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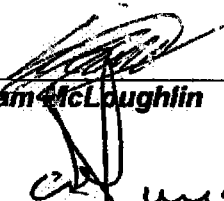
**Memorandum of Amendments dated 22 April 2013
to the Prospectus for Christchurch Emergency Services Credit Union dated
20 December 2012
(the "Registered Prospectus")**

In accordance with the provisions of section 43 of the Securities Act 1978, Christchurch Emergency Services Credit Union hereby amends the Registered Prospectus in the manner indicated by the changes marked on the copy of the Registered Prospectus attached to this Memorandum of Amendments.

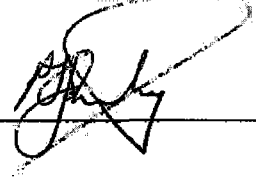
Signed by or on behalf of all the directors of Christchurch Emergency Services Credit Union:



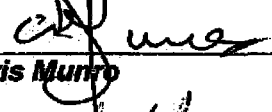
Michael Gillon



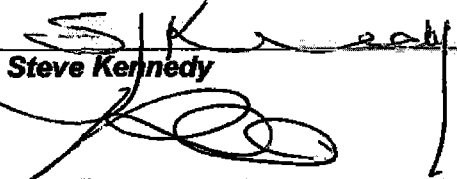
Liam McLoughlin



Paki Johnston




Chris Munro



Steve Kennedy



Gerald Wilson



Rhonda McNicol



Richard Tolan

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

PROSPECTUS

-relating to-

**the Offer of Debt Securities by the Christchurch Emergency
Services Credit Union dated 20 December 2012 (as amended by a
Memorandum of Amendments dated 22 April 2013)**

Christchurch Emergency Services Credit Union

Having offices at 200 Kilmore Street, Christchurch 8011.

Telephone 0-3-371 3610. Facsimile 0-3-371 3610.

E – mail: cescu@xtra.co.nz

DIRECTORY

CREDIT UNION
Christchurch Emergency Services
Credit Union
200 Kilmore Street
Christchurch 8011
Telephone 371 3610
Facsimile 371 3610

AUDITORS
PricewaterhouseCoopers
Level 1, Westpac Building
106 George Street
Dunedin

SOLICITORS TO THE
CREDIT UNION
MDS Law
334 Lincoln Rd
Christchurch 8024
Telephone 379 1930
Facsimile 366 8405

BANKERS
BNZ
137 Armagh Street
Christchurch 8011

Kiwi Bank
256 Barrington Street
Christchurch

PRUDENTIAL SUPERVISOR
As at the date of this Prospectus

SECURITIES REGISTRAR
Mr Stephen John Kennedy
16 Ravensdale Rise
Westmorland
Christchurch 8025

Trustees Executors Limited
Level 12
Tower Centre
45 Queen Street
PO Box 4197
Auckland 1140
Telephone: (09) 308 7100
Facsimile: (09) 308 7101

PLACE WHERE REGISTER
KEPT
200 Kilmore Street
Christchurch 8011

From 19 April 2013:

Corporate Trust Limited, trading as
Foundation Corporate Trust
Level 6, AMP Chambers
187 Featherston Street
PO Box 3845
Wellington 6140
Telephone: (04) 901 4439
Facsimile: (04) 470 9623

COMPANIES OFFICE
Ministry of Business, Innovation and
Employment ("MBIE")
Level 18, ASB Bank Centre
135 Albert Street
Private Bag 92061
Victoria Street Auckland 1142
Telephone: 0508 266 726
Facsimile: (09) 912 7787
E-mail: webmaster@companies.govt.nz
Website: www.business.govt.nz/companies

PROSPECTUS OF CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

This Prospectus is dated 20 December 2012 (as amended by a Memorandum of Amendments dated 22 April 2013).

| INDEX Clause | Page |
|--|-------------------|
| Directory | 1 |
| 1. Main Terms of Offer | 3 |
| 1.2 Description of the Activities of the Credit Union | 3 |
| 2. Details of Registration | 7 |
| 3. Directorate and Advisors | 8 |
| 4. Restriction on Director's Powers | 9 |
| 5. Material Contracts | 9 |
| 6. Pending Proceedings | 10 109 |
| 7. Ranking of Securities | 10 109 |
| 8. Provisions of Trust Deed and Other Restrictions on the Credit Union | 10 |
| 9. Other Terms of Offer and Securities | 143 |
| 10. Guarantors | 176 |
| 11. Places of Inspection of Documents | 176 |
| 12. Other Material Matters | 187 |
| 13. Summary Financial Statements | 18a8 |
| 14. Financial Statements | 18a8 |
| 15. Acquisition of Business or Subsidiary | 18a8 |
| 16. Directors Statement | 18a8 |
| 17. Independent Auditors' Report | 18a8 |
| Schedules | |
| Summary Financial Statements | First Schedule |
| Independent Auditors' Report | Second Schedule |
| Financial Statements | Third Schedule |
| Share Accounts | Fourth Schedule |
| Prudential Supervisors Statement | Fifth Schedule |
| Directorate | Sixth Schedule |

In registering this Prospectus, the Credit Union has relied on the exemptions contained in the Securities Act (Credit Unions) Exemption Notice 2010, whereby the Credit Union has been granted an exemption from compliance with sections 37A (1)(d), 51, 52 and 54 of the Securities Act 1978 and clause 12 of Schedule 2 and clauses 1(2) and 3 of Schedule 15 of the Securities Regulations 2009. The Credit Union has further relied on the exemption contained in the Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2009 as the creditworthiness of the Credit Union is not rated by a rating agency approved by the Reserve Bank of New Zealand under s157J of the Reserve Bank of New Zealand Act 1989. All legislation mentioned in this Prospectus can be viewed on www.legislation.govt.nz.

1. MAIN TERMS OF OFFER

1.1 Name and Address of the Credit Union

Name of Credit Union: Christchurch Emergency Services Credit Union
Registered Office: 200 Kilmore Street, Christchurch 8011
Ordinary office Hours: Wednesday: 10am to 1pm Service
Location: 200 Kilmore Street, Christchurch 8011
The following company will deduct members' contributions directly from salary on request:
New Zealand Fire Service

1.2 Description of the Activities of the Credit Union

The Credit Union

The Credit Union is a not-for-profit financial co-operative registered as a credit union under the Friendly Societies and Credit Unions Act 1982 ("the Act"). The objects of the Credit Union are essentially the promotion of thrift amongst its members by the accumulation of their savings, the use and control of the members' savings for their mutual benefit and the training and education of the members in the wise use of money and in the management of their financial affairs.

The Credit Union's primary activity over the past five (5) years preceding the date this Prospectus was delivered to the Registrar of Financial Service Providers for registration, has been to provide a co-operative saving facility for members to form a loan fund.

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

The Offer

This Prospectus includes a secured offer of \$1.00 fully paid-up shares in the Credit Union.

This offer is made to a section of the public, being:

- (a) Past and present paid staff of the New Zealand Fire Service (Christchurch) and the St John Ambulance Service (Christchurch);
- (b) Any person who is a member of the same household as and is a relative of a person who has been admitted to membership and who continues to qualify for membership, of the Credit Union under paragraph (a) above; and
- (c) For the purposes of paragraph (b) above, the term "relative" in relation to any person means:
 - (i) The spouse of that person including any former spouse or de facto spouse;
 - (ii) Any linear ancestor, linear descendant, brother, sister, uncle, aunt, nephew, niece, or first cousin of that person or that person's spouse;
 - (iii) The spouse (including any former spouse or de facto spouse) of any relative specified in sub-paragraph (ii) above.

Shareholders in the Credit Union are termed "Members". 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). ~~This~~—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 Friendly Societies and Credit Unions at the Companies Office. Please refer to paragraph 8 below for further details of the Trust Deed.

On 19 April 2013, Trustees Executors Limited retired as statutory trustee and the Credit Union appointed Corporate Trust Limited (trading as Foundation Corporate Trust) as statutory trustee of the offer under this Prospectus for the purposes of the Securities Act 1978.

References in this Prospectus to the "Prudential Supervisor" are to Trustees Executors Limited in respect of the period from the date of this Prospectus up to (and including) the date of its retirement on 22 April 2013, and to Corporate Trust Limited in respect of the period after that date.

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 \$40,000 or 10% of the total tangible assets.

A member who ceases to fulfil the Credit Union's membership requirements (outlined under "the offer" above) shall be entitled to retain their membership. Such a member is termed a "non-qualifying member". Members will not cease to fulfil their requirements by reason only of retirement. The number of non-qualifying members of the Credit Union shall at no time exceed ten (10) percent of the Credit Union's total membership.

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

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

Shares in the Credit Union are not transferable except where a member has nominated in writing that a person is to receive the member's shareholding in the Credit Union on the 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 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 below, 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 members of the public who meet membership criteria described under "the Offer" above. The Credit Union reserves the right to accept or decline any application without giving any reason for its decision.

The Credit Union is not entitled at law, to issue share certificates to members. However, all deposits and withdrawals from a member's share account will be entered in the member's passbook. In addition, the Credit Union will on request, and every three (3) 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 in 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.

Please refer to the Fourth Schedule in this Prospectus for details of the conditions, rates and terms of Term Share Accounts offered by the Credit Union.

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 (described under the heading Share Accounts above), receive an annual dividend from the profits of the Credit Union.

The maintenance of the rate of dividend paid on member accounts is largely dependent on the annual surpluses earned by the ongoing profitability of the Credit Union. The amount of the surplus available for distribution to members is 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 5.00% 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 in 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. The Credit Union does not currently operate any Special Share Accounts.

Payment of Returns

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

The rate of return is largely dependent on annual surpluses being earned through the profitability of the Credit Union. The amount of any surplus available for distribution to members is subject to the obligation of the Credit Union to maintain reserves. Under the Trust Deed the Credit Union is required to maintain total reserves of at least 10% of the total assets of the Credit Union. These reserves cannot be used to pay returns without the consent of the Prudential Supervisor.

Fees and Charges

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

Withdrawals

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

Generally withdrawals would not be available where such withdrawal of shares would reduce a member's paid-up share holding in the Credit Union to less than the member's total liability (including any contingent liability) to the Credit Union. If the Credit Union fails, on written demand, to pay money borrowed by it, it may neither make loans, nor permit withdrawals. The Credit Union is not entitled at law, to consent to any withdrawals where the Credit Union is unable to meet its debts as they fall due.

Maturity

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

Early Repayment

The policy of the Credit Union is to not make repayments prior to maturity. In the event of financial hardship or extraordinary circumstances, written application may be made to the Credit Union, who may exercise its sole discretion to repay the funds in whole or in part. The Credit Union reserves the right to decline any such application without giving any reason. Where the Credit Union grants such applications, the interest or dividend payable will be subject to adjustment in accordance with the terms of the share account and such interest or dividend shall only be credited to the date of termination.

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 will deduct RWT at the "no declaration rate" prescribed by the Inland Revenue Department (or such other amount as required by law); or

- (b) a member has notified the Credit Union of their IRD number, but omits to nominate the appropriate rate, RWT will be deducted at the "no declaration rate" prescribed by the Inland Revenue Department (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 provide a copy to the Credit Union.

The Credit Union and its advisors do not accept responsibility nor do they give any undertaking or warranty that RWT deductions will not be made from any interest paid to any person who holds or is entitled to hold a valid Certificate of Exemption, where a copy of that Certificate has not been forwarded 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 shares or funds 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 shares, 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 (currently five (5) years) 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.

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 29th August 1980, under 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 1802871. The Credit Union is also registered on the Financial Service Providers Register under registration number FSP24421.

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

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 the NZX Limited for listing of any shares under this Prospectus on the New Zealand Exchange or otherwise.

3. DIRECTORATE AND ADVISORS

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 (2) years, retire by rotation, and are eligible for re-election.

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

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

A list of the current directors and officers of the Credit Union is included as in the Sixth Schedule in this Prospectus. The office of Vice-Chairperson is currently vacant.

The Treasurer is employed under contract to provide support services to the Credit Union.

3.2 Particulars of Trustees

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

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

3.3 Supervisory Committee

The following named persons were appointed under the Credit Union's Rules to act as the Supervisory Committee of the Credit Union:

Mr. Richard TOLAN

Mr. Gerald Gordon WILSON

3.4 Auditors

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

The auditor and the auditor's partners have each obtained a transitional licence under the Auditor Regulation Act 2011. These transitional licences are effective from 1 May 2012. Other than in their capacity as auditors, they have no relationship with, or interests in, the Credit Union.

A copy of the auditor's report is attached as the Second Schedule in this Prospectus.

3.5 Solicitors

The Credit Union's solicitors are MDS Law. MDS Law contact details are included in the Directory. The solicitors involved in the preparation of the memorandum of amendments dated 22 April 2013 are Bell Gully.

3.6 Prudential Supervisor

The Prudential Supervisor's contact details are included in the Directory. Trustees Executors Limited retired as the Prudential Supervisor on 19 April 2013 and Corporate Trust Limited (trading as Foundation Corporate Trust) was appointed as the Prudential Supervisor as from that date.

As at the date of this Prospectus, Trustees Executors Limited The Prudential Supervisor has been granted a licence under the Securities Trustees and Statutory Supervisors Act 2011 to act as a trustee in respect of debt securities for a term expiring 16 January 2018. Corporate Trust Limited has been granted a licence under the Securities Trustees and Statutory Supervisors Act 2011 to act as a trustee in respect of debt securities for a term expiring on 27 March 2017. A copy of the each Prudential Supervisor's licence is publicly available from the Financial Markets Authority website www.fma.govt.nz/help-me-comply/trustees/licensed-trustees-and-statutory-supervisors).

The address of the Prudential Supervisor may change. The current address may be obtained by contacting the Prudential Supervisor or the Credit Union by calling their respective telephone numbers set out in the Directory.

3.7 Bankers

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

In addition the Credit Union holds a term deposit account at Kiwi Bank. Kiwi Bank contact details are included in the Directory.

4. RESTRICTIONS ON DIRECTORS' POWERS

The Credit Union's Rules provide (at rule 30) details of the duties required of the board of directors of the Credit Union. While the list is permissive and non-exhaustive, some of the duties expected of the directors come with their own restrictions set out by the Act. Full details may be found in the Rules of the Credit Union, but the restrictions set out by the Act are more fully described in paragraph 8.3 of this Prospectus.

5. MATERIAL CONTRACTS

In the two years preceding the date of this Prospectus the Trustees for the Credit Union have entered into the following material contract, with the Prudential Supervisor:

The Credit Union entered into a Deed of Amendment to Trust Deed with Trustees Executors Limited (in its capacity as Prudential Supervisor at the time) dated 13th November 2012 to modify the Trust Deed to include matters required by the Securities Amendment Regulations (No.2) 2011. A copy of the Deed of Amendment to Trust Deed has been filed with the Companies Office.

During the period between the date of this Prospectus and the date of the memorandum of amendments dated 22 April 2013, the Trustees for the Credit Union have entered into the following additional material contracts with the Prudential Supervisor:

Deed of Retirement and Appointment

A Deed of Retirement and Appointment was entered into on 19 April 2013 between the trustees of the Credit Union, Trustees Executors Limited and Corporate Trust Limited (trading as Foundation Corporate Trust) to provide for the retirement of Trustees Executors Limited from the position of Prudential Supervisor in respect of the Credit Union, and the appointment of Corporate Trust Limited as Prudential Supervisor.

Deed of Modification

A Deed of Modification to the Trust Deed was entered into on 19 April 2013 between the trustees of the Credit Union and Corporate Trust Limited (in its capacity as Prudential Supervisor at the time) in order to modify the Trust Deed to include certain matters authorised by an extraordinary resolution passed at a meeting of members pursuant to the Trust Deed. Those modifications related to the terms of the remuneration of the Prudential Supervisor, the addition of a power to remove the Prudential Supervisor and alterations to the provisions regarding appointment of a new Prudential Supervisor (described further in Paragraph 8).

6. 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.

7. RANKING OF SECURITIES

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 \$845,497 as at 30 June 2012. There are no securities ranking in priority with the shares offered by the Credit Union to potential and existing members pursuant to this Prospectus as at 30 June 2012. 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 Friendly Societies and Credit Unions. Please refer to paragraph 8 below 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 Personal Property Securities Act 1999 in respect of the same. The grant of the security interest was recorded and confirmed in the Deed of Modification dated 25 October 2002, which has been registered with the Registrar of Friendly Societies and Credit Unions. Please refer to paragraph 8 below 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 by any other creditors. However, if, at the time of the Credit Union being placed in liquidation, a member had not made a claim for withdrawal of the member's shares and the Prudential Supervisor had not exercised its powers under the Trust Deed to accelerate the repayment of the monies owing in respect of the shares then the member would be treated as a shareholder in the liquidation and would rank behind secured and unsecured creditors (if any). With the prior written consent of the Prudential Supervisor, the Credit Union may grant a security interest over or affecting all or any part of its assets, and any such security interests may take priority to the members' claims for withdrawal secured by the Trust Deed.

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

8.1 Trust Deed

The Credit Union has appointed the Prudential Supervisor as the statutory trustee of the offer of shares in this Prospectus, for the purposes of the Securities Act 1978. The Prudential Supervisor's appointment and the parties' respective rights and obligations of the Credit Union and the Prudential Supervisor are recorded in the Trust Deed dated 11 April 2001, as modified by the Deed of Modification dated 25 October 2002 ("Deed of Modification 2002"), and the Deed of Modification dated 26 November 2010 ("Deed of Modification 2010"), and the Deed of Amendment to Trust Deed dated 13 November 2012 and the Deed of Modification dated 19 April 2013 ("Deed of Modification 2013"). ("Deed of Amendment 2012") (together the "Trust Deed"). Corporate Trust Limited (trading as Foundation Corporate Trust) was appointed as the Prudential Supervisor by a Deed of Retirement and Appointment dated 19 April 2013. A copy of the Deed of Retirement and Appointment has been filed with the Registrar.

The Credit Union's grant of a security interest in all its present and after acquired personal property, including all of the Credit Union's present and future accounts receivable as well as all rights in relation to such accounts receivable to the Prudential Supervisor is recorded in the

Deed of Modification 2002. Please refer to paragraph 7 above for further information about the security interest in the Credit Union's personal property.

The Credit Union and the ~~Prudential Supervisor~~ Trustees Executors Limited (in its capacity as Prudential Supervisor of the Credit Union at the time) entered into the Deed of Modification 2010 to amend the Trust Deed in order to accommodate the legislative reforms enacted by the Reserve Bank of New Zealand Act 1989 (as amended by the Reserve Bank of New Zealand Amendment Act 2009) and in particular the Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010 and the Deposit Takers (Liquidity Requirements) Regulations 2010 (together "the Regulations").

The Credit Union and the ~~Prudential Supervisor~~ Trustees Executors Limited (in its capacity as Prudential Supervisor of the Credit Union at the time) entered into the Deed of Amendment 2012 on 13 November 2012 to modify the Trust Deed to accommodate matters required by the Securities Amendment Regulations (No 2) 2011.

The Credit Union and Corporate Trust Limited (in its capacity as Prudential Supervisor) entered into the Deed of Modification 2013 to modify the Trust Deed to incorporate the matters authorised by the extraordinary resolution referred to in paragraph 5 above.

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 all 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; and
- (h) borrow any monies except on terms and conditions to which the Prudential Supervisor has previously consented in writing. Such borrowing is not to exceed 15% of the Credit Union's total paid up share capital and reserves, unless the borrowing is to fund expenditure of a capital nature subject to the prior approval of the Prudential Supervisor.

The Credit Union has further covenanted pursuant to the Deed of Modification 2010 that:

- (a) if the Credit Union does not have a Credit Rating (as defined in the Regulations), the Credit Union shall ensure that at all times its Capital Ratio (as defined in the Trust Deed) is not less than 10%;
- (b) if the Credit Union does have a Credit Rating, the Credit Union shall ensure that at all times its Capital Ratio is not less than 8%; and

- (c) the Credit Union ensures that at all times the aggregate exposure of the Credit Union to all Related Parties (as defined in the Regulations) does not exceed a maximum limit ratio of 15% of capital calculated in accordance with the Regulations.

The Credit Union has purchased subordinated capital notes from the New Zealand Association of Credit Unions ("NZACU"). The Prudential Supervisor has agreed \$20,000 worth of the total subordinated capital notes purchased can be excluded when calculating the ratio in paragraph 8.1(g) above.

Other Covenants under the Trust Deed

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

- To comply with the Act, its Rules and all applicable laws relating to governance matters;
- To meet all its registration, filing and reporting obligations;
- To provide copies of all communications to and from regulatory bodies;
- To meet all obligations to security holders;
- To notify the Prudential Supervisor immediately it becomes aware that an event has occurred which would allow the Prudential Supervisor to review the Credit Union's compliance with the Trust Deed (Review Event), or to enforce its rights under the Trust Deed (Enforcement Event);
- To maintain its register of members, comply with all its obligations, pay its debts in a timely manner and conduct its business in a proper and efficient manner;
- To comply with the Prudential Standards Manual prepared by the 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 prior consent of the Prudential Supervisor;
- Not to acquire or dispose of any asset from or to, or engage the service 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 ten (10) business days' notice of its intention to do so, to the Prudential Supervisor;
- To promptly provide to the Prudential Supervisor written notice of all present and after acquired serial numbered personal property and such other details as are necessary to enable the registration of a valid financing statement or financing change statement in respect of the Credit Union's personal property by the Prudential Supervisor; and
- at all times, comply with a risk management programme that meets the requirements of the Reserve Bank of New Zealand Act 1989.

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

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.

On 22 August 2006 ~~the Prudential Supervisor~~ Trustees Executors Limited (in its capacity as Prudential Supervisor of the Credit Union at that date) agreed to a waiver of clause 5.2(f) of the

Trust Deed thereby allowing the Credit Union to issue loans to Associated Persons without having to give 10 business day's notice to the Prudential Supervisor provided that each loan is:-

- on the terms and conditions available to all members;
- for full market value;
- in the ordinary course of the Credit Union's ordinary business;
- fully reported in the quarterly Directors' Certificate to the Prudential Supervisor;
- for the amount of \$20,000 or less.

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, the Act and the Regulations. The Prudential Supervisor is under a duty to exercise reasonable diligence to ascertain whether or not the Credit Union has:

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

The Trust Deed gives the Prudential Supervisor wide ranging powers to enforce the Credit Union's obligations under the Trust Deed, including the power to appoint a receiver, following an Enforcement Event (as defined in the Trust Deed).

Removal of Prudential Supervisor

The Credit Union may remove the Prudential Supervisor at any time, without giving any reason, by giving at least 30 days' written notice to the Prudential Supervisor (or a lesser period of notice as agreed by the Prudential Supervisor).

The members may, by extraordinary resolution, remove the Prudential Supervisor, by giving at least 30 days' written notice to the Prudential Supervisor (or a lesser period of notice as agreed by the Prudential Supervisor).

Appointment of New Prudential Supervisor

The trustees of the Credit Union have the power to appoint a new Prudential Supervisor upon the recommendation of the Supervisory Committee. If the trustees fail to appoint a new Prudential Supervisor within 60 days of receiving notice of the Prudential Supervisor's intention to retire or its removal from office (as the case may be), then the members may exercise such power by extraordinary resolution. In each case, the new Prudential Supervisor must hold a licence under the Securities Trustees and Statutory Supervisors Act 2011 that covers the shares in the Credit Union and must have accepted such appointment.

8.2 Prudential Supervisor's Statement

Attached as the Fifth Schedule in this Prospectus is a statement by ~~the Trustees Executors Limited~~ (the Prudential Supervisor that at the date of this Prospectus) 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.

8.3 Other Restrictions on the Credit Union

Certain sections of the Act provide restrictions on the Credit Union that are not set out anywhere else in this Prospectus. Section 101(2) of the Act provides that a Credit Union may take no action or do anything which is not directly pursuant to or incidental to its objects or in furtherance of them or is in contravention of the Credit Union's 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 109 of the Act provides that the Credit Union may borrow money if the borrowing is authorised by and in accordance with the Credit Unions Rules and the Trust Deed.

Section 110 provides that the Credit Union may make loans to members for such purposes and upon such security (or without security) and conditions as the Rules of the Credit Union may provide either generally or specifically. Under the Trust Deed the maximum indebtedness of a member for an unsecured loan (whether wholly unsecured or not) shall at the time the loan is made be an amount not exceeding 5% of the amount shown as the total tangible assets of the Credit Union in the latest financial statements delivered to the Prudential Supervisor. The maximum indebtedness of a member in respect of a secured loan (not being a loan secured over the shares of the member) shall be an amount not exceeding 10% of the amount shown as the total tangible assets of the Credit Union in the latest financial statements delivered to the Prudential Supervisor.

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

Section 113 provides that the Credit Union may only hold an interest in land or buildings if authorised by, and in accordance with the Credit Union's Rules and the Trust Deed. There is no specific authorisation to allow this in the Credit Union's Rules and Trust Deed as at the date of this Prospectus.

Under Section 117 the Credit Union may invest its funds only if authorised by, and in accordance with, the Credit Union's Rules and the Trust Deed, or with an Association of Credit Unions of which it is a member (NZACU), or with a bank.

9. OTHER TERMS OF OFFER AND SECURITIES

Some provisions of the Act make an investment in a Credit Union unique. In addition to those sections listed under "*Other Restrictions on the Credit Union*" at paragraph 8.3 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 or credit union or by an insurance company. The obligations of the officers of the Credit Union are secured by insurance policies with Vero Liability Insurance Limited.

The Credit Union is required to be insured against fraud and dishonesty. The Credit Union has an insurance policy with Vero Liability Insurance Limited 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 Unions common bond, and is specified in the Credit Union rules. As the Credit Union is competing with banks, other Credit Unions and

companies operating in the savings and loans market, restrictions on membership may affect the Credit Unions profitability and the returns payable to members.

(2) Member Returns

The rate of return on members' shares is dependent on annual surpluses being earned through the ongoing profitability of the Credit Union. The rate of return on the members' shares is therefore dependent on the ability of the board and senior management of the Credit Union to prudently manage the Credit Union and generate an operating surplus for its members, should the Credit Union's profitability be threatened then the Credit Union may reduce the rate of return on members' shares or even pay no return on the members' shares.

(3) Credit Rating

The Credit Union is not rated by a rating agency approved by the Reserve Bank of New Zealand under section 157J of the Reserve Bank of New Zealand Act 1989 ("the Reserve Bank Act") as it is operating under an exemption from the requirement under the Reserve Bank Act to have a credit rating. The general nature and effect of the exemption is that unnecessary compliance costs are avoided. If the Credit Union were required to obtain a credit rating from an agency approved by the Reserve Bank of New Zealand then the substantial costs involved would cause a significant reduction in the rate of dividend or interest returns to members. The exemption applies because the Credit Union has consolidated liabilities as at 1 October 2011 of less than \$20 million. It would therefore be unduly onerous and burdensome to comply with the requirement to have a credit rating.

(4) General Market Risk

Like all businesses, the financial performance of the Credit Union may be affected by the state of the New Zealand and international economies. Economic slowdowns, as New Zealand is currently experiencing, will generally have a negative impact on demand for goods and services and, thus, income, which may in turn adversely affect a member's ability to invest in shares in the Credit Union and to meet his or her loan payment obligations to the Credit Union. This in turn may affect the profitability of the Credit Union and returns paid to members, which the Directors are aware of and will take the necessary action when, and if, required.

(5) General Political Risk

Further, policies and decisions of the Government and other regulatory bodies in New Zealand, may impact on the financial performance of the Credit Union and returns paid to members. For example, the imposition of direct taxation may reduce the Credit Union's profitability. A change of Government policy that affects the income of the Credit Union's members and thus the members' ability to invest in shares in the Credit Union and meet loan payment obligations, may reduce the Credit Union's profitability.

(6) Credit Risk

The Credit Union relies on its members to repay their loans and to make interest payments on the due date. The Credit Union takes security over assets to secure most of the loans it makes. If a member fails to repay a loan on the due date and the value of the secured assets is insufficient to cover the outstanding payments, or if the loan is unsecured, the Credit Union will make a loss on that loan. If this occurs in relation to a significant number of the Credit Union's loans the value of interest and/or dividends payable to the members will fall. If this was substantial enough to cause the winding up of the Credit Union, then the value of members' shares will fall.

The Credit Union has a credit and lending policy that is used to manage its exposure to the credit risk. As part of this policy credit evaluations are made on members who wish to borrow the limits on exposure set, lending is subject to defined criteria and is monitored and controlled by prudent credit measures.

(7) Market Conditions

Recent finance company failures have the potential to taint other operators in the financial sector. The potential of this taint having some negative impact on reinvestment rates and thus the liquidity of the Credit Union cannot be dismissed.

(8) Liquidity Risk

Liquidity risk arises from not having enough cash to meet financial obligations. This issue can arise from a mismatch in the maturity of monetary assets and liabilities. This risk is managed by the Credit Union producing a regular maturity cash flow report, forecasting trend and expected cyclical liquidity requirements and generally monitoring the maturity profile of assets and liabilities. The Credit Union is also able to manage its liquidity risk by limiting withdrawals in certain circumstances, as described in the heading "Withdrawals" at paragraph 1.2.

(9) Security Position Risk

The Credit Union may take security from a member for loan advances to him or her. To the extent that the Credit Union does not take security or takes security that ranks subsequent in priority to another party's security then, in a default situation:

- (a) The ability of the Credit Union to realise the member's assets may be restricted or prohibited by the terms of any prior ranking security; and
- (b) Where the member's assets are realised, the member may be unable to repay some or all of the funds advanced by the Credit Union.

The Credit Union may incur losses in the above circumstances, which may affect its profitability and returns payable to members. Notwithstanding this, the Credit Union makes provision for doubtful debts in its financial statements in accordance with industry standards to minimise this risk.

(10) Security Pricing Risk

Before making a loan the Credit Union assessed the debt servicing ability of the members and any security offered by him or her for a loan advance. Where security is taken for a loan advance, the value of securities taken may fluctuate due to market prices for the same. If the market price of a security has decreased then it is possible that the Credit Union will not recover all moneys owed to it by a member in a default situation where it seeks to realise that security.

(11) Risk and Return

Before making an investment in shares, members and prospective members should consider the special trade factors and risks for that investment against the returns offered. Investors should be aware that there is a direct relationship between the risks of the investment and the return offered.

(12) Taxation

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.

(13) Insolvency

The Credit Union must remain solvent, that is, its assets must exceed its liabilities and it must be able to meet its debts as they fall due. Long term profitability contributes towards solvency as this enables the Credit Union to maintain adequate reserves.

The Credit Union could become insolvent and/or be wound up where a significant amount of loans due for repayment remain unpaid for extended period of time, or where as a result of the risks stated or otherwise, the Credit Union is for any reason unable to pay its debts as they fall due.

If the Credit Union becomes insolvent:

- (a) Members will not be required to pay any additional money other than those owing to the Credit Union under the shares (if any) and any outstanding loan balance;
- (b) The Credit Union is legally obliged to reject all requests for withdrawals from the members' share accounts, and shall not be entitled to make any further loans from the Credit Union's share capital;
- (c) All members' claims will rank equally (including those who invest under a later prospectus); and
- (d) Some specific claims will rank ahead of members' claims, for example, insolvency costs and Prudential Supervisor's fees.

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.

10. GUARANTORS

No person (including the directors and trustees) guarantees the repayment of the value of the shares, or the payment of any returns payable on shares held in the Credit Union.

11. PLACES OF INSPECTION OF DOCUMENTS

11.1 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 the Deed of Retirement and Appointment dated 19 April 2013; and
- (c) the Credit Union's most recent audited financial statements.

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

11.2 Companies Office

Copies of:

- (a) the Credit Union's Rules;
- (b) this Prospectus and the, the Trust Deed and the Deed of Retirement and Appointment dated 19 April 2013;
- (c) the Credit Union's audited financial statements; and
- (d) all other documents that relate to the registration of the Credit Union,

can be viewed on the Companies Office website www.buiseness.govt.nz/companies under "Search Other Registers" (file reference number: "1802871"). Copies may also be obtained (a fee may be payable) by telephoning the MBIE Business Service Centre on 0508 266 726.

12. OTHER MATERIAL MATTERS

12.1. Securities Act (Credit Unions) Exemption Notice 2010

In registering this Prospectus, the Credit Union has relied on the exemptions contained in the Securities Act (Credit Unions) Exemption Notice 2010, whereby the Credit Union has been granted an exemption from compliance with sections 37A(1)(d), 51, 52 and 54 of the Securities Act 1978 and clauses 1(3) and 12 of Schedule 2, and regulation 40 of the Securities Regulations 2009 (in so far as that regulation deems clauses 1(2) and 3 of the Fifteenth Schedule of the Securities Regulations 2009 to be contained in the trust deed relating to the debt securities). These exemptions are subject to the conditions set out in the Securities Act (Credit Unions) Exemption Notice 2010.

12.2. Friendly Societies and Credit Unions Amendment Act 2012

The Friendly Societies and Credit Unions Amendment Act 2012 (Amendment Act), which amended the Act, came into force on 31 August 2012. The Act was one of a number of pieces of legislation affected by the Regulatory Reform Bill, which was introduced to reduce compliance costs and the regulatory burden on businesses. The amendments to the Act include the following:

- (a) removing the maximum limit on members' shareholdings;
- (b) removing the requirement that credit unions only accept deposits by way of subscription for shares and enabling credit unions to issue other types of securities;
- (c) removing statutory restrictions on the ability of credit unions to borrow money, but linking these to such restrictions as may be in the Rules and the Trust Deed;
- (d) removing the limitations on the amount and the term of the loans credit unions make to their members;
- (e) removing the restriction that credit unions may only hold land for the purposes of conducting their business and replacing this with a provision that credit unions may only hold land if authorised by and in accordance with their rules and Trust Deed;
- (f) requiring the provisions dealing with the investment of surplus funds to be as prescribed by a credit union's Rules and the Trust deed;
- (g) adding provisions relating to distributions to members; and
- (h) removing the requirement to maintain a general reserve.

Some of these restrictions are still contained in the Rules or Trust Deed.

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

12.3 Breach of Trust Deed

The Credit Union breached the Trust Deed on February 2012 in that ~~it's~~its related party lending ratio was at 19% exceeding the 15% limit prescribed under the Trust Deed. On 7 March 2012, Trustees Executors Limited (in its capacity as the Prudential Supervisor for the Credit Union at that date) gave its permission for the Credit Union to continue to issue securities as from 29 February 2012 while in breach of the Trust Deed. The Credit Union subsequently remedied the breach on 7 March 2012.

13. SUMMARY FINANCIAL STATEMENTS

Summary Financial Statements of the Credit Union for the five consecutive years ended 30 June 2012, being the balance of the last audited financial statements of the Credit Union, are set out in the First Schedule in this Prospectus.

14. FINANCIAL STATEMENTS

The most recent audited financial statements for the Credit Union for the year ending 30th June 2012 have been registered under the Financial Reporting Act 1993 on 9 October 2012. A copy of the registered financial statements is attached to the Third Schedule in this Prospectus.

15. ACQUISITION OF BUSINESS OR SUBSIDIARY

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

16. DIRECTORS' STATEMENT

The directors after due enquiry in relation to the period between the date of the latest statement of financial position as at 30th June 2012, as included to the Third Schedule in this Prospectus, and the date of registration of this Prospectus, are of the opinion that no circumstances have arisen that materially adversely affect:

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

17. INDEPENDENT AUDITORS' REPORT

The Independent Auditors' Report in terms of clause 22 of the Securities Regulations 2009 is included in the Second Schedule to this Prospectus. The Auditors' Report was not modified in any respect.

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

PROSPECTUS

-relating to-

**the Offer of Debt Securities by the Christchurch Emergency
Services Credit Union dated 20 December 2012 (as amended by a
Memorandum of Amendments dated 22 April 2013)**

Christchurch Emergency Services Credit Union

Having offices at 200 Kilmore Street, Christchurch 8011.

*Telephone 0-3-371 3610. Facsimile 0-3-371 3610.
E – mail: cescu@xtra.co.nz*

DIRECTORY

CREDIT UNION
Christchurch Emergency Services
Credit Union
200 Kilmore Street
Christchurch 8011
Telephone 371 3610
Facsimile 371 3610

AUDITORS
PricewaterhouseCoopers
Level 1, Westpac Building
106 George Street
Dunedin

SOLICITORS TO THE
CREDIT UNION
MDS Law
334 Lincoln Rd
Christchurch 8024
Telephone 379 1930
Facsimile 366 8405

BANKERS
BNZ
137 Armagh Street
Christchurch 8011

Kiwi Bank
256 Barrington Street
Christchurch

PRUDENTIAL SUPERVISOR
As at the date of this Prospectus

SECURITIES REGISTRAR
Mr Stephen John Kennedy
16 Ravensdale Rise
Westmorland
Christchurch 8025

Trustees Executors Limited
Level 12
Tower Centre
45 Queen Street
PO Box 4197
Auckland 1140
Telephone: (09) 308 7100
Facsimile: (09) 308 7101

PLACE WHERE REGISTER
KEPT
200 Kilmore Street
Christchurch 8011

From 19 April 2013:

Corporate Trust Limited, trading as
Foundation Corporate Trust
Level 6, AMP Chambers
187 Featherston Street
PO Box 3845
Wellington 6140
Telephone: (04) 901 4439
Facsimile: (04) 470 9623

COMPANIES OFFICE
Ministry of Business, Innovation and
Employment ("MBIE")
Level 18, ASB Bank Centre
135 Albert Street
Private Bag 92061
Victoria Street Auckland 1142
Telephone: 0508 266 726
Facsimile: (09) 912 7787
E-mail: webmaster@companies.govt.nz
Website: www.business.govt.nz/companies

PROSPECTUS OF CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

This Prospectus is dated 20 December 2012 (as amended by a Memorandum of Amendments dated 22 April 2013).

| INDEX Clause | Page |
|--|-----------------|
| Directory | 1 |
| 1. Main Terms of Offer | 3 |
| 1.2 Description of the Activities of the Credit Union | 3 |
| 2. Details of Registration | 7 |
| 3. Directorate and Advisors | 8 |
| 4. Restriction on Director's Powers | 9 |
| 5. Material Contracts | 9 |
| 6. Pending Proceedings | 10 |
| 7. Ranking of Securities | 10 |
| 8. Provisions of Trust Deed and Other Restrictions on the Credit Union | 10 |
| 9. Other Terms of Offer and Securities | 14 |
| 10. Guarantors | 17 |
| 11. Places of Inspection of Documents | 17 |
| 12. Other Material Matters | 18 |
| 13. Summary Financial Statements | 18a |
| 14. Financial Statements | 18a |
| 15. Acquisition of Business or Subsidiary | 18a |
| 16. Directors Statement | 18a |
| 17. Independent Auditors' Report | 18a |
| Schedules | |
| Summary Financial Statements | First Schedule |
| Independent Auditors' Report | Second Schedule |
| Financial Statements | Third Schedule |
| Share Accounts | Fourth Schedule |
| Prudential Supervisors Statement | Fifth Schedule |
| Directorate | Sixth Schedule |

In registering this Prospectus, the Credit Union has relied on the exemptions contained in the Securities Act (Credit Unions) Exemption Notice 2010, whereby the Credit Union has been granted an exemption from compliance with sections 37A (1)(d), 51, 52 and 54 of the Securities Act 1978 and clause 12 of Schedule 2 and clauses 1(2) and 3 of Schedule 15 of the Securities Regulations 2009. The Credit Union has further relied on the exemption contained in the Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2009 as the creditworthiness of the Credit Union is not rated by a rating agency approved by the Reserve Bank of New Zealand under s157J of the Reserve Bank of New Zealand Act 1989. All legislation mentioned in this Prospectus can be viewed on www.legislation.govt.nz.

1. MAIN TERMS OF OFFER

1.1 Name and Address of the Credit Union

Name of Credit Union: Christchurch Emergency Services Credit Union
Registered Office: 200 Kilmore Street, Christchurch 8011
Ordinary office Hours: Wednesday: 10am to 1pm Service
Location: 200 Kilmore Street, Christchurch 8011
The following company will deduct members' contributions directly from salary on request:
New Zealand Fire Service

1.2 Description of the Activities of the Credit Union

The Credit Union

The Credit Union is a not-for-profit financial co-operative registered as a credit union under the Friendly Societies and Credit Unions Act 1982 ("the Act"). The objects of the Credit Union are essentially the promotion of thrift amongst its members by the accumulation of their savings, the use and control of the members' savings for their mutual benefit and the training and education of the members in the wise use of money and in the management of their financial affairs.

The Credit Union's primary activity over the past five (5) years preceding the date this Prospectus was delivered to the Registrar of Financial Service Providers for registration, has been to provide a co-operative saving facility for members to form a loan fund.

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

The Offer

This Prospectus includes a secured offer of \$1.00 fully paid-up shares in the Credit Union.

This offer is made to a section of the public, being:

- (a) Past and present paid staff of the New Zealand Fire Service (Christchurch) and the St John Ambulance Service (Christchurch);
- (b) Any person who is a member of the same household as and is a relative of a person who has been admitted to membership and who continues to qualify for membership, of the Credit Union under paragraph (a) above; and
- (c) For the purposes of paragraph (b) above, the term "relative" in relation to any person means:
 - (i) The spouse of that person including any former spouse or de facto spouse;
 - (ii) Any linear ancestor, linear descendant, brother, sister, uncle, aunt, nephew, niece, or first cousin of that person or that person's spouse;
 - (iii) The spouse (including any former spouse or de facto spouse) of any relative specified in sub-paragraph (ii) above.

Shareholders in the Credit Union are termed "Members". 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). This 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 Friendly Societies and Credit Unions at the Companies Office. Please refer to paragraph 8 below for further details of the Trust Deed.

On 19 April 2013, Trustees Executors Limited retired as statutory trustee and the Credit Union appointed Corporate Trust Limited (trading as Foundation Corporate Trust) as statutory trustee of the offer under this Prospectus for the purposes of the Securities Act 1978.

References in this Prospectus to the "Prudential Supervisor" are to Trustees Executors Limited in respect of the period from the date of this Prospectus up to (and including) the date of its retirement on 22 April 2013, and to Corporate Trust Limited in respect of the period after that date.

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 \$40,000 or 10% of the total tangible assets.

A member who ceases to fulfil the Credit Union's membership requirements (outlined under "the offer" above) shall be entitled to retain their membership. Such a member is termed a "non-qualifying member". Members will not cease to fulfil their requirements by reason only of retirement. The number of non-qualifying members of the Credit Union shall at no time exceed ten (10) percent of the Credit Union's total membership.

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

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

Shares in the Credit Union are not transferable except where a member has nominated in writing that a person is to receive the member's shareholding in the Credit Union on the 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 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 below, 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 members of the public who meet membership criteria described under "the Offer" above. The Credit Union reserves the right to accept or decline any application without giving any reason for its decision.

The Credit Union is not entitled at law, to issue share certificates to members. However, all deposits and withdrawals from a member's share account will be entered in the member's passbook. In addition, the Credit Union will on request, and every three (3) 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 in 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.

Please refer to the Fourth Schedule in this Prospectus for details of the conditions, rates and terms of Term Share Accounts offered by the Credit Union.

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 (described under the heading Share Accounts above), receive an annual dividend from the profits of the Credit Union.

The maintenance of the rate of dividend paid on member accounts is largely dependent on the annual surpluses earned by the ongoing profitability of the Credit Union. The amount of the surplus available for distribution to members is 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 5.00% 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 in 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. The Credit Union does not currently operate any Special Share Accounts.

Payment of Returns

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

The rate of return is largely dependent on annual surpluses being earned through the profitability of the Credit Union. The amount of any surplus available for distribution to members

is subject to the obligation of the Credit Union to maintain reserves. Under the Trust Deed the Credit Union is required to maintain total reserves of at least 10% of the total assets of the Credit Union. These reserves cannot be used to pay returns without the consent of the Prudential Supervisor.

Fees and Charges

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

Withdrawals

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

Generally withdrawals would not be available where such withdrawal of shares would reduce a member's paid-up share holding in the Credit Union to less than the member's total liability (including any contingent liability) to the Credit Union. If the Credit Union fails, on written demand, to pay money borrowed by it, it may neither make loans, nor permit withdrawals. The Credit Union is not entitled at law, to consent to any withdrawals where the Credit Union is unable to meet its debts as they fall due.

Maturity

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

Early Repayment

The policy of the Credit Union is to not make repayments prior to maturity. In the event of financial hardship or extraordinary circumstances, written application may be made to the Credit Union, who may exercise its sole discretion to repay the funds in whole or in part. The Credit Union reserves the right to decline any such application without giving any reason. Where the Credit Union grants such applications, the interest or dividend payable will be subject to adjustment in accordance with the terms of the share account and such interest or dividend shall only be credited to the date of termination.

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 will deduct RWT at the "no declaration rate" prescribed by the Inland Revenue Department (or such other amount as required by law); or
- (b) a member has notified the Credit Union of their IRD number, but omits to nominate the appropriate rate, RWT will be deducted at the "no declaration rate" prescribed by the Inland Revenue Department (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 provide a copy to the Credit Union.

The Credit Union and its advisors do not accept responsibility nor do they give any undertaking or warranty that RWT deductions will not be made from any interest paid to any person who holds or is entitled to hold a valid Certificate of Exemption, where a copy of that Certificate has not been forwarded 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 shares or funds 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 shares, 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 (currently five (5) years) 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.

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 29th August 1980, under 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 1802871. The Credit Union is also registered on the Financial Service Providers Register under registration number FSP24421.

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

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 the NZX Limited for listing of any shares under this Prospectus on the New Zealand Exchange or otherwise.

3. DIRECTORATE AND ADVISORS

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 (2) years, retire by rotation, and are eligible for re-election.

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

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

A list of the current directors and officers of the Credit Union is included as in the Sixth Schedule in this Prospectus. The office of Vice-Chairperson is currently vacant.

The Treasurer is employed under contract to provide support services to the Credit Union.

3.2 Particulars of Trustees

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

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

3.3 Supervisory Committee

The following named persons were appointed under the Credit Union's Rules to act as the Supervisory Committee of the Credit Union:

Mr. Richard TOLAN

Mr. Gerald Gordon WILSON

3.4 Auditors

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

The auditor and the auditor's partners have each obtained a transitional licence under the Auditor Regulation Act 2011. These transitional licences are effective from 1 May 2012. Other than in their capacity as auditors, they have no relationship with, or interests in, the Credit Union.

A copy of the auditor's report is attached as the Second Schedule in this Prospectus.

3.5 Solicitors

The Credit Union's solicitors are MDS Law. MDS Law contact details are included in the Directory. The solicitors involved in the preparation of the memorandum of amendments dated 22 April 2013 are Bell Gully.

3.6 Prudential Supervisor

The Prudential Supervisor's contact details are included in the Directory. Trustees Executors Limited retired as the Prudential Supervisor on 19 April 2013 and Corporate Trust Limited (trading as Foundation Corporate Trust) was appointed as the Prudential Supervisor as from that date.

As at the date of this Prospectus, Trustees Executors Limited has been granted a licence under the Securities Trustees and Statutory Supervisors Act 2011 to act as a trustee in respect of debt securities for a term expiring 16 January 2018. Corporate Trust Limited has been granted a licence under the Securities Trustees and Statutory Supervisors Act 2011 to act as a trustee in respect of debt securities for a term expiring on 27 March 2017. A copy of each Prudential Supervisor's licence is publicly available from the Financial Markets Authority website www.fma.govt.nz/help-me-comply/trustees/licensed-trustees-and-statutory-supervisors).

The address of the Prudential Supervisor may change. The current address may be obtained by contacting the Prudential Supervisor or the Credit Union by calling their respective telephone numbers set out in the Directory.

3.7 **Bankers**

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

In addition the Credit Union holds a term deposit account at Kiwi Bank. Kiwi Bank contact details are included in the Directory.

4. **RESTRICTIONS ON DIRECTORS' POWERS**

The Credit Union's Rules provide (at rule 30) details of the duties required of the board of directors of the Credit Union. While the list is permissive and non-exhaustive, some of the duties expected of the directors come with their own restrictions set out by the Act. Full details may be found in the Rules of the Credit Union, but the restrictions set out by the Act are more fully described in paragraph 8.3 of this Prospectus.

5. **MATERIAL CONTRACTS**

In the two years preceding the date of this Prospectus the Trustees for the Credit Union have entered into the following material contract, with the Prudential Supervisor:

The Credit Union entered into a Deed of Amendment to Trust Deed with Trustees Executors Limited (in its capacity as Prudential Supervisor at the time) dated 13th November 2012 to modify the Trust Deed to include matters required by the Securities Amendment Regulations (No.2) 2011. A copy of the Deed of Amendment to Trust Deed has been filed with the Companies Office.

During the period between the date of this Prospectus and the date of the memorandum of amendments dated 22 April 2013, the Trustees for the Credit Union have entered into the following additional material contracts with the Prudential Supervisor:

Deed of Retirement and Appointment

A Deed of Retirement and Appointment was entered into on 19 April 2013 between the trustees of the Credit Union, Trustees Executors Limited and Corporate Trust Limited (trading as Foundation Corporate Trust) to provide for the retirement of Trustees Executors Limited from the position of Prudential Supervisor in respect of the Credit Union, and the appointment of Corporate Trust Limited as Prudential Supervisor.

Deed of Modification

A Deed of Modification to the Trust Deed was entered into on 19 April 2013 between the trustees of the Credit Union and Corporate Trust Limited (in its capacity as Prudential Supervisor at the time) in order to modify the Trust Deed to include certain matters authorised by an extraordinary resolution passed at a meeting of members pursuant to the Trust Deed. Those modifications related to the terms of the remuneration of the Prudential Supervisor, the addition of a power to remove the Prudential Supervisor and alterations to the provisions regarding appointment of a new Prudential Supervisor (described further in Paragraph 8).

6. 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.

7. RANKING OF SECURITIES

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 \$845,497 as at 30 June 2012. There are no securities ranking in priority with the shares offered by the Credit Union to potential and existing members pursuant to this Prospectus as at 30 June 2012. 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 Friendly Societies and Credit Unions. Please refer to paragraph 8 below 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 Personal Property Securities Act 1999 in respect of the same. The grant of the security interest was recorded and confirmed in the Deed of Modification dated 25 October 2002, which has been registered with the Registrar of Friendly Societies and Credit Unions. Please refer to paragraph 8 below 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 by any other creditors. However, if, at the time of the Credit Union being placed in liquidation, a member had not made a claim for withdrawal of the member's shares and the Prudential Supervisor had not exercised its powers under the Trust Deed to accelerate the repayment of the monies owing in respect of the shares then the member would be treated as a shareholder in the liquidation and would rank behind secured and unsecured creditors (if any). With the prior written consent of the Prudential Supervisor, the Credit Union may grant a security interest over or affecting all or any part of its assets, and any such security interests may take priority to the members' claims for withdrawal secured by the Trust Deed.

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

8.1 Trust Deed

The Credit Union has appointed the Prudential Supervisor as the statutory trustee of the offer of shares in this Prospectus, for the purposes of the Securities Act 1978. The respective rights and obligations of the Credit Union and the Prudential Supervisor are recorded in the Trust Deed dated 11 April 2001, as modified by the Deed of Modification dated 25 October 2002 ("Deed of Modification 2002"), the Deed of Modification dated 26 November 2010 ("Deed of Modification 2010"), the Deed of Amendment to Trust Deed dated 13 November 2012 and the Deed of Modification dated 19 April 2013 ("Deed of Modification 2013"). Corporate Trust Limited (trading as Foundation Corporate Trust) was appointed as the Prudential Supervisor by a Deed of Retirement and Appointment dated 19 April 2013. A copy of the Deed of Retirement and Appointment has been filed with the Registrar.

The Credit Union's grant of a security interest in all its present and after acquired personal property, including all of the Credit Union's present and future accounts receivable as well as all rights in relation to such accounts receivable to the Prudential Supervisor is recorded in the Deed of Modification 2002. Please refer to paragraph 7 above for further information about the security interest in the Credit Union's personal property.

The Credit Union and Trustees Executors Limited (in its capacity as Prudential Supervisor of the Credit Union at the time) entered into the Deed of Modification 2010 to amend the Trust Deed in order to accommodate the legislative reforms enacted by the Reserve Bank of New Zealand Act 1989 (as amended by the Reserve Bank of New Zealand Amendment Act 2009) and in particular the Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010 and the Deposit Takers (Liquidity Requirements) Regulations 2010 (together "the Regulations").

The Credit Union and Trustees Executors Limited (in its capacity as Prudential Supervisor of the Credit Union at the time) entered into the Deed of Amendment 2012 on 13 November 2012 to modify the Trust Deed to accommodate matters required by the Securities Amendment Regulations (No 2) 2011.

The Credit Union and Corporate Trust Limited (in its capacity as Prudential Supervisor) entered into the Deed of Modification 2013 to modify the Trust Deed to incorporate the matters authorised by the extraordinary resolution referred to in paragraph 5 above.

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 all 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; and
- (h) borrow any monies except on terms and conditions to which the Prudential Supervisor has previously consented in writing. Such borrowing is not to exceed 15% of the Credit Union's total paid up share capital and reserves, unless the borrowing is to fund expenditure of a capital nature subject to the prior approval of the Prudential Supervisor.

The Credit Union has further covenanted pursuant to the Deed of Modification 2010 that:

- (a) if the Credit Union does not have a Credit Rating (as defined in the Regulations), the Credit Union shall ensure that at all times its Capital Ratio (as defined in the Trust Deed) is not less than 10%;
- (b) if the Credit Union does have a Credit Rating, the Credit Union shall ensure that at all times its Capital Ratio is not less than 8%; and
- (c) the Credit Union ensures that at all times the aggregate exposure of the Credit Union to all Related Parties (as defined in the Regulations) does not exceed a maximum limit ratio of 15% of capital calculated in accordance with the Regulations.

The Credit Union has purchased subordinated capital notes from the New Zealand Association of Credit Unions ("NZACU"). The Prudential Supervisor has agreed \$20,000 worth of the total subordinated capital notes purchased can be excluded when calculating the ratio in paragraph 8.1(g) above.

Other Covenants under the Trust Deed

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

- To comply with the Act, its Rules and all applicable laws relating to governance matters;
- To meet all its registration, filing and reporting obligations;
- To provide copies of all communications to and from regulatory bodies;
- To meet all obligations to security holders;
- To notify the Prudential Supervisor immediately it becomes aware that an event has occurred which would allow the Prudential Supervisor to review the Credit Union's compliance with the Trust Deed (Review Event), or to enforce its rights under the Trust Deed (Enforcement Event);
- To maintain its register of members, comply with all its obligations, pay its debts in a timely manner and conduct its business in a proper and efficient manner;
- To comply with the Prudential Standards Manual prepared by the 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 prior consent of the Prudential Supervisor;
- Not to acquire or dispose of any asset from or to, or engage the service 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 ten (10) business days' notice of its intention to do so, to the Prudential Supervisor;
- To promptly provide to the Prudential Supervisor written notice of all present and after acquired serial numbered personal property and such other details as are necessary to enable the registration of a valid financing statement or financing change statement in respect of the Credit Union's personal property by the Prudential Supervisor; and
- at all times, comply with a risk management programme that meets the requirements of the Reserve Bank of New Zealand Act 1989.

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

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.

On 22 August 2006 Trustees Executors Limited (in its capacity as Prudential Supervisor of the Credit Union at that date) agreed to a waiver of clause 5.2(f) of the Trust Deed thereby allowing the Credit Union to issue loans to Associated Persons without having to give 10 business day's notice to the Prudential Supervisor provided that each loan is:-

- on the terms and conditions available to all members;
- for full market value;
- in the ordinary course of the Credit Union's ordinary business;
- fully reported in the quarterly Directors' Certificate to the Prudential Supervisor;
- for the amount of \$20,000 or less.

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, the Act and the Regulations. The Prudential Supervisor is under a duty to exercise reasonable diligence to ascertain whether or not the Credit Union has:

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

The Trust Deed gives the Prudential Supervisor wide ranging powers to enforce the Credit Union's obligations under the Trust Deed, including the power to appoint a receiver, following an Enforcement Event (as defined in the Trust Deed).

Removal of Prudential Supervisor

The Credit Union may remove the Prudential Supervisor at any time, without giving any reason, by giving at least 30 days' written notice to the Prudential Supervisor (or a lesser period of notice as agreed by the Prudential Supervisor).

The members may, by extraordinary resolution, remove the Prudential Supervisor, by giving at least 30 days' written notice to the Prudential Supervisor (or a lesser period of notice as agreed by the Prudential Supervisor).

Appointment of New Prudential Supervisor

The trustees of the Credit Union have the power to appoint a new Prudential Supervisor upon the recommendation of the Supervisory Committee. If the trustees fail to appoint a new Prudential Supervisor within 60 days of receiving notice of the Prudential Supervisor's intention to retire or its removal from office (as the case may be), then the members may exercise such power by extraordinary resolution. In each case, the new Prudential Supervisor must hold a licence under the Securities Trustees and Statutory Supervisors Act 2011 that covers the shares in the Credit Union and must have accepted such appointment.

8.2 Prudential Supervisor's Statement

Attached as the Fifth Schedule in this Prospectus is a statement by Trustees Executors Limited (the Prudential Supervisor at the date of this Prospectus) 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.

8.3 Other Restrictions on the Credit Union

Certain sections of the Act provide restrictions on the Credit Union that are not set out anywhere else in this Prospectus. Section 101(2) of the Act provides that a Credit Union may take no action or do anything which is not directly pursuant to or incidental to its objects or in furtherance of them or is in contravention of the Credit Union's 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 109 of the Act provides that the Credit Union may borrow money if the borrowing is authorised by and in accordance with the Credit Unions Rules and the Trust Deed.

Section 110 provides that the Credit Union may make loans to members for such purposes and upon such security (or without security) and conditions as the Rules of the Credit Union may provide either generally or specifically. Under the Trust Deed the maximum indebtedness of a member for an unsecured loan (whether wholly unsecured or not) shall at the time the loan is made be an amount not exceeding 5% of the amount shown as the total tangible assets of the Credit Union in the latest financial statements delivered to the Prudential Supervisor. The maximum indebtedness of a member in respect of a secured loan (not being a loan secured over the shares of the member) shall be an amount not exceeding 10% of the amount shown as the total tangible assets of the Credit Union in the latest financial statements delivered to the Prudential Supervisor.

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

Section 113 provides that the Credit Union may only hold an interest in land or buildings if authorised by, and in accordance with the Credit Union's Rules and the Trust Deed. There is no specific authorisation to allow this in the Credit Union's Rules and Trust Deed as at the date of this Prospectus.

Under Section 117 the Credit Union may invest its funds only if authorised by, and in accordance with, the Credit Union's Rules and the Trust Deed, or with an Association of Credit Unions of which it is a member (NZACU), or with a bank.

9. OTHER TERMS OF OFFER AND SECURITIES

Some provisions of the Act make an investment in a Credit Union unique. In addition to those sections listed under "*Other Restrictions on the Credit Union*" at paragraph 8.3 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 or credit union or by an insurance company. The obligations of the officers of the Credit Union are secured by insurance policies with Vero Liability Insurance Limited.

The Credit Union is required to be insured against fraud and dishonesty. The Credit Union has an insurance policy with Vero Liability Insurance Limited 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 Unions common bond, and is specified in the Credit Union rules. As the Credit Union is competing with banks, other Credit Unions and companies operating in the savings and loans market, restrictions on membership may affect the Credit Unions profitability and the returns payable to members.
- (2) **Member Returns**
The rate of return on members' shares is dependent on annual surpluses being earned through the ongoing profitability of the Credit Union. The rate of return on the members'

shares is therefore dependent on the ability of the board and senior management of the Credit Union to prudently manage the Credit Union and generate an operating surplus for its members, should the Credit Union's profitability be threatened then the Credit Union may reduce the rate of return on members' shares or even pay no return on the members' shares.

(3) Credit Rating

The Credit Union is not rated by a rating agency approved by the Reserve Bank of New Zealand under section 157J of the Reserve Bank of New Zealand Act 1989 ("the Reserve Bank Act") as it is operating under an exemption from the requirement under the Reserve Bank Act to have a credit rating. The general nature and effect of the exemption is that unnecessary compliance costs are avoided. If the Credit Union were required to obtain a credit rating from an agency approved by the Reserve Bank of New Zealand then the substantial costs involved would cause a significant reduction in the rate of dividend or interest returns to members. The exemption applies because the Credit Union has consolidated liabilities as at 1 October 2011 of less than \$20 million. It would therefore be unduly onerous and burdensome to comply with the requirement to have a credit rating.

(4) General Market Risk

Like all businesses, the financial performance of the Credit Union may be affected by the state of the New Zealand and international economies. Economic slowdowns, as New Zealand is currently experiencing, will generally have a negative impact on demand for goods and services and, thus, income, which may in turn adversely affect a member's ability to invest in shares in the Credit Union and to meet his or her loan payment obligations to the Credit Union. This in turn may affect the profitability of the Credit Union and returns paid to members, which the Directors are aware of and will take the necessary action when, and if, required.

(5) General Political Risk

Further, policies and decisions of the Government and other regulatory bodies in New Zealand, may impact on the financial performance of the Credit Union and returns paid to members. For example, the imposition of direct taxation may reduce the Credit Union's profitability. A change of Government policy that affects the income of the Credit Union's members and thus the members' ability to invest in shares in the Credit Union and meet loan payment obligations, may reduce the Credit Union's profitability.

(6) Credit Risk

The Credit Union relies on its members to repay their loans and to make interest payments on the due date. The Credit Union takes security over assets to secure most of the loans it makes. If a member fails to repay a loan on the due date and the value of the secured assets is insufficient to cover the outstanding payments, or if the loan is unsecured, the Credit Union will make a loss on that loan. If this occurs in relation to a significant number of the Credit Union's loans the value of interest and/or dividends payable to the members will fall. If this was substantial enough to cause the winding up of the Credit Union, then the value of members' shares will fall.

The Credit Union has a credit and lending policy that is used to manage its exposure to the credit risk. As part of this policy credit evaluations are made on members who wish to borrow the limits on exposure set, lending is subject to defined criteria and is monitored and controlled by prudent credit measures.

(7) Market Conditions

Recent finance company failures have the potential to taint other operators in the financial sector. The potential of this taint having some negative impact on reinvestment rates and thus the liquidity of the Credit Union cannot be dismissed.

(8) Liquidity Risk

Liquidity risk arises from not having enough cash to meet financial obligations. This issue can arise from a mismatch in the maturity of monetary assets and liabilities. This risk is managed by the Credit Union producing a regular maturity cash flow report, forecasting trend and expected cyclical liquidity requirements and generally monitoring the maturity profile of assets and liabilities. The Credit Union is also able to manage its liquidity risk by limiting withdrawals in certain circumstances, as described in the heading "Withdrawals" at paragraph 1.2.

(9) Security Position Risk

The Credit Union may take security from a member for loan advances to him or her. To the extent that the Credit Union does not take security or takes security that ranks subsequent in priority to another party's security then, in a default situation:

- (a) The ability of the Credit Union to realise the member's assets may be restricted or prohibited by the terms of any prior ranking security; and
- (b) Where the member's assets are realised, the member may be unable to repay some or all of the funds advanced by the Credit Union.

The Credit Union may incur losses in the above circumstances, which may affect its profitability and returns payable to members. Notwithstanding this, the Credit Union makes provision for doubtful debts in its financial statements in accordance with industry standards to minimise this risk.

(10) Security Pricing Risk

Before making a loan the Credit Union assessed the debt servicing ability of the members and any security offered by him or her for a loan advance. Where security is taken for a loan advance, the value of securities taken may fluctuate due to market prices for the same. If the market price of a security has decreased then it is possible that the Credit Union will not recover all moneys owed to it by a member in a default situation where it seeks to realise that security.

(11) Risk and Return

Before making an investment in shares, members and prospective members should consider the special trade factors and risks for that investment against the returns offered. Investors should be aware that there is a direct relationship between the risks of the investment and the return offered.

(12) Taxation

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.

(13) Insolvency

The Credit Union must remain solvent, that is, its assets must exceed its liabilities and it must be able to meet its debts as they fall due. Long term profitability contributes towards solvency as this enables the Credit Union to maintain adequate reserves.

The Credit Union could become insolvent and/or be wound up where a significant amount of loans due for repayment remain unpaid for extended period of time, or where as a result of the risks stated or otherwise, the Credit Union is for any reason unable to pay its debts as they fall due.

If the Credit Union becomes insolvent:

- (a) Members will not be required to pay any additional money other than those owing to the Credit Union under the shares (if any) and any outstanding loan balance;
- (b) The Credit Union is legally obliged to reject all requests for withdrawals from the members' share accounts, and shall not be entitled to make any further loans from the Credit Union's share capital;
- (c) All members' claims will rank equally (including those who invest under a later prospectus); and
- (d) Some specific claims will rank ahead of members' claims, for example, insolvency costs and Prudential Supervisor's fees.

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.

10. GUARANTORS

No person (including the directors and trustees) guarantees the repayment of the value of the shares, or the payment of any returns payable on shares held in the Credit Union.

11. PLACES OF INSPECTION OF DOCUMENTS

11.1 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, the Trust Deed and the Deed of Retirement and Appointment dated 19 April 2013; and
- (c) the Credit Union's most recent audited financial statements.

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

11.2 Companies Office

Copies of:

- (a) the Credit Union's Rules;
- (b) this Prospectus, the Trust Deed and the Deed of Retirement and Appointment dated 19 April 2013;
- (c) the Credit Union's audited financial statements; and
- (d) all other documents that relate to the registration of the Credit Union,

can be viewed on the Companies Office website www.buiseness.govt.nz/companies under "Search Other Registers" (file reference number: "1802871"). Copies may also be obtained (a fee may be payable) by telephoning the MBIE Business Service Centre on 0508 266 726.

12. OTHER MATERIAL MATTERS

12.1. Securities Act (Credit Unions) Exemption Notice 2010

In registering this Prospectus, the Credit Union has relied on the exemptions contained in the Securities Act (Credit Unions) Exemption Notice 2010, whereby the Credit Union has been granted an exemption from compliance with sections 37A(1)(d), 51, 52 and 54 of the Securities Act 1978 and clauses 1(3) and 12 of Schedule 2, and regulation 40 of the Securities Regulations 2009 (in so far as that regulation deems clauses 1(2) and 3 of the Fifteenth Schedule of the Securities Regulations 2009 to be contained in the trust deed relating to the debt securities). These exemptions are subject to the conditions set out in the Securities Act (Credit Unions) Exemption Notice 2010.

12.2. Friendly Societies and Credit Unions Amendment Act 2012

The Friendly Societies and Credit Unions Amendment Act 2012 (Amendment Act), which amended the Act, came into force on 31 August 2012. The Act was one of a number of pieces of legislation affected by the Regulatory Reform Bill, which was introduced to reduce compliance costs and the regulatory burden on businesses. The amendments to the Act include the following:

- (a) removing the maximum limit on members' shareholdings;
- (b) removing the requirement that credit unions only accept deposits by way of subscription for shares and enabling credit unions to issue other types of securities;
- (c) removing statutory restrictions on the ability of credit unions to borrow money, but linking these to such restrictions as may be in the Rules and the Trust Deed;
- (d) removing the limitations on the amount and the term of the loans credit unions make to their members;
- (e) removing the restriction that credit unions may only hold land for the purposes of conducting their business and replacing this with a provision that credit unions may only hold land if authorised by and in accordance with their rules and Trust Deed;
- (f) requiring the provisions dealing with the investment of surplus funds to be as prescribed by a credit union's Rules and the Trust deed;
- (g) adding provisions relating to distributions to members; and
- (h) removing the requirement to maintain a general reserve.

Some of these restrictions are still contained in the Rules or Trust Deed.

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

12.3 Breach of Trust Deed

The Credit Union breached the Trust Deed on February 2012 in that its related party lending ratio was at 19% exceeding the 15% limit prescribed under the Trust Deed. On 7 March 2012, Trustees Executors Limited (in its capacity as Prudential Supervisor for the Credit Union at that date) gave its permission for the Credit Union to continue to issue securities as from 29 February 2012 while in breach of the Trust Deed. The Credit Union subsequently remedied the breach on 7 March 2012.

13. SUMMARY FINANCIAL STATEMENTS

Summary Financial Statements of the Credit Union for the five consecutive years ended 30 June 2012, being the balance of the last audited financial statements of the Credit Union, are set out in the First Schedule in this Prospectus.

14. FINANCIAL STATEMENTS

The most recent audited financial statements for the Credit Union for the year ending 30th June 2012 have been registered under the Financial Reporting Act 1993 on 9 October 2012. A copy of the registered financial statements is attached to the Third Schedule in this Prospectus.

15. ACQUISITION OF BUSINESS OR SUBSIDIARY

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

16. DIRECTORS' STATEMENT

The directors after due enquiry in relation to the period between the date of the latest statement of financial position as at 30th June 2012, as included to the Third Schedule in this Prospectus, and the date of registration of this Prospectus, are of the opinion that no circumstances have arisen that materially adversely affect:

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

17. INDEPENDENT AUDITORS' REPORT

The Independent Auditors' Report in terms of clause 22 of the Securities Regulations 2009 is included in the Second Schedule to this Prospectus. The Auditors' Report was not modified in any respect.

**INDEX OF MATTERS REQUIRED TO BE DISCLOSED BY
SCHEDULE 2 TO THE SECURITIES REGULATIONS 2009**

| Clause | Pages |
|---|--------------|
| 1 Main terms of offer | 3 |
| 2 Name and address of offeror | 3 |
| 3 Details of registration of issuer | 7 |
| 4 Guarantors | 16 |
| 5 Names, addresses and other information | 8 |
| 6 Restrictions on directors' powers | 9 |
| 7 Description of activities of borrowing group* | 3 |
| 8 Summary financial statements | 18 |
| 9 Acquisition of business or subsidiary | 18 |
| 10 Material contracts | 9 |
| 11 Pending proceedings | 9 |
| 12 Issue expenses | N/A |
| 13 Ranking of securities | 9 |
| 14 Provisions of trust deed and other restrictions on borrowing group* | 10 |
| 15 Other terms of offer and securities | 13 |
| 16-18 Requirements in respect of financial statements | 17 |
| 19 Places of inspection of documents | 16 |
| 20 Other material matters | 16 |
| 21 Directors' statement | 18 |
| 22 Independent Auditors' report | 18 |

* Please note that the "Borrowing Group" comprises only the Credit Union.

SIGNED BY the directors of the Christchurch Emergency Services Credit Union
on the 20 day of *December* 2012.

Michael Gillon

Paki Johnston

Steve Kennedy

Rhonda McNicol

Liam McLoughlin

Chris Murray

Gerald Wilson

Richard Tolan

FIRST SCHEDULE

Summary of Financial Statement

First Schedule
Summary Financial Information
Christchurch Emergency Services Credit Union

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|---------|---------|---------|---------|---------|
| | NZ IFRS | NZ IFRS | NZ IFRS | NZ IFRS | NZ IFRS |

STATEMENT OF FINANCIAL POSITION

Assets

| | | | | | |
|-------------------------------|---------|---------|---------|---------|---------|
| Cash & cash equivalents | 685,341 | 570,272 | 424,225 | 438,394 | 381,553 |
| Trade & other receivables | 4,114 | 2,564 | 4,102 | 1,185 | 3,498 |
| Loans to members | 446,967 | 494,090 | 508,058 | 483,954 | 469,448 |
| Capital notes | 21,096 | 21,096 | 21,096 | 21,096 | 21,096 |
| Property, plant and equipment | 263 | 97 | 186 | 359 | 0 |

| | | | | | |
|---------------------|------------------|------------------|----------------|----------------|----------------|
| Total Assets | 1,157,781 | 1,088,119 | 957,665 | 944,988 | 875,595 |
|---------------------|------------------|------------------|----------------|----------------|----------------|

Liabilities

| | | | | | |
|--------------------------|---------|---------|---------|---------|---------|
| Trade and other payables | 10,196 | 10,935 | 8,069 | 11,414 | 8,902 |
| Members Deposits | 845,497 | 779,845 | 656,825 | 657,172 | 599,782 |

| | | | | | |
|--------------------------|----------------|----------------|----------------|----------------|----------------|
| Total Liabilities | 855,693 | 790,780 | 664,994 | 668,586 | 608,684 |
|--------------------------|----------------|----------------|----------------|----------------|----------------|

| | | | | | |
|---------------------|----------------|----------------|----------------|----------------|----------------|
| Total Equity | 302,088 | 297,339 | 292,671 | 276,402 | 266,911 |
|---------------------|----------------|----------------|----------------|----------------|----------------|

| | | | | | |
|-------------------------------------|------------------|------------------|----------------|----------------|----------------|
| Total Liabilities and Equity | 1,157,781 | 1,088,119 | 957,665 | 944,988 | 875,595 |
|-------------------------------------|------------------|------------------|----------------|----------------|----------------|

STATEMENT OF CASH FLOWS

| | | | | | |
|---|-------|--------|--------|--------|--------|
| Net Cash flows from in operating activities | 1,695 | 10,162 | 10,181 | 14,597 | 15,361 |
|---|-------|--------|--------|--------|--------|

| | | | | | |
|--|--------|--------|----------|----------|--------|
| Net Cash flows from / (used) in investing activities | 47,722 | 12,965 | (24,101) | (15,146) | 26,502 |
|--|--------|--------|----------|----------|--------|

| | | | | | |
|--|--------|---------|-------|--------|--------|
| Net Cash flows from / (used) in financing activities | 65,652 | 122,920 | (249) | 57,391 | 10,322 |
|--|--------|---------|-------|--------|--------|

| | | | | | |
|---|----------------|----------------|-----------------|---------------|---------------|
| Total net increase / (decrease) in cash held | 115,069 | 146,047 | (14,169) | 56,842 | 52,185 |
|---|----------------|----------------|-----------------|---------------|---------------|

| | | | | | |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Opening cash position | 570,272 | 424,225 | 438,394 | 381,553 | 329,368 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|

| | | | | | |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Closing cash position | 685,341 | 570,272 | 424,225 | 438,394 | 381,553 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|

First Schedule
 Summary Financial Information
 Christchurch Emergency Services Credit Union

| | 2012 NZ IFRS | 2011 NZ IFRS | 2010 NZ IFRS | 2009 NZ IFRS | 2008 NZ IFRS |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| STATEMENT OF COMPREHENSIVE INCOME | | | | | |
| Total Operating Revenue | 77,170 | 78,228 | 82,275 | 72,263 | 78,197 |
| <i>Expenditure</i> | | | | | |
| Interest Expenditure | 15,823 | 13,475 | 12,676 | 12,204 | 17,113 |
| Other Expenditure | 58,410 | 59,995 | 53,157 | 50,286 | 48,184 |
| Depreciation Expenditure | 188 | 90 | 172 | 282 | 0 |
| Total Expenditure | 72,421 | 73,560 | 66,005 | 62,772 | 65,297 |
| Operating Surplus | 4,749 | 4,668 | 16,270 | 9,491 | 12,900 |
| Income Tax | 0 | 0 | 0 | 0 | 0 |
| Total Comprehensive Income | 4,749 | 4,668 | 16,270 | 9,491 | 12,900 |
| STATEMENT OF CHANGES IN EQUITY | | | | | |
| <i>Retained Earnings</i> | | | | | |
| Retained Earnings brought forward | 166,022 | 161,354 | 145,084 | 135,593 | 122,692 |
| Total Comprehensive Income | 4,749 | 4,668 | 16,270 | 9,491 | 12,901 |
| Retained Earnings carried forward | 170,771 | 166,022 | 161,354 | 145,084 | 135,593 |
| <i>General Reserve</i> | | | | | |
| General reserve brought forward | 131,317 | 79,717 | 79,717 | 79,718 | 79,718 |
| Transfers (to) / from Office Reserve | 0 | 51,600 | 0 | 0 | 0 |
| General Reserve carried forward | 131,317 | 131,317 | 79,717 | 79,718 | 79,718 |
| <i>Office Reserve</i> | | | | | |
| Office Reserve brought forward | 0 | 51,600 | 51,600 | 51,600 | 51,600 |
| Transfers (to) / from General Reserve | 0 | (51,600) | 0 | 0 | 0 |
| Office Reserve carried forward | 0 | 0 | 51,600 | 51,600 | 51,600 |
| Total Equity | 302,088 | 297,339 | 292,671 | 276,402 | 266,911 |

Notes to the Summary Financial Statements

1. The amounts stated in the summary financial statements are for the entity Christchurch Emergency Services Credit Union ("The Credit Union") and have been extracted from the full audited financial statements for the years ended 30 June 2008, 30 June 2009, 30 June 2010, 30 June 2011 and 30 June 2012.
2. The summary financial statements are presented in New Zealand Dollars and all values are rounded to the nearest dollar.
3. The above summary financial statements were authorised for issue by the Board on the date of this prospectus.
4. The Directors at relevant times have previously authorised the issue of full financial statements as follows:
 - Year ended 30 June 2012: Authorised on 26 September 2012
 - Year ended 30 June 2011: Authorised on 09 September 2011
 - Year ended 30 June 2010: Authorised on 16 September 2010
 - Year ended 30 June 2009: Authorised on 21 December 2009
 - Year ended 30 June 2008: Authorised on 18 September 2008
5. The full financial statements, from which these summary financial statements were extracted, have been prepared in accordance with NZGAAP (New Zealand Generally Accepted Accounting Practice) and comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for public benefit entities for the years ended 30 June 2008 to 30 June 2012.

The Credit Union has made an explicit and unreserved statement of compliance with IFRS as appropriate for public benefit entities in its full financial statements for the years ended 30 June 2008 to 30 June 2012.
6. The Summary Financial Statements are a summary of the full financial statements and do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as the full financial statements.
7. For a copy of the full financial statements please refer to the third schedule of this prospectus.
8. Please refer to the paragraph headed "Places of Inspection of documents" on page 16 for details of how to obtain a copy of the full financial statements.
9. There are no abnormal items that derive from the activities of the Credit Union.
10. No amounts have been provided for by the way of taxation as the Credit Union income is exempt under section CW44 of the Income Tax Act 2007.
11. The equity method of accounting has not been used.
12. There are no contingent liabilities.

13. The full financial statements of the Third Schedule have been audited by PricewaterhouseCoopers Dunedin.

14. The audit reports for the full financial statements for the years ended 30 June 2008 to 30 June 2012, include unqualified audit opinions. There have not been any references in the independent auditors' reports in the last 5 years to an emphasis of matter or fundamental uncertainty.

15. There were no changes in accounting policies affecting the prior periods.

16. These summary financial statements are in compliance with FRS 43 (Financial Reporting Standard 43) Summary Financial Statements.

17. The components of cash balances at the end of the financial periods 30 June 2008 to 30 June 2011 have been restated to include short term deposits held, which were previously reported as investing activities.

SECOND SCHEDULE

Auditors Report



The Directors
Christchurch Emergency Services Credit Union
PO Box 13728
CHRISTCHURCH 8141

20 December 2012

Christchurch Emergency Services Credit Union Prospectus dated 20 December 2012

Dear Directors

In terms of Regulation 18(1)(c)(II) of the Securities Regulations 2009, we hereby give consent to the inclusion in your prospectus to be dated 20 December 2012 of our auditors' report dated 20 December 2012 in the form in which it appears.

We have not made or purported to have made any statement in the prospectus other than in our audit report and we expressly disclaim responsibility for any other statements in the prospectus.

We have not been involved in the preparation of any part of the prospectus other than our auditors' report, and we have not authorised or caused the issue of the prospectus.

Yours faithfully

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'. The signature is written in dark ink and is positioned above the printed name of the firm.

Chartered Accountants



The Directors
Christchurch Emergency Services Credit Union
PO Box 13728
CHRISTCHURCH 8141

20 December 2012

Dear Directors

Independent Auditors' Report for Inclusion in the Prospectus

As auditors of Christchurch Emergency Services Credit Union ("the Credit Union") we have prepared this report pursuant to clause 22 of Schedule 2 of the Securities Regulations 2009 for inclusion in a prospectus issued by the Credit Union to be dated 20 December 2012 ("the Prospectus").

The Prospectus includes summary financial statements which do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore is not a substitute for reading the audited financial statements of the Credit Union.

Directors' Responsibilities

The Credit Union's Directors are responsible for the preparation and presentation of:

- (a) the financial statements which give a true and fair view of the financial position of the Credit Union as at 30 June 2012 and its financial performance and cash flows for the year ended on that date pursuant to clause 17 of Schedule 2 of the Securities Regulations 2009;
- (b) the summary financial statements of the Credit Union for the years ended 30 June 2008, 2009, 2010, 2011 and 2012 as required pursuant to clause 8 of Schedule 2 of the Securities Regulations 2009;
- (c) disclosure of acquisitions of businesses or subsidiaries as required pursuant to clause 9 of Schedule 2 of the Securities Regulations 2009; and
- (d) the ranking of securities of the Credit Union as at 30 June 2012 as required pursuant to clause 13 of Schedule 2 of the Securities Regulations 2009.

Auditors' Responsibilities

We are responsible for reporting, in accordance with clause 22(1)(h) of Schedule 2 of the Securities Regulations 2009, on the following matters which have been prepared and presented by the Directors:

- (a) the amounts included in the summary financial statements for the years ended 30 June 2008, 2009, 2010, 2011, 2012; and



- (b) amounts disclosed as required pursuant to clause 9 (2) and (3) of Schedule 2 of the Securities Regulations 2009 where there has been an acquisition of a business or subsidiary; and
- (c) the amounts included in the ranking of securities as at 30 June 2012, as required pursuant to clause 13 of Schedule 2 of the Securities Regulations 2009.

Our engagement has been conducted in accordance with International Standards on Auditing (New Zealand) (ISA (NZ) 810) *Engagements to Report on Summary Financial Statements* to provide reasonable assurance that, in all material respects, the amounts set out in the summary financial statements included in the Prospectus have been correctly taken from the audited financial statements of the Credit Union.

We have undertaken procedures pursuant to provide reasonable assurance that the amounts set out in the ranking of securities on page 9 of the Prospectus, pursuant to clause 13 of Schedule 2 of the Securities Regulations 2009, have been correctly taken, in all material respects, from the audited financial statements of the Credit Union as at balance date.

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

Other than in our capacity as auditors we have no relationships with, or interests in, Christchurch Emergency Services Credit Union.

Opinion on the Financial Statements

Our audit of the financial statements for the year ended 30 June 2012 was completed on 4 October 2012 and our unmodified opinion was issued on that date. We have not undertaken any additional audit procedures in relation to those financial statements from the date of the completion of our audit.

Opinion on the Summary Financial Statements

In our opinion, and pursuant to clause 22(1)(h) of Schedule 2 of the Securities Regulations 2009, the summary financial statements in the First Schedule of the Prospectus and taken from the audited financial statements of the Credit Union for the years ended 30 June 2008, 2009, 2010, 2011 and 2012:

- are consistent, in all material respects, with those audited financial statements; and
- have been correctly taken from the audited financial statements of the Credit Union for those periods from which they were extracted (including the restatement of certain figures for the 2008 to 2011 years as referred to in note 17 of the First Schedule).

Opinion on the Ranking of Securities

In our opinion, and pursuant to clause 22(1)(h) of Schedule 2 of the Securities Regulations 2009, the amounts included in the ranking of securities, on page 9 of the Prospectus, and taken from the audited financial statements of the Credit Union for the year ended 30 June 2012:

- are consistent, in all material respects, with those audited financial statements; and
- have been correctly taken from the audited financial statements of the Credit Union for those periods from which they were extracted.



Christchurch Emergency Services Credit Union
20 December 2012

Other Matter

Pursuant to clauses 9(2) and 9(3) of Schedule 2 of the Securities Regulations 2009, there are no disclosures on which to report.

Restriction on Use

This report is made solely to the Directors and the Credit Union as a body in accordance with clause 22 of Schedule 2 to the Securities Regulations 2009. Our work has been undertaken so that we might state to the Directors and the Credit Union as a body those matters we are required to state to them in a report from the auditor and for no other purpose. To the fullest extent permitted by law and subject to the Securities Act 1978 and Securities Regulations 2009, we do not accept or assume responsibility to anyone other than the Directors and members of the Credit Union for this report, or for the opinions we have formed.

Yours faithfully

Chartered Accountants
20 December 2012

Auckland

THIRD SCHEDULE

Financial Statements

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CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

CONTENTS OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Directory

| | |
|--|---------------------|
| Statement of Comprehensive Income | Page 1 |
| Statement of Changes in Equity | Page 2 |
| Statement of Financial Position | Page 3 |
| Statement of Cash Flows | Page 4 |
| Notes to the Financial Statements | Page 5 - 24 |
| Independent Auditors' Report | Page 25 - 26 |

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

DIRECTORY

Board of Directors

**Michael Gillon
Paki Johnston
Steve Kennedy
Richard Tolan
Gerald Wilson
Liam McLaughlin**

**Chairperson
Secretary
Treasurer
Director
Director
Director**

Trustees

**Rhonda McNicol
Chris Munro**

Auditors

PricewaterhouseCoopers, (Dunedin/Auckland)

Bankers

**Bank of New Zealand
Kiwi Bank**

Solicitors

**rnds Law
PO Box 185, Christchurch 8140**

Prudential Supervisor

Trustees Executors Limited, Auckland

Affiliations

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

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

| | Note | 2012 \$ | 2011 \$ |
|---|------|----------------------------|----------------------------|
| TOTAL OPERATING REVENUE | | <u>77,170</u> | <u>78,227</u> |
| Interest revenue | 3(a) | 74,717 | 74,288 |
| Interest expense | 3(b) | 15,823 | 13,475 |
| Net Interest Revenue | | <u>58,894</u> | <u>60,793</u> |
| Other income | 3(c) | 2,698 | 3,959 |
| | | <u>61,592</u> | <u>64,752</u> |
| OTHER EXPENSES | | | |
| Bad and doubtful loans | 3(d) | 46 | 1,000 |
| Employee benefits | 3(e) | 10,200 | 10,200 |
| Occupancy - operating leases | | - | - |
| Depreciation | 3(f) | 188 | 90 |
| Other administration expenses | 3(g) | 46,409 | 46,784 |
| | | <u>56,843</u> | <u>60,084</u> |
| Operating Surplus | | <u>4,749</u> | <u>4,668</u> |
| OTHER COMPREHENSIVE INCOME | | - | - |
| Total other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE INCOME | | <u><u>4,749</u></u> | <u><u>4,668</u></u> |

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

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

| | Note | General Reserve \$ | Retained Earnings \$ | Total \$ |
|----------------------------------|------|-----------------------|-------------------------|----------------|
| Balance at 1 July 2011 | | 131,317 | 166,022 | 297,339 |
| Operating surplus | | | 4,749 | 4,749 |
| Total other comprehensive income | | - | - | - |
| Total comprehensive income | | - | 4,749 | 4,749 |
| Balance at 30 June 2012 | 4 | <u>131,317</u> | <u>170,771</u> | <u>302,088</u> |
| Balance at 1 July 2010 | | 131,317 | 161,354 | 292,671 |
| Operating surplus | | - | 4,668 | 4,668 |
| Other comprehensive income | | - | - | - |
| Total other comprehensive income | | - | - | - |
| Total comprehensive income | | - | 4,668 | 4,668 |
| Balance at 30 June 2011 | 4 | <u>131,317</u> | <u>166,022</u> | <u>297,339</u> |

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

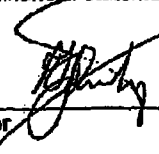
CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

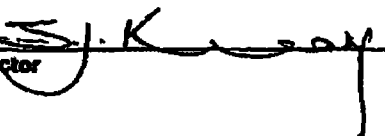
| | Note | 30 June 2012 \$ | 30 June 2011 \$ |
|---|------|-------------------------|-------------------------|
| MEMBERS' FUNDS | | | |
| Retained earnings | 4 | 170,771 | 166,022 |
| General reserve | 4 | <u>131,317</u> | <u>131,317</u> |
| TOTAL MEMBERS' FUNDS | | <u>302,088</u> | <u>297,339</u> |
| ASSETS | | | |
| Cash and cash equivalents | 5(a) | 185,341 | 220,272 |
| Deposits at New Zealand Association of Credit Unions and trading banks | 5(b) | 500,000 | 350,000 |
| Trade and other receivables | 6 | 4,114 | 2,664 |
| Loans to members | 7-8 | 446,957 | 494,090 |
| New Zealand Association of Credit Union Capital Notes | 9 | 21,086 | 21,086 |
| Equipment | 10 | <u>283</u> | <u>97</u> |
| TOTAL ASSETS | | <u>1,157,781</u> | <u>1,088,119</u> |
| LIABILITIES | | | |
| Trade and other payables | 11 | 10,199 | 10,935 |
| Members' deposits | 12 | <u>845,497</u> | <u>779,845</u> |
| TOTAL LIABILITIES | | <u>855,693</u> | <u>790,780</u> |
| NET ASSETS | | <u>302,088</u> | <u>297,339</u> |

These financial statements are authorised for and on behalf of the Board by:



Director

26-Sep-12



Director

26-Sep-12

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

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

| | Note | 2012 \$ | 2011 \$ |
|---|-----------|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Interest received | | 73,167 | 74,268 |
| Fees and commissions received | | 2,698 | 2,634 |
| Other income | | - | 1,426 |
| Interest paid | | (16,823) | (13,475) |
| Payments to suppliers and employees | | (59,057) | (54,591) |
| Net cash provided by operating activities | 22 | <u>1,695</u> | <u>10,162</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Net movement in members' loans | | 48,077 | 12,965 |
| Purchase of equipment | 10 | (355) | - |
| Net cash provided by investing activities | | <u>47,722</u> | <u>12,965</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net increase in members' deposits | | 65,652 | 122,920 |
| Net cash provided by financing activities | | <u>65,652</u> | <u>122,920</u> |
| Total net increase in cash and cash equivalents held | | 115,069 | 146,047 |
| Cash and cash equivalents at the beginning of the year | | 570,272 | 424,225 |
| Cash and cash equivalents at the end of the year | | <u><u>685,341</u></u> | <u><u>570,272</u></u> |
| Represented by: | | | |
| Cash and cash equivalents | | 185,341 | 220,272 |
| Short term investments | | 500,000 | 350,000 |
| Total cash and cash equivalents | | <u><u>685,341</u></u> | <u><u>570,272</u></u> |

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

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1 GENERAL INFORMATION

Reporting entity

The Credit Union is a financial institution that is registered as a credit union under the Friendly Societies and Credit Unions Act 1962. The purpose of the Credit Union is to promote savings among its members and to use those savings for their mutual benefit. It operates primarily in Christchurch, New Zealand and is incorporated in New Zealand with its registered office at 200 Kilmore Street. As the Credit Union is providing a community and social benefit, it is designated a public benefit entity.

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

The Credit Union operates predominantly in one industry, being the investment of members' funds.

Trust Deed

To meet the requirements of The Securities Act 1978 a Trust Deed was entered into on 11 April 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 1962. In addition, the Prudential Supervisor is under duty to exercise reasonable diligence to ascertain whether the Credit Union has committed any breach of the Trust Deed or any of the conditions of issue of the shares; and sufficient assets to meet its obligations to members, as they fall due.

2 STATEMENT OF ACCOUNTING POLICIES

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

(a) Basis of preparation

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 1962 and the Securities Regulations 2009.

These financial statements were authorized for issue by the Directors on 26 September 2012.

These financial statements are required to be registered to keep the prospectus current and have been prepared in accordance with New Zealand Generally Accepted Accounting Practices. They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards (IFRS) and other applicable Financial Reporting Standards as appropriate for public benefit entities. The comparative figures are audited.

The financial statements have been prepared in accordance with the historical cost convention, as modified for derivative financial instruments which are stated at their fair value. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The application of NZ IFRS required management to make judgements, estimates and assumptions about the carrying values of assets and liabilities not readily available from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The presentation and functional currency is New Zealand dollars.

(b) Revenue recognition

Interest revenue on loans

Interest revenue on loans is calculated on the daily loan balance outstanding and is charged at each payment date. This is the effective interest method which allocates the interest over the term of the loans to which they relate. Income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Investment revenue

Investment interest revenue is recognised on an effective interest method which allocates the interest over the period that it relates to. Dividends on the New Zealand Association of Credit Unions Capital Notes are recorded as income once an entitlement to the income is notified to the Credit Union.

Fees and commissions revenue

Fees and commissions are brought to account on an accrual basis when the service has been provided.

(c) Expense recognition

Interest expense

Interest on members' shares is recognised as an expense in the period that it relates to using the effective interest method, which allocates the interest expense over the term of the members' shares to which they relate.

Other expenses

Other expenses are recorded in the period to which they relate.

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

(f) 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 result in a taxable profit.

(g) Goods & Services Tax (GST)

The Credit Union is not registered for GST.

(h) Leases

Leases of property, plant and equipment are operating leases as the substantial risks and benefits incidental to ownership of the asset, are retained by the legal owner. Lease payments for operating leases are charged as expenses in the periods in which they are incurred on a straight line method.

(i) Cash and cash equivalents

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts repayable on demand.

Deposits at New Zealand Association of Credit Unions

Deposits at the New Zealand Association of Credit Unions are recorded at cost, less any impairment losses.

(j) Trade and other receivables

These amounts represent amounts due for interest owing and other services performed by the Credit Union prior to the end of financial period which are not received. The amounts are expected to be received within a year of recognition. They are initially recorded at fair value and subsequently measured at cost less any impairment provision.

(k) Loans to members

Loans to members are loans which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost, using the effective interest method, less provision for impairment.

(l) Impairment of loans

An assessment is made at each balance date whether there is objective evidence that loans are impaired. A loan is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the loan and can be reliably estimated. Objective evidence that a mortgage receivable is impaired includes observable data that comes to the attention of the directors about the following loss events:

- significant financial difficulty of the member;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- a concession granted to the borrower that the lender would not otherwise consider for economic or legal reasons relating to the borrower's financial difficulty; or
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

The amount provided for impairment of loans is determined by management and the Directors. The Prudential Standards issued by the New Zealand Association of Credit Unions 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 Directors make a provision for loans in arrears where the collectability of the debts is considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

The Credit Union first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Credit Union determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient the Credit Union may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Credit Union's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors).

These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows for a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Credit Union and historical loss experience for assets with credit risk characteristics similar to those in the Credit Union. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

(j) Impairment of loans (continued)

Estimates of changes in future cash flows for groups of assets reflect and are directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Credit Union and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any differences between loss estimates and actual loss experience.

Loans which are known to be uncollectible are written off against the related allowance for impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors credit rating), the previously recognised impairment loss is reversed by adjusting the allowance amount, with the reversal being recognised in the Statement of Comprehensive Income.

The various components of impaired assets are as follows:

Individually impaired 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 for which an individual assessment of impairment is made.

Collectively impaired loans are loans and advances that are not individually assessed for which a collective assessment of impairment is made based on the length of time the loan is in arrears.

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.

Fast-due loans are loans or similar facilities in arrears when a member has failed to make payment when contractually due which are not impaired loans. 90 day past due loans are loans which have not been operated by the member within its key terms for at least 90 days and which are not impaired loans.

(k) Derivative financial instruments

Derivatives (interest rate swaps) have been entered into for the purpose of economically managing the interest rate risk of the Credit Union's fixed interest mortgage portfolio. All interest rate swaps held at balance date are recognised at fair value through profit or loss. The derivatives are not designated in an accounting hedge.

(l) New Zealand Association of Credit Unions Capital Notes

Investments in New Zealand Association of Credit Unions Capital Notes provide equity for the Association 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.

(m) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

The buildings, plant and equipment are depreciated on a straight line basis. Depreciation of buildings, plant and equipment is calculated using rates which are estimated to expense the cost of the assets over their useful lives. The rates are as follows:

Plant, Equipment & Computer Equipment 48% per annum on cost

Assets purchases less than \$500 are not capitalised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial period for any impairment in value.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.

(n) Impairment testing of assets (excluding property, plant and equipment and loans)

At each reporting date, the Credit Union reviews the carrying values of its tangible 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 its asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Credit Union prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. The liability for employee entitlements is carried at the present value of the estimated future cash flows. 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.

(q) Members' deposits

Members' deposits are the members' shares in the Credit Union. For the purposes of financial reporting, members' shares are recognised as debt instruments. They are recorded initially at fair value and subsequently at amortised cost. 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 the number of shares held. Interest on deposits is recognised on an accrual basis and is presented as a part of trade and other payables.

(r) Financial instruments recognition

Financial instruments are initially measured at fair value on trade date, which includes transactions costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit or loss

A financial asset is classified in this category only when the Credit Union becomes a party to the contractual provisions of the financial asset and if acquired principally for the purpose of selling in the short term or if so designated by management. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the Statement of Comprehensive Income in the period in which they arise.

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.

Held-to-maturity investments

These investments have fixed maturities, and it is the Credit Union's intention to hold these investments to maturity. Any held-to-maturity investments held by the Credit Union are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

The Capital Notes held as available-for-sale assets are initially recognised at the amount of consideration paid, 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 other income 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 the future with a requirement to measure capital notes at fair value subsequent to initial recognition.

The Credit Union assesses at each balance 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, in addition to the indicators described under note 2(f), a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investment is impaired. 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 payments and amortisation using the effective interest rate method. This category includes members' deposits and trade and other payables. Members' deposit meet the definition of financial liabilities under NZ IAS 32 as they are secured by a first ranking registered Trust Deed over the Credit Union's assets and revenue.

(s) Statement of Cash Flows

Definitions of terms used in the Statement of Cash Flows:

Cash includes coins and notes, demand deposits and other highly liquid investments with original maturities of three months or less and includes all call borrowings such as bank overdrafts, used by the organisation as part of its 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. They include loans to members and repayments of loans by members.

Financing Activities are those activities relating to changes in 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.

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.

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

(f) Critical estimates, judgements and assumptions in applying the accounting policies

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. This has an impact on the one critical estimate, being the impairment provision for doubtful loans (refer to note 8).

The Credit Union makes estimates and assumptions concerning the future when assessing the impairment provision on loans. The Credit Union reviews its loan portfolio to assess impairment at least monthly. The impairment provision is adjusted based on evidence relating to borrowers' circumstances including the period that the loans are in arrears. The resulting accounting estimates will seldom equal the related actual results and there is a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Also the Credit Union has used judgement concerning the future discounted cash flows of the New Zealand Association of Credit Unions Group when assessing whether there is any impairment loss on the New Zealand Association of Credit Unions Capital Notes.

(g) Standards, Interpretations and amendments to published standards that are not yet effective.

The following new and amended standard, amendment and interpretation have been issued by the Accounting Standards Review Board (now replaced by External Reporting Board) but have not been adopted by the Credit Union as it is not yet effective for the year ended 30 June 2012.

This is:

NZ IFRS 9: Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2015)

NZ IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the credit union's accounting for its loan receivables within NZ IAS 39 classification as under the new standard, these assets would have met the definition of the category of financial assets measured at amortised cost. However, their measurement and disclosure requirements would not have been affected. The Credit Union would not have any transactions to disclose under the new standard disclosure requirements relating to gain or loss arising on derecognition of financial assets measured at amortised cost.

There will be no impact on the credit union's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the credit union does not have any such liabilities.

In March 2012, the XRB published its main decisions about the new Accounting Standards Framework for both for-profit and public benefit entities (PBEs). The XRB is proposing to issue Exposure Drafts on Not for Profit (NFP) Accounting Standards in the second quarter of 2013. For NFP PBEs the effective date for the adoption of the new NFP Accounting Standards is expected to be years beginning on or after 1 April 2015 or such later date as determined by legislation, with early adoption allowed. The Credit Unions have not yet assessed the impact of adopting the new standards on the financial statements.

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

3 REVENUE AND EXPENSES

| | 2012 | 2011 |
|--|-----------------|-----------------|
| | \$ | \$ |
| (a) Interest revenue | | |
| Interest on loans | 48,408 | 52,182 |
| Interest on investments | 24,087 | 20,316 |
| Dividends on New Zealand Association of Credit Union Capital Notes | 1,224 | 1,770 |
| Total interest revenue | \$74,717 | \$74,268 |
| (b) Interest expense | | |
| Interest on members' call shares | 18,823 | 13,478 |
| Interest on members' term shares | - | - |
| Loss on interest rate swaps (derivatives) | - | - |
| Total interest expense | \$18,823 | \$13,478 |
| (c) Other income | | |
| Accesstacard - EFTPOS card transaction fees | - | - |
| Loan application fees | 2,808 | 2,529 |
| Cost recovery fees | - | - |
| Commissions earned | - | - |
| Other fees charged | 2 | 1,430 |
| Total other income | \$2,810 | \$3,959 |
| (d) Bad and doubtful loans | | |
| Bad loans written off | 1,048 | - |
| Movement in provision for loan impairment | (1,000) | 1,000 |
| Bad loans recovered | - | - |
| Total bad and doubtful loans | \$48 | \$1,000 |
| (e) Employee benefits | | |
| Salaries and wages | 10,200 | 10,200 |
| KiwiSaver contributions | - | - |
| Other | - | - |
| Total employee benefits | \$10,200 | \$10,200 |
| (f) Depreciation | | |
| Buildings | - | - |
| Leasehold improvements | - | - |
| Plant and equipment | 188 | 90 |
| Motor vehicles | - | - |
| Total depreciation | \$188 | \$90 |

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| 3 REVENUE AND EXPENSES (continued) | 2012 | 2011 |
|--|----------------|----------------|
| | \$ | \$ |
| (g) Other administration expenses | | |
| Auditors' remuneration | | |
| External audit - PricewaterhouseCoopers | 9,050 | 9,854 |
| Other assurance services (Trust Deed and prospectus) | 1,200 | 1,200 |
| Internal audit | - | - |
| Accesscard charges | - | - |
| Date processing charges | - | - |
| Lease of premises | - | - |
| Directors' fees | - | - |
| Directors' expenses and training | 2,440 | 1,940 |
| Donations made / community support | - | - |
| Advertising and marketing | - | - |
| Loyalty fee rebates | - | - |
| Trustee expenses | 12,108 | 12,595 |
| Other sundry expenses | 22,011 | 23,205 |
| Total other administration expenses | 648,489 | 648,784 |

(h) Interest rates

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 (% per annum).

| | | |
|-------------------------------|-------------|-------------|
| Call Shares | 2012 | 2011 |
| 01 Primary Share Account | 2.00% | 2.00% |
| 02 Primary Share Account 2 | 2.00% | 2.00% |
| 04 Jimmy Jumper Share Account | 2.00% | 2.00% |
| 08 Xmas Club Account | 3.50% | 4.00% |
| 10 Loan Provider Account | 2.00% | 2.00% |
| Term Shares | | |
| 32 Term Deposit (3 months) | 3.50% | 4.00% |
| 08 Term Deposit (6 months) | 3.50% | 4.00% |
| 08 Term Deposit (12 months) | 3.50% | 4.50% |

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4 RESERVES

Reserves as at 30 June 2012

| | Retained earnings \$'000 | General reserve \$'000 | Total reserves \$'000 |
|---------------------------|-----------------------------|---------------------------|--------------------------|
| Balance brought forward | 166,022 | 131,317 | 297,339 |
| Operating profit/(loss) | 4,749 | - | 4,749 |
| Balance carried forward | 170,771 | 131,317 | 302,088 |
| Reserve % to total assets | 14.75% | 11.34% | 26.10% |

Reserves as at 30 June 2011

| | Retained earnings \$'000 | General reserve \$'000 | Total reserves \$'000 |
|---------------------------|-----------------------------|---------------------------|--------------------------|
| Balance brought forward | 161,354 | 131,317 | 292,671 |
| Operating surplus | 4,668 | - | 4,668 |
| Balance carried forward | 166,022 | 131,317 | 297,339 |
| Reserve % to total assets | 15.26% | 12.07% | 27.33% |

General reserve

A general reserve has been established in accordance with Section 118 of the Friendly Societies and Credit Unions Act 1982 which requires the Credit Union to transfer 5% of gross earnings to the general reserve until the general reserve is the equivalent of 5% of total assets, and thereafter maintained at a minimum of 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, amount to at least 10% of the total assets of the Credit Union.

5 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

| | Average Interest Rates | 2012 | 2011 |
|---------------|------------------------|----------------|----------------|
| | p.a. | \$ | \$ |
| Cash on hand | 0.00% | - | - |
| Bank balances | 3.50% | 185,341 | 220,272 |
| | | <u>185,341</u> | <u>220,272</u> |

(b) Deposits at New Zealand Association of Credit Unions and trading banks

| | Average Interest Rates | 2012 | 2011 |
|--|------------------------|----------------|----------------|
| | p.a. | \$ | \$ |
| New Zealand Association of Credit Unions | | | |
| - Call deposits | 0.00% | - | - |
| Kiwi Bank term deposits | 4.30% | 100,000 | - |
| BNZ bank term deposits | 4.50% | 400,000 | 350,000 |
| | | <u>500,000</u> | <u>350,000</u> |

The Credit Union does not hold tradeable securities. Effective interest rates are the original contracted values. All balances are available within 3 months. The deposits with the New Zealand Association of Credit Unions' central banking facility are excess funds held on behalf of the Credit Union. The New Zealand Association of Credit Unions minimises its exposure to credit risk by maintaining a diversified portfolio with the majority of investments with deposits in banks and money market securities. Movements in market rates will not affect the recorded value of these investments.

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

6 TRADE AND OTHER RECEIVABLES

| | 2012 | 2011 |
|------------------|--------------|--------------|
| | \$ | \$ |
| Accrued interest | 4,114 | 2,564 |
| Sundry debtors | - | - |
| Prepayments | - | - |
| | <u>4,114</u> | <u>2,564</u> |

All trade and other receivables are due within 1 year.

7 LOANS TO MEMBERS

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

(a) Loans to members

| | 2012 | 2011 |
|---------------------------------------|----------------|----------------|
| | \$ | \$ |
| Neither past due nor impaired | 448,867 | 495,080 |
| Past due but not impaired | - | - |
| 1 to 30 days | - | - |
| 31 to 60 days | - | - |
| 61 to 90 days | - | - |
| Over 90 days | - | - |
| Impaired loans | - | - |
| Impaired individually | - | - |
| Impaired collectively | - | - |
| Gross loans | <u>448,867</u> | <u>495,080</u> |
| Less: | | |
| Allowance for impairment individually | - | 1,000 |
| Allowance for impairment collectively | - | - |
| | <u>-</u> | <u>1,000</u> |
| Net loans to members | <u>448,867</u> | <u>494,080</u> |

(b) Credit quality - security classification

| | | |
|---|----------------|----------------|
| Secured by first mortgage over real estate | - | - |
| Secured by second mortgage over real estate | - | - |
| Secured by members' shares in the Credit Union | 108,272 | 129,368 |
| Partially secured by motor vehicle and other collateral | 340,595 | 365,725 |
| Unsecured loans | - | - |
| | <u>448,867</u> | <u>494,080</u> |

It is impracticable to provide a valuation of the collateral security held against loans because of the large number of loans that the Credit Union has at any one time. A breakdown of the quality of the security on a portfolio basis is as follows.

Security held as mortgage against real estate is on the basis of:

- loan to valuation ratio of less than 80%
- loan to valuation ratio of more than 80% (all insured under the Welcome Home Loan Scheme)
- loan to valuation ratio of more than 80% but not mortgage insured

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

(c) Credit quality - concentration of loans

| | 2012 | 2011 |
|--|----------------|----------------|
| (i) Loans to individual or related groups of members which exceed 10% of equity | Nil | Nil |
| (ii) Loans to members concentrated to individuals and immediate family members of those individuals employed in the Christchurch Fire and Ambulance Services | 100% | 100% |
| (iii) Loans to members concentrated solely in New Zealand which is the common bond of the Credit Union | 100% | 100% |
| (iv) Loans drawn down by member type: | | |
| Loans to natural persons | \$ | \$ |
| Residential loans and facilities | - | - |
| Personal loans and facilities | 448,867 | 495,080 |
| Loans to Charitable Trusts and Incorporated Societies | - | - |
| | <u>448,867</u> | <u>495,080</u> |

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

8 IMPAIRMENT OF LOANS AND ADVANCES

(a) Provision for Impairment

| | 2012 | 2011 |
|--|----------|-------|
| Opening balance | \$ 1,000 | \$ - |
| Increase (decrease) in provision for impairment for the year | (1,000) | 1,000 |
| Balance carried forward | - | 1,000 |

(b) Key assumptions in determining the provision for impairment

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

In identifying the impairment likely from these events the Credit Union is required to estimate the potential impairment. This can be based on the individual circumstances of the member (individually impaired loans) or based on the length of time the loan is in arrears (collectively impaired loans). The impairment provision on collectively impaired loans is based on the following formula:

| Period of Impairment | % of balance |
|----------------------|--------------|
| 31 days to 60 days | 20% |
| 61 days to 180 days | 40% |
| 181 days to 270 days | 60% |
| 271 days to 365 days | 80% |
| Over 365 days | 100% |

This provision is checked to historical write-offs and an additional provision is made if necessary.

(c) Impairment of loans

| | Collectively Provisioned Loans \$ | Restructured Loans \$ | Individually Impaired Loans \$ | Total \$ |
|-----------------------------------|--|-----------------------------|---|-------------|
| Gross Receivables | | | | |
| Carrying Amount at 1 July 2011 | - | - | 1,048 | 1,048 |
| Additions to Class Written Off | - | - | - | - |
| Deletions from Class | - | - | (1,048) | (1,048) |
| Carrying Amount at 30 June 2012 | - | - | - | - |
| Impairment Provision | | | | |
| Impairment at 1 July 2011 | - | - | 1,000 | 1,000 |
| Additions to Class Written Off | - | - | 48 | 48 |
| Deletions from Class | - | - | (1,048) | (1,048) |
| Impairment at 30 June 2012 | - | - | - | - |
| Net Loans at 30 June 2012 | - | - | - | - |
| | Collectively Provisioned Loans \$ | Restructured Loans \$ | Individually Impaired Loans \$ | Total \$ |
| Gross Receivables | | | | |
| Carrying Amount at 1 July 2010 | - | - | 1,048 | 1,048 |
| Additions to Class Written Off | - | - | - | - |
| Deletions from Class | - | - | - | - |
| Carrying Amount at 30 June 2011 | - | - | 1,048 | 1,048 |
| Impairment Provision | | | | |
| Impairment at 1 July 2010 | - | - | - | - |
| Additions to Class Written Off | - | - | 1,000 | 1,000 |
| Deletions from Class | - | - | - | - |
| Impairment at 30 June 2011 | - | - | 1,000 | 1,000 |
| Net Loans at 30 June 2011 | - | - | 48 | 48 |

Restructured loans and loans with enforcement of security

There were no restructured loans, no loans where real estate or other assets were acquired through the enforcement of security at 30 June 2012 (2011 Nil). All 90 day past due assets are included in the individually impaired and collectively impaired loan categories.

(d) Interest and other revenue recognized and foregone

| | | |
|---|---|---|
| Interest revenue on non-accrual and restructured loans | - | - |
| Interest foregone on non-accrual and restructured loans | - | - |

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

9 NEW ZEALAND ASSOCIATION OF CREDIT UNIONS 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 the Association. However, the Credit Union has no intention of redeeming the investments in the foreseeable future.

There is no sufficient 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. Capital Notes are non current assets.

The New Zealand Association of Credit Unions has been generating a surplus in the last three financial years and increased its asset backing for the Capital Notes which had fallen below par. The recent history of dividend payouts as a return on the Capital Notes supports the view that the Capital Notes are appropriately valued at their face value and it is determined that no impairment loss has arisen at balance date. Consequently, the carrying value of the Capital Notes approximates their fair value at balance date.

The Credit Union's investment in these Base Capital Notes enables the New Zealand Association of Credit Unions 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.

| | 2012 | 2011 |
|--------------------------------------|---------------|---------------|
| | \$ | \$ |
| NZACU Base Capital Notes | 21,088 | 21,088 |
| Total available-for-sale investments | <u>21,088</u> | <u>21,088</u> |

10 EQUIPMENT

(a) Classes of equipment

Equipment

At end

Accumulated depreciation

Total property, plant & equipment

| | 2012 | 2011 |
|-----------------------------------|------------|-----------|
| | \$ | \$ |
| Equipment | 451 | 640 |
| Accumulated depreciation | (188) | (643) |
| Total property, plant & equipment | <u>263</u> | <u>97</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**
10 EQUIPMENT (continued)*(b) Movements in carrying amounts*

Reconciliation of the carrying amounts of each class of property, plant and equipment between the beginning and end of each period:

| 2012 | Total \$ |
|---------------------------------|-------------|
| Balance at 1 July 2011 | 97 |
| Additions | 334 |
| Disposals | - |
| Depreciation expense | (188) |
| Carrying amount at 30 June 2012 | <u>263</u> |
| 2011 | |
| Balance at 1 July 2010 | 185 |
| Additions | - |
| Disposals | - |
| Depreciation expense | (80) |
| Carrying amount at 30 June 2011 | <u>67</u> |

There were no impairment losses in respect of equipment (2011 Nil).
All equipment are non current assets

11 TRADE AND OTHER PAYABLES

| | 2012 | 2011 |
|---------------------------------------|---------------|---------------|
| | \$ | \$ |
| Accrued interest payable | - | - |
| Resident withholding tax | 3,298 | 3,111 |
| Sundry creditors and accrued expenses | 6,600 | 7,824 |
| | - | - |
| | <u>10,198</u> | <u>10,935</u> |

Trade and other payables are current liabilities.

12 MEMBERS' DEPOSITS

| | 2012 | 2011 |
|---|----------------|----------------|
| | \$ | \$ |
| Call shares | - | - |
| Savings accounts | 840,822 | 773,800 |
| Christmas Club accounts | 6,175 | 6,045 |
| Loyalty account | - | - |
| Total call shares (all current liabilities) | <u>846,997</u> | <u>779,845</u> |

There are no term shares.

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 a Trust Deed dated 7 February 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 25th October 2002, which has been registered with the Registrar of Companies.

Members' deposits were covered by the Crown Deed of Guarantee for the period of two years ended on 12 October 2010. The Credit Union had not applied for the extended Crown Guarantee, available to qualifying entities on substantially different terms to the current Crown Guarantee. The Credit Union expects to continue to fund its operations from reinvestments of existing members' funds and new investments, based on the level of support from members experienced to date.

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

13 COMMITMENTS

(a) Future capital commitments

There are no future capital commitments entered into by the Credit Union as at 30 June 2012 (2011: Nil)

(b) Operating lease commitments

There are no operating lease commitments entered into by the Credit Union as at 30 June 2012 (2011: Nil)

(c) Outstanding loan commitments

There were no loan or credit facilities approved but not funded or drawn down as at 30 June 2012 (2011: Nil)

14 CONTINGENT LIABILITIES

There are no material contingent liabilities at 30 June 2012 (30 June 2011 Nil).

15 STANDBY BORROWING FACILITIES

The Credit Union has no standby borrowing facility.

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The board has endorsed a policy of compliance and risk management to match 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
- Capital adequacy management

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

Market Risk and Hedging Policy

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

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

The policy of the Credit Union to manage the risk is to maintain a balanced "on book" strategy by ensuring the net interest rate gaps between members' loans and members' shares are not excessive. The measured gap in each 3 month range is to be maintained between 0.6% and 0.00% of the difference between interest on 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 deposit facilities to rectify the imbalance within acceptable levels. The Credit Union's exposure to interest rate risk is set out in Note 16 which details the contractual interest rate change profile.

The following tables summarise the sensitivity of the Credit Union's financial assets and liabilities to 1% movement in interest rates on the Credit Union's financial position and results. The 1% movement is used because management believes that this is the reasonably possible change to Official Cash Rate within the next 12 months.

| | 2012 - interest rate risk | | | 2011 - interest rate risk | | |
|-----------------------------------|---------------------------|------------------------------|------------------------------|---------------------------|------------------------------|------------------------------|
| | Carrying amount \$ | -1% Profit & equity \$ | +1% Profit & equity \$ | Carrying amount \$ | -1% Profit & equity \$ | +1% Profit & equity \$ |
| Financial assets | | | | | | |
| NZACL and bank deposits | 685,341 | -8,855 | 8,855 | 670,272 | -5,708 | 5,709 |
| Loan receivables | 448,967 | -4,470 | 4,470 | 486,090 | -4,951 | 4,951 |
| | | -11,323 | 11,323 | | -10,654 | 10,654 |
| Financial liabilities | | | | | | |
| Members' deposits | 845,407 | -8,455 | 8,455 | 779,845 | -7,788 | 7,788 |
| | | -8,455 | 8,455 | | -7,788 | 7,788 |
| Total (increase)(decrease) | | -2,968 | 2,968 | | -2,855 | 2,855 |

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

- The interest rate change would be applied equally over the loan products
- The rate change would be as at the beginning of the 12 month period and no other rate changes would be effective during the period
- The term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposits with similar terms and rates applicable
- All loans would be repaid in accordance with the current average repayment rate (or 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 entity 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 Credit Union. The majority of members are concentrated in the Christchurch area so there is a major credit risk with respect to loans and receivables if there was to be a disaster affecting this area. The Credit Union minimises this risk by having a large number of customers. The credit policy is that loans 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, commercial lending 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 impairment of loans
- Debt recovery procedures
- Review of compliance with the above policies.

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

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The board policy is to register any security in the Personal Properties Security Register (PPSR) and to ensure that the member has at least 20% of the loan value as savings with the Credit Union.

The Credit Union has a concentration in lending for members who comprise employees and family in the fire and ambulance service. 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. Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days if not rectified. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loan is over 90 days in arrears. The exposures to losses arise predominantly in the non secured personal loans and facilities.

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

Credit Risk - Liquid Investments

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 members fail to settle their loan obligations to the Credit Union.

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

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration on one entity.

The board maintains all its investments in the Bank of New Zealand and Kwi Bank, registered banks. The banks have a credit rating of AA- by Standard & Poor's.

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk - Equity Investments

The Credit Union does not have investments in equity investments other than the Capital Notes in the New Zealand Association of Credit Unions (refer note 8).

Liquidity Risk

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

The Credit Union manages liquidity risk by:

- Continuously monitoring forecast and actual daily cash flows
- Reviewing the maturity profiles of financial assets and liabilities
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities
- The Credit Union has a standby borrowing facility with the New Zealand Association of Credit Unions to provide support to the Credit Union if necessary at short notice
- Regularly monitoring loan repayments and comparing to forecast cash flows.

The Credit Union's policy has a Trust Deed requirement to maintain at least 8% of total assets as liquid assets capable of being converted to cash within seven days. This ratio is monitored and reported to management, the Credit Union Board and its Trustees on a regular basis. Should the liquidity ratio fall below this level, the management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits or borrowing facilities available.

The maturity profile of the financial liabilities, based on the contractual repayment terms, is set out in the specific note 17. Whilst there is liquidity deficiency for the within one month period of \$147,730 as at 30 June 2012 (30 June 2011 \$167,051), based on the contractual arrangements, the Directors can manage any potential mismatch and meet its obligations as they fall due as all loans are repayable on demand. In addition, the profile assumes that all members' shares are repaid when they mature. In the ordinary course of business, the Credit Union normally retains the members deposits which are due within 1 month ensuring that it does not need to demand repayment of the members' loans.

The ability to demand repayment of all members' loans provides the Credit Union with ready access to funds if some or all members' shares required repayment. The Credit Union also has the right at any time to require a sixty day notice period for repayment of members' shares.

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. 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 at the end of the reporting period are stated in note 4. The Credit Union's capital is determined as follows:

| | 2012 | 2011 |
|------------------------------|----------------|----------------|
| Tier 1 | \$ | \$ |
| Retained earnings | 170,771 | 168,022 |
| General reserves | 131,317 | 131,317 |
| Total Tier 1 reserves | 302,088 | 299,339 |

Tier 1 capital ratio

In addition, the Credit Union must comply with the "Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010" which came into effect on 1 December 2010. These regulations require a minimum of 10% capital ratio (equity to risk weighted assets) and the Credit Union will meet the requirements of these regulations. As at 30 June 2012, the Credit Union's capital ratio was not in breach of the regulations.

To manage the Credit Union's capital, which can be affected by excessive growth and by changes in total assets, the Credit Union regularly reviews the capital adequacy ratio 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 to address how strategic decisions or trends may impact on the capital level.

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

17 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. Interest on members' loans and interest on members' shares are included in the table below.

| | Within 1 month | 1-3 months | 3 - 6 months | 6 - 12 months | 1-2 years | 2 - 5 years | Over 5 years | Total |
|---|----------------|-----------------|-----------------|------------------|------------------|------------------|-----------------|------------------|
| 2012 | | | | | | | | |
| <i>Monetary assets receivable</i> | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cash, bank and NZACU deposits | 685,341 | - | - | - | - | - | - | 685,341 |
| Trade and other receivables | 4,114 | - | - | - | - | - | - | 4,114 |
| Loans to members | 18,754 | 35,592 | 60,575 | 103,275 | 147,577 | 81,191 | - | 446,867 |
| Future interest on loans | - | 311 | 1,500 | 5,422 | 15,408 | 17,050 | - | 39,699 |
| Capital Notes | - | - | - | - | - | - | 21,096 | 21,096 |
| Total monetary assets receivable | 708,209 | 35,903 | 62,198 | 108,697 | 163,075 | 98,241 | 21,096 | 1,197,967 |
| <i>Monetary liabilities payable</i> | | | | | | | | |
| Trade and other payables | 10,198 | - | - | - | - | - | - | 10,198 |
| Members' deposits | 645,497 | - | - | - | - | - | - | 645,497 |
| Future interest on deposits | - | - | - | - | - | - | - | - |
| Total monetary liabilities payable | 655,693 | - | - | - | - | - | - | 655,693 |
| Liquidity deficiency/(excess) | 147,484 | (35,903) | (62,198) | (108,697) | (163,075) | (98,241) | (21,096) | (341,694) |
| 2011 | | | | | | | | |
| <i>Monetary assets receivable</i> | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cash, bank and NZACU deposits | 570,272 | - | - | - | - | - | - | 570,272 |
| Trade and other receivables | 2,564 | - | - | - | - | - | - | 2,564 |
| Loans to members | 20,883 | 41,205 | 68,891 | 112,691 | 154,657 | 98,415 | 178 | 485,060 |
| Future interest on loans | - | 361 | 1,811 | 5,916 | 18,239 | 20,247 | - | 44,574 |
| Capital Notes | - | - | - | - | - | - | 21,096 | 21,096 |
| Total monetary assets receivable | 593,729 | 41,528 | 70,802 | 118,607 | 170,896 | 118,662 | 21,274 | 1,133,598 |
| <i>Monetary liabilities payable</i> | | | | | | | | |
| Trade and other payables | 10,935 | - | - | - | - | - | - | 10,935 |
| Members' deposits | 779,645 | - | - | - | - | - | - | 779,645 |
| Future interest on deposits | - | - | - | - | - | - | - | - |
| Derivatives | - | - | - | - | - | - | - | - |
| Total monetary liabilities payable | 790,780 | - | - | - | - | - | - | 790,780 |
| Liquidity deficiency/(excess) | 197,051 | (41,528) | (70,802) | (118,607) | (170,896) | (118,662) | (21,274) | (342,816) |

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

18 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:

| Reporting period at 30 June | | | | | | | | | | | | | | | | | | | | | | | |
|-----------------------------------|------|----------------------------------|----------------|----------------|---------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|------|-------------|------|------------------------|------|----------------|----------------|---|------------------|--------|-------|
| Floating interest rate | | Fixed Interest Rate Maturing in: | | | | | | | | | | | | | | Non-interest sensitive | | 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 | | No maturity | | | | | | | | | |
| 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | | |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | | |
| Monetary assets | | | | | | | | | | | | | | | | | | | | | | | |
| Cash | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | N/A | N/A | |
| Bank balances | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 185,341 | 220,272 | 185,341 | 220,272 | 3.88% | 3.50% |
| Term investments | - | - | 500,000 | 350,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 500,000 | 350,000 | 4.50% | 4.50% |
| Trade & other receivables | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,114 | 2,584 | 4,114 | 2,584 | N/A | N/A |
| Loans to members | - | - | 54,348 | 62,158 | 60,578 | 68,991 | 103,275 | 112,691 | 147,577 | 154,657 | 81,191 | 96,415 | - | 178 | - | - | - | - | 448,987 | 495,090 | 10.50% | 11.50% | |
| Derivatives - interest rate swaps | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | N/A | N/A |
| NZACU Capital Notes | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 21,096 | 21,096 | 21,096 | 21,096 | 6.11% | 5.79% |
| Total monetary assets | - | - | 554,348 | 412,158 | 60,578 | 68,991 | 103,275 | 112,691 | 147,577 | 154,657 | 81,191 | 96,415 | - | 178 | - | - | - | 210,551 | 243,932 | 1,157,518 | 1,089,022 | | |
| Monetary liabilities | | | | | | | | | | | | | | | | | | | | | | | |
| Members' deposits - call | - | - | 845,497 | 779,845 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 845,497 | 779,845 | 2.00% | 2.00% |
| Members' deposits - term | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0.00% | 0.00% |
| Derivatives - interest rate swaps | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | N/A | N/A |
| Other payables | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 10,196 | 10,935 | 10,196 | 10,935 | N/A | N/A |
| Total monetary liabilities | - | - | 845,497 | 779,845 | - | - | - | - | - | - | - | - | - | - | - | - | - | 10,196 | 10,935 | 855,693 | 790,780 | | |

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

(e) NZACU Capital Notes do not have any predetermined rate of interest. Interest is payable on a six-monthly basis in arrears subject to the profitability of the NZACU Business Services Trust. The last interest payment was at 6.11% (30 June 2011 5.79%) per annum.

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

19 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 recognized financial asset, is the carrying amount of those assets as indicated in the Statement of Financial Position.

(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. All loans are to members of the Credit Union who are concentrated mainly within the Canterbury Area of New Zealand.

(c) Large counterparties

The Credit Union has exposure to counter-parties in excess of 10% of equity as follows:

| | Number of counterparties | |
|--------------------------------|--------------------------|---------|
| | 2012 | 2011 |
| Greater than 100% of equity | 1 BNZ | 1 BNZ |
| Between 80% and 100% of equity | - | - |
| Between 60% and 80% of equity | - | - |
| Between 70% and 80% of equity | - | - |
| Between 60% and 70% of equity | - | - |
| Between 50% and 60% of equity | - | - |
| Between 40% and 50% of equity | - | - |
| Between 30% and 40% of equity | 1 NEWBANK | - |
| Between 20% and 30% of equity | - | - |
| Between 10% and 20% of equity | 1 Loan | 2 Loans |

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 6.00% to 11.00% p.a. (2011 6.00% to 11.00% 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 member's 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

20 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 from individuals residing or working within New Zealand and primarily the Canterbury Area. The funding from members is recorded as members' shares in the Statement of Financial Position.

21 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

All financial assets and liabilities, with the exception of loans to members are short-term instruments where their carrying amount in the Statement of Financial Position equates to their fair values. 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.

Fair value measurements of financial instruments are classified using a Fair Value Hierarchy (with Levels 1-3) that reflects the significance of the inputs used in making the measurements. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

The three different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset and liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The only financial instruments held by the Credit Union that are recognised at fair value are derivative assets and liabilities. Derivatives are used by the Credit Union to manage interest rate risk arising from interest rate changes. An independent valuation of fair value is obtained at the end of each reporting period. The fair value is calculated by using data sourced from Bloomberg to derive the zero-coupon discount factor that corresponds to each swap's payment and floating rate reset date over the remaining life of a swap, as at each reporting period. Management considers the derivatives held by the Credit Union to be included in level 2 as all significant inputs required to fair value the derivatives are observable.

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

22 CASH FLOW RECONCILIATION

| <i>Reconciliation of net cash flow from operating activities with operating profit</i> | 2012 | 2011 |
|--|---------|--------|
| | \$ | \$ |
| Operating surplus | 4,748 | 4,868 |
| Non cash items | | |
| Depreciation | 188 | 90 |
| Bad loans written off | - | - |
| Increase(decrease) in provision for loan impairment | (1,000) | 1,000 |
| | (812) | 1,090 |
| Changes in assets and liabilities | | |
| Decrease(increase) in trade and other receivables | (1,504) | 1,537 |
| Increase(decrease) in trade and other payables | (788) | 1,537 |
| | (2,292) | 4,404 |
| Net cash provided by operating activities | 1,655 | 10,162 |

23 RELATED PARTY DISCLOSURES

(a) Remuneration of Directors and Key Management Persons (KMP)

The Credit Union deals with Directors, Trustees and other key management persons (KMP) on the same terms and conditions applied to all members (including interest rates on loans and shares):

| | 2012 | 2011 |
|---|--------|--------|
| | \$ | \$ |
| Directors' and other KMP holdings at balance date are: | | |
| Owing to Directors and other KMP (shares) | 23,998 | 22,728 |
| Owing by Directors and other KMP (loans) | 24,017 | 18,267 |
| Interest expense from Directors and other KMP (on shares) | 358 | 284 |
| Interest income to Directors and other KMP (on shares) | 2,401 | 2,163 |

There are no shares from Directors exceeding 12 months and all Directors' loans are repayable on demand.

The Directors received fees of \$0 (2011 \$0) for their services.

Key management persons are those with 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 the 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 has been taken to comprise the Directors and the two executive managers for the day to day financial and operational management of the Credit Union.

Key management remuneration for the years ended 30 June:

| | 2012 | 2011 |
|------------------------------|--------|--------|
| | \$ | \$ |
| Short term employee benefits | 10,200 | 10,200 |
| Long term employee benefits | - | - |
| Total remuneration | 10,200 | 10,200 |

Remuneration shown as short term benefits means (where applicable) wages, salaries, paid annual leave, sick leave, bonuses and the value of fringe benefits received, but excludes out of pocket expense reimbursements

(b) Other related parties

Other related parties are those relatives of the Directors or key management persons, spouses of relatives and any other entity under the control/significant influence of the Directors or key management persons.

| | 2012 | 2011 |
|---|--------|--------|
| | \$ | \$ |
| Other related parties' holdings at balance date are: | | |
| Owing to other related parties (shares) | 11,267 | 22,728 |
| Owing by other related parties (loans) | 13,143 | 18,267 |
| Interest expense from other related parties (on shares) | 210 | 284 |
| Interest income to other related parties (on loans) | 1,314 | 2,163 |

The Credit Union deals with other related parties on the same term and conditions applied to members.

No Director and related parties loans have been written off against provision for loan impairment during the year (2011: Nil) and no amounts are included in the provision for impairment at year end (refer to note 6) (2011: Nil).

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24 EVENTS OCCURRING AFTER BALANCE DATE

There are no known events subsequent to 30 June 2012 which would materially affect these financial statements (2011 Nil)

25 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

30 June 2012

| | Loans and receivables | Available-for-sale | Total |
|--|-----------------------|--------------------|------------------|
| | \$ | \$ | \$ |
| <i>Financial assets as per Statement of Financial Position</i> | | | |
| Cash and cash equivalents | 185,341 | - | 185,341 |
| Deposits at New Zealand trading banks | 500,000 | - | 500,000 |
| Trade and other receivables (excluding prepayments) | 4,114 | - | 4,114 |
| Loans to members | 445,967 | - | 445,967 |
| Capital Notes | - | 21,098 | 21,098 |
| Total | 1,135,422 | 21,098 | 1,157,518 |

| | Financial liabilities at fair value through profit or loss | Other financial liabilities | Total |
|---|--|-----------------------------|----------------|
| | \$ | \$ | \$ |
| <i>Financial liabilities as per Statement of Financial Position</i> | | | |
| Trade and other payables (excluding provisions) | - | 10,186 | 10,186 |
| Members' deposits | - | 845,487 | 845,487 |
| Total | - | 855,673 | 855,673 |

30 June 2011

| | Loans and receivables | Available-for-sale | Total |
|--|-----------------------|--------------------|------------------|
| | \$ | \$ | \$ |
| <i>Financial assets as per Statement of Financial Position</i> | | | |
| Cash and cash equivalents | 220,272 | - | 220,272 |
| Deposits at New Zealand trading banks | 350,000 | - | 350,000 |
| Trade and other receivables (excluding prepayments) | 2,584 | - | 2,584 |
| Loans to members | 485,090 | - | 485,090 |
| Capital Notes | - | 21,098 | 21,098 |
| Total | 1,057,928 | 21,098 | 1,059,022 |

| | Financial liabilities at fair value through profit or loss | Other financial liabilities | Total |
|---|--|-----------------------------|----------------|
| | \$ | \$ | \$ |
| <i>Financial liabilities as per Statement of Financial Position</i> | | | |
| Trade and other payables (excluding provisions and employee benefits) | - | 10,935 | 10,935 |
| Members' deposits | - | 779,845 | 779,845 |
| Total | - | 790,780 | 790,780 |



Independent Auditors' Report

to the members of Christchurch Emergency Services Credit Union

Report on the Financial Statements

We have audited the financial statements of Christchurch Emergency Services Credit Union on pages 1 to 24, which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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) and International Standards on Auditing. These standards require that we comply with relevant 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 auditors' 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 auditors consider the internal controls relevant to the Credit Union's preparation of financial statements that give a true and fair view of the matters to which they relate, 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 Credit Union'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.

Other than in our capacity as auditors we have no relationships with, or interests in, Christchurch Emergency Services Credit Union.



Independent Auditors' Report
Christchurch Emergency Services Credit Union

Opinion

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

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the Credit Union as at 30 June 2012, and its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2012:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Credit Union as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Credit Union's members, as a body. Our audit work has been undertaken so that we might state to the Credit Union's members those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members, as a body, for our audit work, for this report or for the opinions we have formed.

Chartered Accountants
4 October 2012

Auckland

FOURTH SCHEDULE

Share Accounts

FOURTH SCHEDULE

SHARE ACCOUNTS

SCHEDULE OF ACCOUNTS

Note: The rules of the Credit Union provide for a 60-day notice period for the withdrawal of shares. Ordinarily this would only apply if there was a run on shares or liquidity difficulties.

Term Accounts

Name: Term share three months
Term: Three months
Interest Rate: 3.5% per annum
Minimum Shareholding: One share
Timing of Repayment: Three months from date of deposit
Fees and Charges: \$1.00 entry fee to establish account. No other fees or charges.
Terms and Conditions of Account: Interest accrues on a daily basis and is credited on 30 June each year or upon termination of account. Dividend / interest shall be reduced to 3% per annum if the member terminates the account early.

Name: Investment Account
Term: Indefinite (or until Credit Union determines account will no longer be offered)
Interest Rate: 3.5% per annum
Minimum Shareholding: One share
Timing of Repayment: As specified in application form (see Credit Union for further details)
Fees and Charges: \$1.00 entry fee to establish account. No other fees or charges.
Terms and Conditions of Account: Interest accrues on a daily basis and is credited on 30 June each year or upon termination of account. Dividend / interest shall be reduced to 3% per annum if the member terminates the account early.

On-Call Accounts

Name: Jimmy Jumper
Term: Indefinite (or until Credit Union determines account will no longer be offered)
Interest Rate: 2.0% per annum
Minimum Shareholding: One share
Timing of Repayment: On-call during office hours of Credit Union or at other times by arrangement
Fees and Charges: \$1.00 entry fee to establish account. No other fees or charges.
Terms and Conditions of Account: Interest accrues on a monthly basis and is credited on 30 June each year or upon termination of account.

Name: Primary Shares
Term: Indefinite (or until Credit Union determines account will no longer be offered)
Interest Rate: 2.0% per annum
Minimum Shareholding: One share
Timing of Repayment: On-call during office hours of Credit Union or at other times by arrangement
Fees and Charges: \$1.00 entry fee to establish account. No other fees or charges.
Terms and Conditions of Account: Interest accrues on a monthly basis and is credited on 30 June each year or upon termination of account.

Name: Xmas Club
Term: Indefinite (or until Credit Union determines account will no longer be offered)
Interest Rate: 3.5% per annum
Minimum Shareholding: One share
Timing of Repayment: On-call (but see terms & conditions below)
Fees and Charges: \$1.00 entry fee to establish account. No other fees or charges.
Terms and Conditions of Account: Interest accrues on a monthly basis and is credited on 30 November each year. If funds are withdrawn prior to 1 December, in each calendar year, the dividend / interest rate shall be reduced to 1.5% per annum.

Notice of Withdrawal Accounts

Name: Loan Provider Account
Term: Indefinite (or until Credit Union determines account will no longer be offered)
Interest Rate: 2.0% per annum
Minimum Shareholding: One share
Timing of Repayment: Upon 14 days written notice to the Credit Union or sooner in the Credit Unions absolute discretion
Fees and Charges: \$1.00 entry fee to establish account. No other fees or charges.
Terms and Conditions of Account: Interest accrues on a monthly basis and is credited on 30 June each year or upon termination of account.

FIFTH SCHEDULE

Prudential Supervisors Statement



Trustees Executors

Level 12 45 Queen Street PO Box 4167 Auckland New Zealand
TEL 09 308 7100 DDI 09 308 7116 FAX 09 308 7101
Email: shahzad.contractor@trustees.co.nz

20 December 2012

The Directors
Christchurch Emergency Services Credit Union
200 Kilmore Street
CHRISTCHURCH 8011

CHRISTCHURCH EMERGENCY SERVICES CREDIT UNION

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

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

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

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

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

- (a) set out above; and
- (b) that, subject to the duties imposed on the Prudential Supervisor by Schedule 15 to the Securities Regulations 2009, the Prudential Supervisor relies on the information supplied to it by Christchurch Emergency Services Credit Union pursuant to the Trust Deed and does not carry out an independent check of the figures supplied to it in that information.

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

Yours faithfully
TRUSTEES EXECUTORS LIMITED


Shahzad Contractor
CORPORATE BUSINESS MANAGER
CORPORATE TRUST

SIXTH SCHEDULE

Directorate

| Director's Name & Address | Title | Qualification |
|--|--|----------------------|
| Mr Michael Robert Gillon 54 Prestons Road Christchurch | Director Chairperson | |
| Mr Paki Tipene Johnston 36 Oxley Street Christchurch | Director Secretary | |
| Mr Stephen John Kennedy 16 Ravensdale Rise Christchurch | Director Treasurer Securities Registrar | |
| Ms Rhonda McNicol 1/63 Bridge Street Christchurch | Director Trustee | |
| Mr Liam McLoughlin F1 / 45 Dyers Pass RdChristchurch | Director Trustee | |
| Mr Chris Munro 5 Arnet Place Christchurch | Director Trustee | |
| Mr Richard Tolan 18 Turners Road Christchurch 8083 | Director Supervisor | |
| Mr Gerald Wilson 15 Haybridge Lane Christchurch | Director Supervisor | |