforcement of security	-	-
Other Adjustments	-	-
Balance at 30 April 2011	<u>21,794</u>	<u>3,776</u>

(b) Calculation of allowance for impairment

Allowance per Prudential Standards (impaired collectively)	3,776	11,352
Additional(reduction) in Specific Allowance (impaired individually)	18,018	(7,576)
Closing Balance	<u>21,794</u>	<u>3,776</u>

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.

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 reaching the determining the expected amount recoverable from the counterparty, the Credit Union has taken into account the stability of the employers and Credit Union's members. Further information on credit risk is detailed in note 20.

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, as shown below.

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

Period of Impairment	% of Balance impaired
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%

(c) Impairment expense

Allowance for impairment- Change in period

	2011	2010
	\$	\$
Bad loans written off as an expense during the period	(6,135)	(7,748)
Impairment expenses for the year	24,153	177
Movement in allowance for impaired Loans	<u>18,018</u>	<u>(7,571)</u>



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2011

IMPAIRMENT OF LOANS AND ADVANCES - Continued

(d) Impairment of Loans

	2011	2010
	\$	\$
Non Accrual Loans (No interest charged)		
Loans with allowance for impairment	15,831	-
Allowance for impairment	9,319	-
Total non accrual loans	<u>6,512</u>	<u>-</u>
Past Due Loans - 30 days to 90 days		
Past due loans - 30days to 90 days	-	-
Allowance for impairment	-	-
Total past due loans - 30days to 90 days	<u>-</u>	<u>-</u>
Past Due Loans - beyond 90 days		
Past Due Loans - beyond 90 days	12,497	-
Allowance for impairment	12,475	-
Total past due loans - beyond 90 days	<u>22</u>	<u>-</u>
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 2011.

Assets acquired via enforcement of security (excluding loans reported)

Real Estate	-	-
Other	-	-
	<u>-</u>	<u>-</u>

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	-	-
	<u>-</u>	<u>-</u>

(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	-	-
	<u>-</u>	<u>-</u>



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2011

(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
2011					
Mortgage secured	-	-	-	-	-
Other loans	14,553	-	10,064	-	24,617
Total					

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

	2011 \$	2010 \$
	4,503	4,503
	(3,515)	(2,852)
	-	-
	<u>988</u>	<u>1,651</u>

Furniture & Fittings

At cost
Accumulated depreciation
Accumulated impairment losses

	1,129	1,129
	(705)	(569)
	-	-
	<u>424</u>	<u>560</u>
Total Property, Plant & Equipment	<u>1,412</u>	<u>2,211</u>

Total Property, Plant & Equipment



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2011

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 \$
<i>Balance at the Beginning of the period</i>	1,651	560	2,211
Additions	-	-	-
Disposals	-	-	-
Depreciation Expense	663	136	799
Impairment write-downs	-	-	-
Net Revaluation increment/(decrement)	-	-	-
<i>Carrying amount at the end of the financial period</i>	<u>988</u>	<u>424</u>	<u>1,412</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 2011

11 CAPITAL NOTES

New Zealand Association of Credit Unions Capital Notes are classified as "available-for-sale" financial assets and are issued by the New Zealand Association of Credit Unions Business Services Division as Trust Base Capital Notes (Capital Notes). These represent monies invested with the New Zealand Association of Credit Unions Business Services Division Trust for an open-ended term. The Capital Notes constitute unsecured obligations of the 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 Business Services Division Trust. Capital Notes may only be sold or transferred to another credit union that is a member of the Business Services Division Trust and with the consent of the Business Services Division Trust's Board of Directors. The Capital Notes are redeemable in full, with five years notice, by NZACU. However, the Credit Union has no intention of redeeming the investments in the foreseeable future.

There is no active market for these securities which have no guaranteed rate of return. Dividends are payable on a six monthly basis subject to the profitability of the Business Services Division Trust.

The Credit Union's investment in these Base Capital Notes enables NZACU to provide the Credit Union with essential services such as the core operating system, a central bank and treasury function, debit card facilities and insurance products.

	2011	2010
	\$	\$
Capital Notes at Cost	42,219	42,219
Less Impairment	-	-
	<u>42,219</u>	<u>42,219</u>

12 TRADE AND OTHER PAYABLES

	2011	2010
	\$	\$
Trade Payables	26,695	25,960
Accrued Interest Payable	-	-
Resident Withholding Tax	-	-
Sundry Creditors and Accrued Expenses	-	-
Employee Entitlements	-	-
ACCESSCARD Settlement	-	-
Other Liabilities	-	-
	<u>26,695</u>	<u>25,960</u>

13 SHORT-TERM BORROWINGS

	2011	2010
	\$	\$
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 2011

14 MEMBERS' DEPOSITS

	2011	2010
<i>Ordinary Shares</i>	\$	\$
Savings Accounts	3,681	2,908
Christmas Club	113,159	112,443
Loan Provider Account	968,980	981,886
Total Ordinary Shares	1,085,820	1,097,237
<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	1,085,820	1,097,237

All classes of shares are of equal ranking. The aggregate amount of securities that rank in point of security ahead of members' shares was nil at 30 April 2011 (nil as at 30 April 2010).

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 members' shares. Trustees Executors Limited has registered a financing statement under the Personal Property Securities Act 1999 in respect of the same.

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 2011

17 CONTINGENT LIABILITIES

There are no contingent liabilities not provided for in the financial statements. (2010 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. (2010 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, or 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 2011

	2011 - Interest Rate Risk			2010 - Interest Rate Risk		
		-1%	+1%		-1%	+1%
	Carrying Amount	Profit & Equity	Profit & Equity	Carrying Amount	Profit & Equity	Profit & Equity
	\$	\$	\$	\$	\$	\$
Financial Assets						
Bank deposits	666,553	(6,666)	6,666	523,342	(5,233)	5,233
Loan receivables	1,061,722	(10,617)	10,617	1,193,055	(11,931)	11,931
		<u>(17,283)</u>	<u>17,283</u>		<u>(17,164)</u>	<u>17,164</u>
Financial Liabilities						
Members deposits	1,085,820	(10,858)	10,858	1,097,237	(10,972)	10,972
Total Increase / (Decrease)		<u>(6,425)</u>	<u>6,425</u>		<u>(6,192)</u>	<u>6,192</u>

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 reprising 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 reprise 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.

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.



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2011

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 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 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 regularly. 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:

	2011	2010
Tier 1		
Retained profits & other revenue reserves	577,490	557,829
General reserve	89,950	88,450
Tier 2		
Asset revaluation reserves	-	-
Other reserves	-	-
Total reserves	667,440	646,279

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.



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2011

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 cash flows arising from the contractual obligations of the underlying monetary assets and liabilities respectively.

Note that expected maturities are materially 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.

2011	On Call	Within 1 Month	1-3 Months	3 - 6 Months	6 - 12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
Monetary Assets										
Receivable										
Cash & Bank	666,553	-	-	-	-	-	-	-	-	666,553
Deposits at NZACU	-	-	-	-	-	-	-	-	-	-
Trade and other receivables	-	8,049	-	-	-	-	-	-	-	8,049
Loans to members	-	60,025	118,144	184,818	258,614	274,781	149,673	34,964	-	1,081,019
Capital Notes	-	-	-	-	-	-	-	-	42,219	42,219
Future Interest Receivable	-	14,013	25,651	32,418	47,098	51,524	52,704	2,797	-	226,206
Total Monetary Assets										
Receivable	666,553	82,087	143,795	217,236	305,712	326,305	202,377	37,761	42,219	2,024,046

2011	On Call	Within 1 Month	1-3 Months	3 - 12 Months	6 - 12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
Monetary Liabilities										
Payable										
Trade and other payables	-	26,695	-	-	-	-	-	-	-	26,695
Members Deposits	-	1,085,820	-	-	-	-	-	-	-	1,085,820
Short-term borrowings	-	-	-	-	-	-	-	-	-	-
Future Interest Payable	-	-	-	-	-	-	-	-	-	-
Total Monetary Liabilities										
Payable	-	1,112,515	-	-	-	-	-	-	-	1,112,515



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2011

2010

Monetary Assets Receivable
Cash & Bank
Deposits at NZACU
Trade and other receivables
Loans to members
Capital Notes
Future Interest Receivable

Total Monetary Assets Receivable

	On Call	Within 1 Month	1-3 Months	3 - 6 Months	6 - 12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
Cash & Bank	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
Total Monetary Assets Receivable	523,343	69,551	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
Members Deposits
Short-term borrowings
Future Interest Payable

Total Monetary Liabilities Payable

	On Call	Within 1 Month	1-3 Months	3 - 12 Months	6 - 12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
Trade and other payables	-	25,960	-	-	-	-	-	-	-	25,960
Members Deposits	-	1,097,237	-	-	-	-	-	-	-	1,097,237
Short-term borrowings	-	-	-	-	-	-	-	-	-	-
Future Interest Payable	-	-	-	-	-	-	-	-	-	-
Total Monetary Liabilities Payable	-	1,123,197	-	-	-	-	-	-	-	1,123,197



CARBINR CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2011

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 2011																							
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											
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010		
\$'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	667	320														0	203			667	523	3.8	4.5
Deposits at NZACU	0	0																		0	0	-	-
Trade & other receivables																8	8			8	8	-	-
Loans to members	1,062	1,193																		1,062	1,193	16.0	16.0
Derivatives																				0	0	-	-
Capital Notes																		42	42	42	42	7.0	7.0
Total Monetary Assets	1,729	1,513	0	0	0	0	0	0	0	0	0	0	0	0	0	8	211	42	42	1,779	1,766		
Monetary Liabilities																							
Deposits	1,085	1,097																		1,085	1,097	3.0	3.0
Other payables																26	26			26	26	-	-
Borrowings																				0	0	-	-
Total Monetary Liabilities	1,085	1,097	0	0	0	0	0	0	0	0	0	0	0	0	0	26	26	0	0	1,111	1,123		

* The weighted average effective interest rate has been calculated on the interest sensitive financial instruments in each category.

(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%. (2010: 7% per annum).



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2011

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. (2010 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.

There have been no individual loans exceeded 5% of the Credit Union's equity.

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

2011	2010
3.6%	0.3%

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 2011

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 :

2011 months	2010 months
17.10	22.54

The proportion of loans owed in aggregate by the debtors who owe the six largest amounts is

2011	2010
10.6%	10.4%

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.

	Fair Value	2011 Book Value	Variance	Fair Value	2010 Book Value	Variance
	\$	\$	\$	\$	\$	\$
FINANCIAL ASSETS						
Cash and Bank	666,553	666,553	-	523,343	523,343	-
Deposits at NZACU	-	-	-	-	-	-
Trade and other receivables	8,049	8,049	-	8,648	8,648	-
Derivatives	-	-	-	-	-	-
Loans to members	1,061,722	1,061,722	-	1,193,055	1,193,055	-
Capital Notes	42,219	42,219	-	42,219	42,219	-
Total Financial Assets	1,778,543	1,778,543	-	1,767,265	1,767,265	-
FINANCIAL LIABILITIES						
Trade and other payables	26,695	26,695	-	25,960	25,960	-
Short term borrowings	-	-	-	-	-	-
Deposits from members	1,085,820	1,085,820	-	1,097,237	1,097,237	-
Total Financial Liabilities	1,112,515	1,112,515	-	1,123,197	1,123,197	-



CARBINE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2011

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 2011

DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL - Continued

	2011		2010	
	Directors	Other KMP	Directors	Other KMP
	\$	\$	\$	\$
(a) short-term employee benefits	-	65,078	-	70,660
(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	-	65,078	-	70,660

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.

Directors' holdings at balance date are:	2011	2010
	\$	\$
Owing to Directors (Shares)	40,542	18,633
Owing to Key Management Personnel (Shares)	210	62
Owing to Other Related Parties (Shares)	2,645	1,888
Owing from Directors (Loans)	54,210	28,265
Owing from Key Management Personnel (Loans)	-	-
Owing from Other Related Parties (Loans)	7,184	18,607

27 RECONCILIATION OF CASHFLOW FROM OPERATING ACTIVITIES WITH OPERATING PROFIT

There are no shares from directors exceeding 12 months and all directors loans are repayable upon demand.	2011	2010
	\$	\$
Operating profit	21,161	29,273
Non Cash Items		
Depreciation	799	426
Bad Debts	6,135	7,748
Provision for Loan Impairment	18,018	(7,576)
Changes in Assets and Liabilities		
Movements in Accounts Receivable	599	(3,235)
Movements in Accounts Payable	735	371
Movement in Loans to Members (excluding impairment)	107,180	(172,648)
Movement in Member Deposits	(11,417)	23,351
Net Cash Provided by /(Used in) Operating Activities	143,210	(122,290)





HAYES KNIGHT | AUDIT

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CARBINE CREDIT UNION

Report on the Financial Statements

We have audited the financial statements of Carbine Credit Union on pages 1 to 30 which comprise the balance sheet as at 30 April 2011, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The board of directors is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the board of directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand).

Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Hayes Knight Audit
CHARTERED ACCOUNTANTS

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

Opinion

In our opinion, the financial statements on pages 1 to 30:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of Carbine Credit Union as at 30 April 2011 and the financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- We have obtained all the information and explanations that we have required; and
- In our opinion proper accounting records have been kept by Carbine Credit Union as far as appears from an examination of those records.

Hayes Knight Audit

HAYES KNIGHT AUDIT

AUCKLAND, NEW ZEALAND

29 July 2011

