



10055434166



Credit Union Taranaki

PROSPECTUS

- RELATING TO -

THE OFFER OF DEBT SECURITIES
BY THE CREDIT UNION

Credit Union Taranaki

having offices at: 190-192 Devon Street East, New Plymouth
205A High Street, Hawera
32 Queen Street, Waitara
135 Egmont Street, Patea



Giving you Credit where it's due

DIRECTORY

	<u>Telephone</u>	<u>Facsimile</u>	<u>E-mail</u>
<u>CREDIT UNION TARANAKI</u> 190-192 Devon Street East PO Box 644 New Plymouth	(06) 758-7348	(06) 758-0931	help@cutaranaki.org.nz
<u>SOLICITORS to Credit Union Taranaki</u>			
Young Carrington Shera Lawyers 68 Vivian Street P.O. Box 845 New Plymouth	(06) 758-9484	(06) 758-9485	pfcarrington@xtra.co.nz
<u>With regard to this Prospectus:</u>			
Stace Hammond Barristers and Solicitors Level 7, 45 Queen Street P.O. Box 106 376 Auckland	(09) 307-7909	(09) 307-7908	
<u>PRUDENTIAL SUPERVISOR</u>			
Trustees Executors Limited. Level 12, 45 Queen Street P.O. Box 4197 Auckland	(09) 308-7100	(09) 308-7101	
<u>AUDITORS</u>			
BDO Spicers , Chartered Accountants 1 st Floor, Hugh Monckton Trust Building Cnr. Harwood & Rostrevor Streets P.O. Box 187 Hamilton	(07) 839 2106	(07) 839 0509	Bernard.Lamusse@ham.bdospicers.com
<u>BANKERS</u>			
Westpac Banking Corporation 196 Devon Street East New Plymouth	(06) 758 5295	(06) 758 4252	
New Zealand Association of Credit Unions Level 4, Credit Union House 272 Parnell Road P.O. Box 37 590 Parnell, Auckland	(09) 309 9551	(09) 309 9571	nzacu@nzacu.org.nz
<u>COMPANIES OFFICE</u>			
Companies Office , Level 18, ASB Centre 135 Albert Street Private Bag 92061 Auckland	(09) 912 7677	(09) 912 7787	www.companies.govt.nz
<u>Registrar of Friendly Societies & Credit Unions</u> Companies Office (see details above)			

This Prospectus is dated 14 February, 2008.

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

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Clauses 2, 4 and 5A are not applicable to the Credit Union.

In registering this Prospectus, the Credit Union has relied on the exemptions contained in the **Securities Act (Credit Unions) Exemption Notice 2005**, whereby the Credit Union has been granted an exemption from compliance with Sections 37A(1)(d), 51, 52 & 54 of the **Securities Act 1978** and Clauses 1(3) & 11 of the Second Schedule, and regulation 24 of the Regulations, in so far as that regulation deems clauses 1(2) & 3 of the Fifth Schedule of the **Securities Regulations 1983** to be contained in the Trust Deed relating to the debt securities.

1. MAIN TERMS OF OFFER

1.1 Name and address of Issuer

Name of Credit Union:

Credit Union Taranaki (hereinafter referred to as "the Credit Union")

Registered Office:

190-192 Devon Street East, New Plymouth

Ordinary Office Hours:

Registered office open: Monday – Friday, 9.00am to 4.30pm & Saturday, 10am to noon.

Branch Offices and Service Locations:

Administration Centre: 190-192 Devon St. East, PO Box 644, New Plymouth - phone: (06) 758-7348, fax: (06) 758-0931.

Branch: 205A High Street, Hawera - phone: 06 278 6875, fax: 06 758 6878 – open: Monday – Friday, 9.30am to 4.00pm;

32 Queen Street, Waitara – phone/fax: 06 7547777 – open: Monday – Friday, 9.30am to 3.30pm;

135 Egmont Street, Patea – phone/fax 06 273 8789 – open: Tuesday – Thursday, 9.30am to 3.30pm.

Agencies:

Carter Products (NZ) Incorporated, 51 Port View Crescent, New Plymouth – open: Wednesday, 9.30 to 10.30am;

Tegel Foods Limited, Paraité Road, Bell Block – open: Wednesday, 10.45am to 12.15pm.

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 Companies for registration, has been to provide a co-operative saving facility for members to form a loan fund. The principal fixed assets of the Credit Union are computers, office equipment, building improvements and a motor vehicle. The fixed assets of the Credit Union are used solely for furthering its objects described above.

The Offer

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

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

- (a) any person working, or residing, within the North Island of New Zealand, including any such person aged 16 years or younger;
- (b) any person who is a member of the same household as, and is a relative of, a person who has been admitted to membership and who continues to qualify for admission to membership, of the Credit Union under Paragraph (a) hereof;
- (c) for the purposes of Paragraph (b) above, the term 'relative', in relation to any person, means:
 - (i) The spouse of that person including any former spouse or de facto spouse;
 - (ii) Any lineal ancestor, lineal descendent, 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.

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

Shareholders in the Credit Union are called "members". The repayment of monies owing on members' shares is principally secured, to the extent permitted by law, by an equitable assignment by way of security over the whole of the Credit Union's present and future undertaking, property, assets and revenues, including the proceeds received for the subscription of shares and unpaid share capital (if any). This equitable assignment by way of security has been granted in favour of Trustees Executors Limited ("the Prudential Supervisor"). As a consequence of and in addition to the first ranking equitable assignment by way of security, the Credit Union has granted to the Prudential Supervisor a security interest in all its present and after-acquired personal property pursuant to the Personal Property Securities Act 1999 ("PPSA"). The Credit Union has appointed the Prudential Supervisor as statutory trustee of the offer under this Prospectus, for the purposes of the Securities Act 1978. The Prudential Supervisor's appointment, the grant of the equitable assignment by way of security and the parties respective rights and obligations are recorded in the trust deed entered into by the parties, dated 29 November 2001 (the "Trust Deed") and registered with the Registrar of Companies. The grant of the security interest was recorded and confirmed in the Deed of Modification which has been registered with the Registrar of Companies. Please refer to Section 6 for further information on the ranking of securities. Please refer to Section 7 for further details of the Trust Deed and Deed of Modification.

Shares

Members contribute to the Credit Union by way of shares that make up the capital of the Credit Union. Each member must hold a minimum of \$5.00 in fully paid-up share(s), and a member cannot have or claim any interest in shares of the Credit Union exceeding \$250,000 (or such other amount as determined by the provisions of the Act or the Trust Deed), whichever is the lesser amount. While members may hold a number of the different accounts described in the First Schedule, the minimum shareholding described above must be held in a "Minimum Shareholding Account" (for further details see the Second Schedule).

The Credit Union offers prospective and existing members the ability to subscribe for \$1.00 shares in the Credit Union. However, at the time of application, and at all times during the term of their shareholding, a member may elect in writing to have all, or any part of their shareholding held in one or more of the share accounts operated by the Credit Union. Each share account may offer differing terms and conditions as to dividend or interest return, the minimum amount of shares required to be purchased and the timing of repayment. For a further explanation of the operation of share accounts, please refer to the comments under the sub-heading, "Share Accounts", below.

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

Shares in the Credit Union are not transferable except where a member has nominated in writing that a person is to receive the member's shareholding in the Credit Union on the member's death, or any monies payable by the Credit Union to the member, at that time. However, any such nominations 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 \$2,000. Furthermore, to be legally enforceable, any such nomination must be signed by the member and delivered or sent to the registered office of the Credit Union, or made in the register of members (refer to Paragraph 2.3 for further explanation) kept at the Credit Union's registered office.

Membership

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

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

The Credit Union is not entitled at law, to issue share certificates to members. However, all deposits and withdrawals against a member's share account(s) will be entered in the member's accounts. In addition, the Credit Union will on request, and every six (6) months during the period of membership, forward a statement of account(s) to each member, via post to their last known address, 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 contract details are included in the Directory. Each share account may offer differing terms & 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 dividend or interest return (or how the 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 Second Schedule to this Prospectus.

The Board of the Credit Union may vary the rate of return, the terms and conditions of the account, or the timing of repayments. Any such variation shall be notified to members forthwith by notice displayed at the Credit Union's head office and each of its branches.

Term Share Accounts

Shares in a Term Share Account will earn interest at the rate specified in the account application form.

Please refer to the Second Schedule for details of the conditions, rates & terms of Term Share Accounts offered by the Credit Union.

On-Call & Notice-of-Withdrawal Accounts

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

The maintenance of the rate of dividend paid on member accounts is largely dependent on the annual surpluses available for distribution to members is also subject to the statutory obligation of the Credit Union to maintain a general reserve.

The amount of the surplus available for distribution to members is also subject to the statutory obligation of the Credit Union to maintain a General Reserve. The current obligation in this regard is an annual transfer from profits of up to 5% of the gross income from the Credit Union's interest (and rent) receipts, to maintain a General Reserve of at least 5% of the Credit Union's total assets. The Credit Union also has an obligation under the Trust Deed to maintain a Prudential Reserve, which is described under the heading "Prudential Reserve" at paragraph 7.1. The General Reserve and Prudential Reserve are not able to be utilised for payment of interest or dividends without the consent of the Registrar of Friendly Societies and Credit Unions or Prudential Supervisor respectively.

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

Payment of Returns

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

Fees and Charges

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

Withdrawals

Subject to the provisions of the Act, members operate their share accounts in a similar manner to savings and withdrawals in a passbook account. While shares are usually available to be withdrawn at call, the Rules of the Credit Union 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 of withdrawal 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 shareholding 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 Second Schedule to this Prospectus or as varied from time-to-time by the Board of the Credit Union). If a member has given instructions for any monies held in a share account to be automatically reinvested at the end of the term, the reinvestment funds will earn the dividend or interest return (as the case may be) applicable at the time of reinvestment to the share account nominated. The Credit Union will not be required to give a member notice of the reinvestment of their funds, unless the Credit Union has received notice in writing from the member that notice of reinvestment is required.

Early Repayment

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

Taxation

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

- i. A member omits to notify the Credit Union of their IRD number, the Credit Union is required at law to deduct RWT at the undeclared RWT rate, currently 39% (or any such other amount as required by law);
- ii. A member has notified the Credit Union of their IRD number, but omits to nominate the RWT rate at which they wish RWT to be deducted, RWT will be deducted at the minimum RWT rate, currently 19.5% (or any such other amount as required by law).

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

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

Loans

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

Loans to members will only be made in accordance with the Rules of the Credit Union and the provisions of the Act, which may from time-to-time specify the maximum amount which may be loaned to any member, the maximum term of loans or the lending to assets ratios to be observed by the Credit Union. For details of the conditions existing under the Rules of the Credit Union and the Act at the date of application, please contact the Credit Union. The Credit Union reserves the right to decline any application for a loan without giving any reason.

2. DETAILS OF REGISTRATION OF THE CREDIT UNION

2.1 Registration

Credit Union Taranaki, initially registered as the New Plymouth Waterfront Credit Union, was formed on 12 August 1971 and registered on 27 August 1971 as a specially authorised society under the provisions of the Friendly Societies Act 1909

with registration number 1802851.

Section 160(2) of the Act deems the Credit Union to be registered under Part III of the Act.

2.2 Rules of Operation of the Credit Union

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

2.3 Register of Members

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

2.4 Other Statutory Information

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

3. DIRECTORATE & ADVISERS

3.1 Directors and Officers

The Directors are required to be members and pursuant to the Rules of the Credit Union may receive remuneration for their services up to the value approved annually at the Credit Union's Annual General Meeting of members. The Directors are elected by the 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 a minimum of three (3) Directors to be Trustees of the Credit Union.

The Directors elect from the Directorate the following officers: Chairperson, Deputy-Chairperson and Secretary. The Treasurer is also elected by the Directors. The Treasurer is the only elected officer who may be paid for services.

A list of the current Directors and Officers is included in the Sixth Schedule to this Prospectus.

3.2 Particulars of Trustees

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

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

3.3 Auditors

The Credit Union has appointed:

BDO Spicers, Chartered Accountants, Hamilton, as the Credit Union's Auditors. They are qualified under Section 123 of the Act and Section 2C of the Securities Act 1983, to act as auditors. Their contact details are included in the Directory.

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

3.4 Solicitors

The Credit Union's solicitors are:

Young Carrington Shera
Lawyers

With regard to this Prospectus:

Stace Hammond
Barristers and Solicitors

Their contact details are included in the Directory.

3.5 Prudential Supervisor

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

3.6 Bankers

At the date of this Prospectus, the Credit Union's bankers are:

Westpac Banking Corporation Limited; and
New Zealand Association of Credit Unions – Central Banking Facility.

Their contact details are included in the Directory.

4. MATERIAL CONTRACTS

There are no material contracts entered into by the Credit Union at any time in the two years preceding the date this Prospectus was delivered to the Registrar for registration, other than contracts entered into in the ordinary course of the Credit Union's business.

5. PENDING PROCEEDINGS

There are no legal proceedings or arbitrations pending, at the date this Prospectus was delivered to the Registrar of Companies for registration, that may materially affect the Credit Union in an adverse manner.

6. RANKING

The aggregate amount of securities, being the shares issued by the Credit Union to its existing members, that ranked in point of security equally with the shares offered by the Credit Union to potential and existing members pursuant to this Prospectus, was \$5,263,682 as at 31st August 2007 (\$4,279,293 as at 31 August 2006). There were nil prior ranking securities as at 31st August 2007 (Nil as at 31 August 2006).

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 & revenues, including the proceeds received for the subscription of shares and unpaid share capital (if any). The equitable assignment by way of security has been granted in favour of the Prudential Supervisor under the Trust Deed, which has been registered with the Registrar of Companies. Please refer to Section 7 for further details of the Trust Deed.

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

A claim by a member who had given notice of withdrawal of the shares prior to liquidation of the Credit Union would rank ahead of claims 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.

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

7.1 Trust Deed

The Credit Union has appointed the Prudential Supervisor the statutory trustee of the offer of shares detailed in this Prospectus for the purposes of the Securities Act 1978. The Prudential Supervisor's appointment and the parties' respective rights and obligations are recorded in the Trust Deed dated 29 November 2001 as modified by the Deed of Modification dated 22 October 2002.

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

Prudential Reserve

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

Other Charges & 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 & conditions contained in the Trust Deed, not to:

permit its total liabilities to exceed 90% of its total tangible assets;

permit its secured liabilities to exceed 1% of its total tangible assets;

permit its liquid assets to be less than 8% of its total tangible assets;

permit the total amount of interest or dividends paid in cash over a six (6)-month period or more, to exceed cash actually received during the same period;

fail to ensure that it has sufficient assets at times to discharge all debts as they fall due;

permit the aggregate of its secured investments, unsecured investments and listed securities, to exceed 15% of its total tangible assets;

permit the aggregate of its unsecured investments to exceed 1% of its total tangible assets.

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

- To comply with the Act;
- To meet all its registration, filing and reporting obligations;
- To provide copies of all communications to and from regulatory bodies;
- To meet all obligations to security holders;
- To notify the Prudential Supervisor immediately it becomes aware that an event has occurred which would allow the Prudential Supervisor to review the Credit Union's compliance with the Trust Deed ("Review Event") or to enforce its rights under the Trust Deed ("Enforcement Event")
- To maintain its register of members, comply with all its obligations, pay its debts timeously and conduct its business in a proper and efficient manner;
- To comply with the Prudential Standards Manual prepared by the New Zealand Association of Credit Unions ("the Association") with the approval of The Prudential Supervisor;
- Not to declare dividends or (except with the consent of the Prudential Supervisor) issue shares while in breach of the Trust Deed or Securities Act 1978;
- Not to change its rules without the prior consent of the Prudential Supervisor;
- Not to acquire or dispose of any asset from or to, or engage the services of, any Associated Person (including directors and trustees of the Credit Union) other than for full market value, on an arms-length basis and in the ordinary course of the Credit Union's ordinary business and after having given not less than 10 business days' notice of its intention to do so to the Prudential Supervisor; and
- To promptly provide to the Prudential Supervisor written notice of all present and after-acquired serial numbered personal property and such other details as are necessary to enable the registration of a valid financing statement or financing change statement in respect of the Credit Union's personal property by the Prudential Supervisor.

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

The Trust Deed gives the Prudential Supervisor wide ranging powers to enforce the Credit Union's obligations under the Trust Deed. Shareholders requiring further information as to the Credit Union's covenants, the enforcement powers of the Prudential Supervisor are referred to the Trust Deed, a copy of which is lodged with the Registrar of Friendly Societies and Credit Unions at the Companies Office whose address is listed in the Directory.

Prudential Supervisor's Waivers

The Prudential Supervisor has agreed that, in calculating the amount under Clause 7.1(g) above, the amount of \$145,867 represented by subordinated Capital Notes issued by the Association (on terms further set out in Note 15 to the financial statements in the Fourth Schedule to this prospectus) may be disregarded.

On 28 July 2006 the Prudential Supervisor 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 days notice to the Prudential Supervisor provided each loan is for an amount of \$20,000.00 or less and:

- (a) on terms and conditions available to all members;
- (b) in the ordinary course of the Credit Union's business; and
- (c) fully reported in the quarterly certificate to the Prudential Supervisor.

Prudential Supervisor's Obligations

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

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

7.2 Prudential Supervisor's Statement

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

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

7.3 Other Restrictions on the Credit Union

The Credit Union's ability to borrow is further restricted pursuant to Sections 101(2) and 108 – 117 of the Act.

Section 101(2) provides that a credit union may take no further action or do anything which is not directly pursuant to or incidental to its objects or in furtherance of them or is in contravention of the Rules or the Act. The objects of the Credit Union are set out in Paragraph 1.2 of this prospectus under the heading, "The Credit Union".

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

Section 109 provides that the Credit Union may not, without the Registrar of Friendly Societies & Credit Unions' written consent:

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

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

Section 110 provides that the Credit Union may not grant an unsecured loan to a member which would exceed 5% of the Credit Union's total tangible assets or be (without the approval of the Registrar) for a period longer than 5 years nor may it grant a secured loan to a member which would exceed 10% of the Credit Union's total tangible assets or, without the approval of the Registrar, for a period longer than 10 years. The Credit Union has received the Registrar's approval to grant secured loans to its members for a maximum period of 20 years.

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

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

Section 113 provides that the Credit Union may hold an interest in land or buildings solely for the purpose of conducting its business thereon or therein. It may hold an interest in land as security for a loan to a member. If the Credit Union, as creditor under such a loan, acquires an interest in the land, it must dispose of that interest as soon as possible and, in any event, within 6 months unless the Registrar allows a longer period.

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

8. OTHER TERMS OF OFFER AND SECURITIES

Some provisions of the Act make an investment in a credit union unique. In addition to these sections listed under "Other Restrictions on the Credit Union", at 7.3 above, the following should also be noted:

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

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

Risks

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

1. Competition

Under the Act the Credit Union is restricted as to the persons it may accept as members. This restriction is called the Credit Union's Common Bond, and it is specified in the Credit Union's Rules. As the Credit Union is competing with banks, other Credit Unions and companies operating in the savings and loans market, restrictions on membership provided by the Common Bond may affect the Credit Union's profitability and the returns payable to members.

2. Common Bond Limitations

Because of Common Bond Limitations, in the Credit Union's case being those associated with a geographic area, the Credit Union is vulnerable to any economic downturn in the region reflected in its Common Bond. The Credit Union is also likely to be vulnerable to any natural disasters or other regional phenomena that occur in the area associated with the Credit Union's Common Bond.

3. Interest Rate Margin Risk

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

4. Liquidity Risk

The Credit Union faces Liquidity Risk where a significant number of members wish to withdraw their funds and the Credit Union does not have a sufficient cash on hand to meet such requirements. This risk is dealt with by the Act, which allows the Credit Union to require not less than 60 days notice of withdrawal of funds. Loans (other than fixed term loans) made by the Credit Union are also repayable on demand which allows liquidity to be maintained.

5. Regulatory Risk

At its most general level the Credit Union is subject to the risk of legislation being enacted that affects the Credit Union in a materially adverse way. As the Credit Union itself is a statutory entity, any changes to the Act or related regulations will have an impact on the Credit Union, and certain changes may have an impact on the availability of the Credit Union to repay its members or provide returns on investment.

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

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

9. PLACES OF INSPECTION OF DOCUMENTS

9.1 Credit Union

Before subscribing for shares, each member and prospective member is entitled to obtain free of charge the most recent copies of:

- (a) the Credit Union's Rules; and
- (b) this Prospectus, the Investment Statement and the Trust Deed; and
- (c) the Credit Union's most recent audited financial statements.

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

9.2 Companies Office

Copies of:

- (a) the Credit Union's Rules; and
- (b) this Prospectus, the Trust Deed and Deed of Modification;
- (c) the Credit Union's audited financial statements; and
- (d) all other documentation relating to the registration of the Credit Union;

are also filed on a public register at the Companies Office of the Ministry of Economic Development and are available for inspection through the Companies Office website www.companies.govt.nz [under "Search the Register" - organisation number 1802851]. Copies may also be obtained by telephoning the Companies Office Contact Centre on (0508) 266726. A fee may be payable.

10. OTHER MATERIAL MATTERS

There are no other material matters relating to the offer of shares by the Credit Union other than those set out in this Prospectus.

11. SUMMARY OF FINANCIAL STATEMENTS

The summary of the financial statements of the Credit Union for the five years ended to 31st August 2007, as required by Clause 7 of the Second Schedule of the Securities Regulations 1983, where applicable, are set out in the First Schedule to this Prospectus.

12. FINANCIAL STATEMENTS

The most recent audited financial statements of the Credit Union for the year ended 31st August 2007 have been registered under the Financial Reporting Act 1993. The registered financial statements include the information required by Clauses 16 to 31 (inclusive) of the Second Schedule of the Securities Regulations 1983. A copy of the registered financial statements is attached as the Fourth Schedule to this Prospectus.

13. ACQUISITION OF BUSINESS OR SUBSIDIARY

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

14. DIRECTORS' STATEMENT

The Directors, after due enquiry in relation to the period between the date of the latest statement of financial position as at 31st August 2007 (as attached to the Fourth Schedule) and the date of registration of this Prospectus, are of the opinion, that no circumstances have arisen that materially adversely affect:

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

SIGNED BY the Directors of Credit Union Taranaki.

Director/Chairperson

Graham Clark CLOUSTON

Director/Deputy Chairperson/Trustee

Steven Leslie TANNER

Director/Secretary

Leora CHANCELLOR

Director/Trustee

Maureen Emma Louise BERENTSON

Director/Trustee

Peter William HEWETT

Director

Sandra JULIAN

FIRST SCHEDULE - SUMMARY OF FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE (in \$):

<u>For the Financial Year Ended:</u>	<u>31-Aug-07</u>	<u>31-Aug-06</u>	<u>31-Aug-05</u>	<u>31-Aug-04</u>	<u>31-Aug-03</u>
Operating Revenue	1,258,399	1,174,706	1,124,967	1,116,923	1,071,304
Operating Expenses					
Total Dividend/Interest Expenses	197,270	140,333	136,104	138,880	174,575
Total Other Expenses	1,012,249	914,857	863,826	819,708	729,431
Net Surplus/(Deficit) to Retained Earnings	48,880	119,516	125,037	158,335	167,298
Net Surplus Before Appropriation	48,880	119,516	125,037	158,335	167,298
Transfer to General Reserve	48,880	119,516	125,037	158,335	167,298
Balance of Retained Earnings for Period	Nil	Nil	Nil	Nil	Nil
Balance of General Reserve	756,677	707,797	588,281	463,243	304,908

SUMMARY OF STATEMENT OF FINANCIAL POSITION (in \$):

<u>As At:</u>	<u>31-Aug-07</u>	<u>31-Aug-06</u>	<u>31-Aug-05</u>	<u>31-Aug-04</u>	<u>31-Aug-03</u>
Total Assets	6,193,636	5,175,399	5,000,411	5,313,808	5,680,976
Total Tangible Assets	6,193,636	5,175,399	5,000,411	5,313,808	5,680,976
Total Liabilities	5,436,959	4,467,602	4,412,130	4,850,565	5,376,068
Total Equity	756,677	707,797	588,281	463,243	304,908

Notes to Financial Statements Relating to Statement of Financial Performance

- (a) The amounts stated have been taken from audited financial statements.
- (b) There are no abnormal items that derive from the ordinary activities of the Credit Union.
- (c) There have been no extraordinary items that derive from events outside the ordinary activities of the Credit Union.
- (d) The equity method of accounting has not been used. There have been no changes in accounting policies during the year.
- (e) Interest paid for all share classes (being the debt securities issued) for the Financial Year Ended:

<u>Interest Rates</u>	<u>31-Aug-07</u>	<u>31-Aug-06</u>	<u>31-Aug-05</u>	<u>31-Aug-04</u>	<u>31-Aug-03</u>
Ordinary Shares - Jimmy Jumper	2.50	2.50	2.50	2.50	2.50
Christmas Club/Hamper	3.50	3.50	3.50	3.50	3.50
Youth Target	2.50	2.50	2.50	2.50	2.50
Bonus Lock-Away	2.50	2.50	2.50	2.50	2.50
Special Purpose	2.50	2.50	2.50	2.50	2.50
Term Shares - 30-day	4.50 – 5.50	3.25 – 4.75	3.00 – 4.25	3.00 – 4.00	3.00 – 4.00
60-day	4.50 – 5.50	3.25 – 4.75	3.00 – 4.25	3.00 – 4.00	3.00 – 4.00
3-month	4.50 – 5.50	4.25 – 6.75	4.00 – 6.50	4.00 – 6.00	3.50 – 4.50
6-month	5.50 – 8.00	4.25 – 6.75	4.00 – 6.50	4.00 – 6.00	3.50 – 4.50
12-month	6.50 – 8.50	5.25 – 7.25	5.50 – 7.00	5.00 – 6.50	4.00 – 5.00
18-month	6.50 – 8.50	5.25 – 7.25	5.50 – 7.00	5.00 – 6.50	4.00 – 5.00
24-month	6.50 – 8.50	5.25 – 7.25	5.50 – 7.00	5.00 – 6.50	4.00 – 5.00

SECOND SCHEDULE – SHARE ACCOUNTS

The majority of Credit Union Taranaki member funds are deposited in the following share accounts:

- (i) **Access (S1) Share Accounts;**
These accounts operate as on-call, ordinary, share accounts & are the primary account for everyday transactions. ACCESSCARD™ operates, via EFTPOS & ATM systems, on these accounts 24-hours a day, 7-days a week. Withdrawals are also permitted from these accounts during normal business hours. No dividend rate is currently paid on these accounts.
- (ii) **Special Purpose (S2/S4) Share Accounts;**
These accounts operate as on-call, ordinary, share accounts set up by the member for a specific purpose, e.g. car maintenance, holiday, home improvements, etc. Withdrawals are permitted from these accounts during normal business hours. No dividend rate is currently paid on these accounts.
- (iii) **Money Management (S3) Share Accounts;**
These accounts operate in conjunction with the Credit Union's budget planning and debt management service. Withdrawals are not permitted from these accounts unless prior approval has been given by a budget advisor. No dividend rate is currently paid on these accounts.
- (iv) **Jimmy Jumper (S5) Share Accounts;**
These accounts operate as on-call, ordinary, share accounts for junior members up to 11-years-old. Withdrawals are permitted from these accounts, by authorised parties (e.g. member, parent, guardian, sponsor), during normal business hours but a minimum balance of \$5 per account must be maintained at all times. The current dividend rate is 2.5% per annum calculated on a minimum monthly basis payable to accounts with a balance exceeding \$100.
- (v) **Co-operative (S6) Share Accounts;**
These accounts operate as "loan provider" share accounts; they give members the ability to apply for loans from the Credit Union by providing members with an account to build collateral against future loan requirements. These accounts recommend a minimum savings commitment of \$10 per week and a minimum balance of \$300, once that amount has been deposited. Withdrawals are permitted from these accounts upon written notice-of-withdrawal (14-day) providing the member does not already have a loan secured by these savings. No dividend rate is currently paid on these accounts.
- (vi) **Christmas Club/Hamper (S7/S77) Share Accounts;**
Withdrawals are only available from these accounts between 1 December and 31 January annually. These accounts are not generally available for early withdrawal. If early withdrawal is requested, both a written notice-of- withdrawal (7-day) and an early withdrawal penalty will apply. The current dividend rate is 3.5% per annum calculated on a minimum monthly basis payable to accounts with a balance exceeding \$100.
- (vii) **Youth Freedom (S12) Share Accounts;**
These accounts operate as on-call, ordinary, share accounts for youth members aged 12- to 17-years-old, inclusive. Withdrawals are permitted from these accounts during normal business hours but a minimum balance of \$10 per account must be maintained at all times. The current dividend rate is 2.5% per annum calculated on a minimum monthly basis payable to accounts with a balance exceeding \$100.
- (viii) **Minimum Shareholding (S86) Share Accounts;**
These accounts operate as minimum shareholding accounts only. Withdrawals are not permitted from these accounts unless the Member is closing their account with the Credit Union. No dividend rate is currently paid on these accounts.
- (ix) **Bonus Lock-away (S99) Share Accounts;**
These accounts operate as notice-of-withdrawal (7-day) share accounts. Withdrawals are permitted from these accounts upon written notice-of-withdrawal (7-day). The current dividend rate is 2.5% per annum calculated on a minimum monthly basis payable to accounts with a balance exceeding \$100.
- (x) **Term Investment (I) Share Accounts;**
These accounts operate as fixed-term deposit share accounts. The minimum share deposit is \$500 per investment (with the account type being suffixed by the investment term, e.g. an I12 share account is a 12-month term investment share account). These accounts are not generally available for early withdrawal. If early withdrawal is requested, both a written notice-of- withdrawal (7-day) and an early withdrawal penalty (a flat 2% per annum rate reduction) will apply. The dividend rate varies dependent on the deposit amount and the investment term (e.g. as tabled below):

<u>Deposit Amount</u> ↓ / <u>Term</u> ⇨	30-90 days	>3 – <12 months	12-24 months	> 2 years
\$500 to \$4,999	4.50% p.a.	5.50% p.a.	6.50% p.a.	Amounts and
\$5,000 to \$19,999	5.00% p.a.	7.50% p.a.	8.00% p.a.	rates by
\$20,000 to \$250,000	5.50% p.a.	8.00% p.a.	8.50% p.a.	Arrangement



Reference: CUTA

14 February 2008

The Directors
Credit Union Taranaki
PO Box 644
NEW PLYMOUTH

Dear Directors

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

We have audited the Financial Statements of the Credit Union attached to the Third Schedule of the Credit Union's Prospectus. The Financial Statements provide information about the past financial performance and cash flows of the Credit Union and its state of affairs as at 31 August 2007, as required by clauses 16 to 31 (inclusive) of the Second Schedule of the Securities Regulations 1983. The information is stated in accordance with the Accounting Policies set out in the Financial Statements.

Directors Responsibilities

The Directors are responsible for the preparation and presentation of Financial Statements which give a true and fair view of the state of affairs of the Credit Union as at 31 August 2007 and its financial performance and cash flows for the year ended on that date.

Auditors Responsibilities

We are responsible for expressing an independent opinion on the Financial Statements prepared and presented by the Directors and reporting our opinion in accordance with the Securities Regulations 1983.

Basis of Opinion

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

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

- whether the Accounting Policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

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

Unqualified Opinion

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

In our opinion:

- (a) proper accounting records have been kept by the Credit Union as far as it appears from our examination of the records;
- (b) the Financial Statements that are required by Clauses 16 to 31 (inclusive) of the Second Schedule of the Securities Regulation 1983, and that are required to be audited have been prepared, and:
 - i. comply with the Securities Regulations 1983;
 - ii. subject to the Securities Regulations 1983, comply with Generally Accepted Accounting Practice; and
 - iii. give a true and fair view of the state of affairs of the Credit Union as at 31 August 2007 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 9 November 2007 and our unqualified opinion was expressed as at that date.

Historical Summary of Financial Statements

In respect of the amounts stated pursuant to clauses 7 (2) and (3) of the Second Schedule of the Securities Regulations 1983 as set out in the Summary of Financial Statements in the First Schedule of the Credit Union's Prospectus; and clause 12 of the Second Schedule of the Securities Regulations 1983 provided in respect of the ranking of securities in the Credit Union's Prospectus, in our opinion the amounts have been correctly taken from the audited Financial Statements of the Credit Union.

Directors' Responsibilities

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

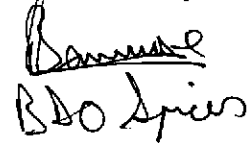
We take no responsibility for, nor do we report on, any part of the Prospectus not mentioned in this Report.

Auditors Consent

In terms of regulation 7 (1)(b)(ii) of the Securities Regulations 1983, we hereby give consent to the inclusion of this report in the Credit Union's Prospectus.

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

Yours faithfully

A handwritten signature in black ink, appearing to read 'BDO Spicers', written over a horizontal line.

BDO SPICERS
HAMILTON

FOURTH SCHEDULE - AUDITED FINANCIAL STATEMENTS

The information required by Clauses 7 & 16 – 32 of the Second Schedule of the Securities Regulations 1983, where applicable, are set out below, in \$NZ:

STATEMENT OF FINANCIAL PERFORMANCE FOR THE FINANCIAL YEAR ENDED:

INCOME	Note	<u>31-Aug-07</u> (Audited)	<u>31-Aug-06</u> (Audited)
Interest on Investments		43,447	36,983
Interest on Capital Notes		29,135	53,327
Interest on Loans to Members	3	604,941	529,978
Other Income - Administration Fees		3,147	3,112
Loan Establishment Fees		125,948	105,461
Service Fees	4	411,909	397,732
Commissions		26,932	37,103
Sundry		3,916	4,122
Recovery of Loans previously written-off		9,024	6,888
Total Income:	1	<u>1,258,399</u>	<u>1,174,706</u>
EXPENDITURE	Note	<u>31-Aug-07</u> (Audited)	<u>31-Aug-06</u> (Audited)
Operating Costs:			
Depreciation	13	26,298	23,065
Depreciation Recovered		(6,499)	-
Audit Fees paid to Auditor		14,145	12,010
Administration Costs	8	585,014	530,623
Officers & Employees Costs	8	308,375	265,012
Directors' Remuneration	9	19,580	16,220
Accommodation Costs	10	54,236	54,531
Bad Debts Written-off	5	27,127	13,396
Provision for Doubtful Debts	5	(16,027)	-
Total Operating Costs:	1	<u>1,012,249</u>	<u>914,857</u>
Funding Costs:			
Dividend on Call Shares - Ordinary Shares	6	-	-
Interest on Call Shares - Christmas Club/Hamper	6	421	11,305
Lock-away	6	4,550	3,180
Special Purpose	6	196	300
Jimmy Jumper	6	431	329
Interest on Term Shares	6	191,672	125,219
Total Funding Costs:		<u>197,270</u>	<u>140,333</u>
Total Operating & Funding Costs:		<u>1,209,519</u>	<u>1,055,190</u>
Net Surplus/(Deficit) from Operations		<u>48,880</u>	<u>119,516</u>
Net Surplus/(Deficit):		<u>48,880</u>	<u>119,516</u>
Transfer to General Reserve		48,880	119,516
Transfer to Other Reserves		-	-
Total Transfers:		<u>48,880</u>	<u>119,516</u>
Balance to Retained Earnings:		<u>-</u>	<u>-</u>

STATEMENT OF MOVEMENTS IN EQUITY FOR THE FINANCIAL YEAR ENDED:

	<u>31-Aug-07</u> (Audited)	<u>31-Aug-06</u> (Audited)
Members' Equity at Beginning of Financial Year	707,797	588,281
Net Surplus/(Deficit) for the period	48,880	119,516
Members' Equity at End of Financial Period	<u>756,677</u>	<u>707,797</u>
Members' Equity as a Percentage of Total Assets	12.2	13.7

STATEMENT OF FINANCIAL POSITION AT:

MEMBERS' RESERVES & LIABILITIES

	<u>31-Aug-07</u> (Audited)	<u>31-Aug-06</u> (Audited)
General Reserve		
Balance at beginning of period	707,797	588,281
Add Transfer from Revenue	48,880	119,516
Balance of General Reserve:	<u>756,677</u>	<u>707,797</u>
Members' Equity as a Percentage of Total Assets	12.2	13.7
Retained Earnings		
Balance at beginning of period	-	-
Less Transfer from Revenue	-	-
Extraordinary Transfer from General Reserve	-	-
Balance of Retained Earnings:	<u>-</u>	<u>-</u>
Members' Reserves:	<u>756,677</u>	<u>707,797</u>

Term Liabilities

Members' Term Shares	11	1,887,625	857,373
Total Term Liabilities:		<u>1,887,625</u>	<u>857,373</u>

Current Liabilities

Members' Funds - Term Shares	11	1,230,083	1,172,238
Ordinary Shares	14	2,145,974	2,249,682
Total Members' Funds:		<u>3,376,057</u>	<u>3,421,920</u>
Accounts Payable	30	127,432	153,770
Interest Payable		45,845	34,539
Total Current Liabilities:		<u>3,549,334</u>	<u>3,610,229</u>
TOTAL MEMBERS' RESERVES & LIABILITIES:		<u>6,193,636</u>	<u>5,175,399</u>

ASSETS

	<u>31-Aug-07</u> (Audited)	<u>31-Aug-06</u> (Audited)	
Current Assets			
Cash on Hand & in ATMs	31	169,426	129,224
Cash at Bank – Westpac	31	7,187	145,918
NZACU Central Fund Deposits	31	600,000	550,000
Interest Receivable		16,266	11,016
Accounts Receivable & Pre-Payments		74,580	85,213
Loans to Members	16	5,089,525	4,089,262
Less Provision for Doubtful Debts	18	(33,956)	(49,983)
Total Current Assets:		<u>5,923,028</u>	<u>4,960,650</u>
Term Assets			
NZACU Base Capital Notes	15	194,233	168,768
Total Term Assets:		<u>6,117,261</u>	<u>5,129,418</u>
Fixed Assets			
Fixed Assets	13	76,375	45,981
Total Fixed Assets:		<u>76,375</u>	<u>45,981</u>
TOTAL ASSETS:		<u>6,193,636</u>	<u>5,175,399</u>

STATEMENT OF CASHFLOWS FOR THE FINANCIAL YEAR ENDED:

OPERATING ACTIVITIES	<u>Note</u>	31-Aug-07	31-Aug-06
<u>Cash was provided from:</u>		<u>(Audited)</u>	<u>(Audited)</u>
Interest Received from Loans to Members	3	599,691	526,789
Interest Received from Investments		43,447	36,983
Income from Capital Notes		29,135	53,327
Fees & Commissions		567,936	543,408
Other Income		3,916	4,122
Bad Debts Recovered		9,024	6,888
		<u>1,253,149</u>	<u>1,171,517</u>
<u>Cash was applied to:</u>			
Term Shares Interest Paid to Members		185,964	133,250
Ordinary Shares Interest Paid to Members		-	-
Interest on Borrowings		-	-
Cash to Suppliers		669,100	585,721
Cash to Directors & Employees		327,955	281,232
		<u>1,183,019</u>	<u>1,000,203</u>
Net Cash Flows Used/(Received) in Operating Activities	24	(70,130)	(171,314)
INVESTING ACTIVITIES			
<u>Cash was provided from:</u>			
Loan Repayments		3,262,326	3,008,747
Sale of Assets		6,499	-
		<u>3,268,825</u>	<u>3,008,747</u>
<u>Cash was applied to:</u>			
New Loan Advances		4,289,716	3,078,103
Purchase of Fixed Assets		56,692	25,630
Increase in Capital Notes		25,465	-
		<u>4,371,873</u>	<u>3,103,733</u>
Net Cash Flows Used/(Received) in Investing Activities		1,103,048	94,986
FINANCING ACTIVITIES			
<u>Cash was provided from:</u>			
Deposits of Members' Term Funds		11,982,765	6,723,693
Deposits of Members' Call Funds		10,232,223	13,238,303
		<u>22,214,988</u>	<u>19,961,996</u>
<u>Cash was applied to:</u>			
Withdrawal of Members' Term Funds		11,451,785	6,490,491
Withdrawal of Members' Call Funds		9,778,814	13,483,155
		<u>21,230,599</u>	<u>19,973,646</u>
Net Cash Flows Used/(Received) in Financing Activities		(984,389)	11,650
NET CASHFLOWS Used/(Received) IN ALL ACTIVITIES		48,529	(64,678)
Net increase/(decrease) in Cash held		(48,529)	64,678
Opening Cash brought forward		825,142	760,464
Closing Cash carried forward	31	<u>776,613</u>	<u>825,142</u>
<u>Closing Cash Balance Reconciliation:</u>			
Cash on Hand & in ATMs		169,426	129,224
Cash at Bank – Westpac		7,187	145,918
NZACU Central Funds		600,000	550,000
		<u>776,613</u>	<u>825,142</u>

STATEMENT OF REPORTING AND ACCOUNTING POLICIES:

BASIS OF REPORTING

The financial statements presented here are for the reporting entity *Credit Union Taranaki*. *Credit Union Taranaki* is a Credit Union registered under the *Friendly Societies and Credit Unions Act 1982*. The Credit Union is an issuer for the purposes of the *Financial Reporting Act 1993*. These Financial Statements have been prepared in accordance with both of these acts and relevant *Securities Regulations*. The Credit Union operates predominantly in one industry, being the investment of Members' funds. All operations are based in New Zealand.

NATURE OF BUSINESS

The Credit Union's primary activity has been to provide a co-operative saving facility for members to form a loan fund. The Credit Union makes loans to its members or invests funds on the members' behalf. Interest & other income are received by the Credit Union and interest is paid to depositing members in the form of dividends on shares. The Credit Union is restricted in its borrowing 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.

TRUST DEED

To meet the amended requirements of the *Securities Act 1978* a Trust Deed was entered into on 29 November 2001 between the *Trustees Executors and Agency Company of New Zealand* (trading as *Trustees Executors Limited*) & the Credit Union. This was registered on 21 December 2001 in accordance with Section 46(3) of the *Securities Act 1978*. *Trustees Executors Ltd.*, as the Prudential Supervisor, was appointed to act in the interest of the members of the Credit Union by monitoring the compliance by the Credit Union of its obligations, its Rules, the Trust Deed and the *Friendly Societies and Credit Unions Act 1982*. Also, the Prudential Supervisor is under duty to exercise reasonable diligence to ascertain whether or not the Credit Union has:

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

At 31 August 2007 the Credit Union meets its obligations to members as defined in the Trust Deed.

GENERAL ACCOUNTING POLICIES

Measurement Base: The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed.

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

SPECIFIC ACCOUNTING POLICIES

The following particular accounting policies, which materially affect the measurement of income and expenditure and the assets and liabilities, have been applied:

Recognition of Revenues: Unless otherwise stated, interest income is accounted for on a daily accrual basis.

Investments: Investments are stated at cost.

Loans to Members: Loans to members are stated in the financial records at the original loan value less repayments and write-offs to date. To meet the "true and fair view" required by generally accepted accounting practices, the *Financial Reporting Act 1993* and the *Securities Regulations 1983*, a provision has been made for doubtful loans. Loans are written off in accordance with policy set by Directors. The provision for doubtful loans has been based on a review of loans and reference to the prudential guidelines as promoted by the *New Zealand Association of Credit Unions*.

Fixed Assets & Depreciation: All fixed assets are initially recorded at cost. Fixed assets have been depreciated at rates estimated to write off the cost over the useful life of each class of asset. The annual rates used are:

Furniture & Fittings	33.3% straight line;
Computer Equipment - hardware & software	33.3% straight line;
Motor Vehicles	25% straight line;
Automated Teller Machines	20% straight line.

Goods and Services Tax: All amounts are inclusive of GST as the Credit Union is treated as an end user for GST purposes.

Income Tax: No amounts have been provided for Income Tax as the Credit Union income from members is exempt under Section CW37 of the *Income Tax Act 2004*. Income other than from members does not produce a taxable surplus.

Statement of Cash Flows: The Statement of Cash Flows is prepared inclusive of GST, which is consistent with the method used in the Statement of Financial Performance. Definitions of the terms used in the Statement of Cash Flows:

"Cash" includes coins & notes, demand deposits and other highly liquid investments readily convertible into cash used by the Credit Union as part of its day-to-day cash management;

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

"Financing Activities" are those activities relating to changes in the equity and debt capital structure of the Credit Union;

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

Financial Instruments: Financial instruments, such as loans to members, member shares, receivables and deposits are generally recorded at fair values. The Credit Union does not carry any off balance sheet risk. Loans to members are analysed as follows:

"Non-accrual assets" are those loans to members for which the Credit Union expects it will not be able to collect all amounts owing in accordance with the terms of the contract with those members.

"Past Due Assets" are those loans to members (not having classified as any other type of asset), which have not been operated by the member outside of the terms of the contract beyond 90 days.

"Real Estate and enforced security assets" are assets acquired through the enforcement of a security.

"Restructured Assets" – The Credit Union occasionally restructures loan terms and amended terms are generally comparable with the new loan's criteria, however there are instances when a member's changing financial circumstances, mainly due to the economic climate, dictate that loan repayments be extended over a greater period of time than would normally be the case. The Credit Union has included in this definition loans that are being collected under terms of a Court Order. The amount of the Provision for Doubtful Debts is based on an actual review of the restructured loans.

Method for Calculation of the Doubtful Debt Provision: Provision has been made to reflect the expectation that some recorded loans will not be recovered in full in the future. The specific and general provision has been calculated in accordance with NZACU Prudential Standards.

Lease: The Credit Union leases its premises. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease terms, are included in the determination of the net surplus in equal instalments over the period of the lease.

CHANGES IN ACCOUNTING POLICIES

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31-AUG-07:

1. Recognition of Income & Expense

The Statement of Financial Performance has been prepared on a fully-accrued basis with the exception of interest on loans to members to the extent that interest received from non-accrual assets, as defined by Section 4.27 of FRS33, is treated on a cash-received basis.

2. Revenue & Expense Categories

There are no other categories or sub-categories of Revenue or Expense requiring disclosure pursuant to Paragraph 6.3 of FRS33.

3. Interest on Loans to Members

Interest on loans to members is earned at rates from 8.5% to 25% in line with 2006.

4. Service Fees

Service Fee income, of \$411,909 received in the Financial Year Ended 31 August 2007, is from account service fees and transaction charges on members' activity for the period and is comparatively 3.3% higher compared to 2006.

5. Provision for Doubtful Debts & Bad Debts Written Off

After the recognition, and write-off of Bad Debts totaling \$27,127, in the Financial Year Ended 31 August 2007 a decrease of \$16,027 was required to maintain this Provision at the NZACU Prudential Operating Standard.

6. Dividends & Interest

Dividends on ordinary shares, when applicable, are accounted for by provision under current liabilities and credited to members following the Annual General Meeting. No such dividends were declared in either 2006 or 2007.

Interest on ordinary shares is credited to the member's share account at balance date except for Christmas Club/Hamper account interest which is accrued at balance date and credited on 30 November each year. There was no significant change in the total interest on ordinary shares compared to 2006.

Interest on term shares is paid at completion of the fixed term as defined in the individual contract & accrued at balance date. In the Financial Year Ended 31 August 2007 there was a 53% increase in the cost of interest expense on term shares compared to 2006.

7. Dividend & Interest Rates (in % p.a.)

	<u>31-Aug-07</u>	<u>31-Aug-06</u>	<u>31-Aug-05</u>	<u>31-Aug-04</u>	<u>31-Aug-03</u>	<u>31-Aug-02</u>	<u>31-Aug-01</u>
<u>Dividend Rates*</u>							
Ordinary Shares	-	-	-	-	-	-	-
<u>Interest Rates</u>							
Ordinary Shares - Jimmy Jumper	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Christmas Club/Hamper	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Youth Target	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Bonus Lock-Away	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Special Purpose	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Term Shares - 30-day	4.50 - 5.50	3.25 - 4.75	3.00 - 4.25	3.00 - 4.00	3.00 - 4.00	3.00 - 5.00	3.00 - 5.50
60-day	4.50 - 5.50	3.25 - 4.75	3.00 - 4.25	3.00 - 4.00	3.00 - 4.00	3.00 - 5.00	3.00 - 5.50
3-month	4.50 - 5.50	4.25 - 6.75	4.00 - 6.50	4.00 - 6.00	3.50 - 4.50	4.00 - 6.00	4.00 - 6.00
6-month	5.50 - 8.00	4.25 - 6.75	4.00 - 6.50	4.00 - 6.00	3.50 - 4.50	4.00 - 6.00	4.00 - 6.00
9-month	5.50 - 8.00	4.25 - 6.75	4.00 - 6.50	4.00 - 6.00	3.50 - 4.50	4.00 - 6.00	4.00 - 6.00
12-month	6.50 - 8.50	5.25 - 7.25	5.50 - 7.00	5.00 - 6.50	4.00 - 5.00	5.00 - 7.00	5.00 - 6.50
18-month	6.50 - 8.50	5.25 - 7.25	5.50 - 7.00	5.00 - 6.50	4.00 - 5.00	5.00 - 7.00	5.00 - 6.50
24-month	6.50 - 8.50	5.25 - 7.25	5.50 - 7.00	5.00 - 6.50	4.00 - 5.00	5.00 - 7.00	5.00 - 6.50

* Dividends are subject to earnings & are not fixed.

8. Administration Costs and Officers & Employees Costs

Administration Costs and Officers & Employees Costs, of \$893,389 paid in the Financial Year Ended 31 August 2007, are 12% higher compared to 2006.

9. Directors' Remuneration

For the Financial Year Ended 31 August 2007 Directors' Remuneration was \$19,580 (2006: \$16,220).

10. Accommodation Costs

For the Financial Year Ended 31 August 2007 Accommodation Costs were \$54,236 (2006: \$54,531).

11. Members' Term Shares

Members have invested in term shares in the following proportions:

<u>Due</u>	<u>Interest Rate</u>	<u>31-Aug-07</u>	<u>31-Aug-06</u>
30 days	4.50 - 5.50%	-	-
>1 to 12 months	4.50 - 5.50%	1,230,083	1,172,238
	<u>Current Portion:</u>	<u>1,230,083</u>	<u>1,172,238</u>
>12 to 18 months	6.50 - 8.50%	1,542,671	445,594

24 months	6.50 – 8.50%	676	86,237
>24 months	6.50 – 8.50%	344,278	325,542
		<u>1,887,625</u>	<u>857,373</u>
		3,117,708	2,029,611

12. Reserves

General Reserve

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

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

<u>General Reserve</u>	<u>31-Aug-07</u>	<u>31-Aug-06</u>
Balance at Beginning of Financial Year	707,797	588,281
Transfer to General Reserve	48,880	119,516
Balance at Financial Period End	<u>757,677</u>	<u>707,797</u>
General Reserve as a Percentage of Total Assets*	12.2	13.7

13. Property, Plant & Equipment

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>31-Aug-07 Book Value</u>	<u>31-Aug-06 Book Value</u>
Computer Equipment	135,433	94,127	41,306	38,852
Furniture & Fittings	89,616	82,248	7,368	7,126
Leasehold Improvements	10,552	10,550	2	2
Motor Vehicles	30,217	2,518	27,699	1
	<u>265,818</u>	<u>189,443</u>	<u>76,375</u>	<u>45,981</u>

Depreciation Expense

	<u>31-Aug-07</u>	<u>31-Aug-06</u>
Computer Equipment	19,990	19,340
Furniture & Fittings	3,790	3,725
Leasehold Improvements	0	0
Motor Vehicles	2,518	0
	<u>26,298</u>	<u>23,065</u>

14. Ordinary Shares

	<u>31-Aug-07</u>	<u>31-Aug-06</u>
Primary Shares	250,165	353,475
Money Management	113,328	98,324
Jimmy Jumper	35,084	28,268
Loan Provider	1,043,910	1,237,637
Youth Target	15,679	11,088
Minimum Shareholding	8,342	8,638
Bonus Lock - Away	279,161	170,730
Special Purpose	153,452	102,400
Membership Fees	-	-
Christmas Club/Hamper	246,853	239,122
	<u>2,145,974</u>	<u>2,249,682</u>

15. Investments – Capital Notes

NZACU Base Capital Notes (est. 10% p.a. return)	<u>194,233</u>	<u>168,768</u>
Total Investments	<u>194,233</u>	<u>168,768</u>

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

The forecast return on Base Capital Notes is similar to previous years' returns and is a conservative estimate of the expected return on investment.

16. Members' Loans

	<u>31-Aug-07</u>	<u>31-Aug-06</u>
Personal Loans, Secured (by mortgage &/or savings)	2,332,249	3,770,560
Personal Loans, Unsecured	2,757,276	318,701
Gross Loan Receivables	5,089,525	4,089,262
Less Provision for Doubtful Debts	33,956	49,983
Gross Loan Receivables	5,055,569	4,039,279
Opening Balance of Provision for Doubtful Debts	49,983	49,983
Increased Expense to Statement of Financial Performance	(16,027)	-
Closing Balance of Provision for Doubtful Debts	33,956	49,983
Debts Written Off including Bad Overdrafts	27,127	13,396

Loans are made in accordance with the Lending policy of the Credit Union and are repayable on demand.

A specific provision for doubtful loans has been made at balance date. Bad Loans are written off against income in the Statement of Financial Performance in the period in which they are deemed irrecoverable.

To comply with the requirements of *Financial Reporting Standard FRS33* the following analysis of Loans to Members is:

	<u>Gross Amount</u>		<u>Provision for Losses</u>		<u>Net Amount</u>	
	<u>31-Aug-07</u>	<u>31-Aug-06</u>	<u>31-Aug-07</u>	<u>31-Aug-06</u>	<u>31-Aug-07</u>	<u>31-Aug-06</u>
Non-accrual Assets at Start of Period	49,983	49,983	49,983	49,983	-	-
Non-accrual Assets Recovered in Period	9,024	6,888	9,024	6,888	-	-
Non-accrual Assets Added in Period	2,076	6,508	2,076	6,508	-	-
Non-accrual Assets Written-Off in Period	(27,127)	(13,396)	(27,127)	(13,396)	-	-
Non-accrual Assets at End of Period	33,956	49,983	33,956	49,983	Nil	Nil
Restructured Assets	-	-	-	-	-	-
Real Estate Assets	-	-	-	-	-	-
Other Assets on Enforced Security	-	-	-	-	-	-
Past-due Assets at Start of Period	Nil	Nil	-	-	-	-
Past-due Assets Recovered in Period	Nil	Nil	-	-	-	-
Past-due Assets Written-Off in Period	Nil	Nil	-	-	-	-
Past-due Assets at End of Period	Nil	Nil	Nil	Nil	Nil	Nil
Total Impaired Assets & Past-due Assets	33,956	49,983	33,956	49,983	Nil	Nil
Other Loan Assets	5,055,569	4,039,279	Nil	Nil	5,055,569	4,039,279
	5,089,525	4,089,262	33,956	49,983	5,055,569	4,039,279

Non-accrual assets are those loans to members for which the Credit Union expects it will not be able to collect all amounts owing in accordance with the terms of the contract with those members.

Past Due Assets are those loans to members (not having classified as any other type of asset), which have not been operated by the member outside of the terms of the contract beyond 90 days.

Real Estate and enforced security assets are assets acquired through the enforcement of a security.

Restructured Assets – The Credit Union occasionally restructures loan terms and amended terms are generally comparable with the new loans criteria, however there are instances when a members changing financial circumstances mainly due to the economic climate dictate that loan repayments be extended over a greater period of time than would normally be the case. The Credit Union has included in this definition loans that are being collected under terms of a Court Order. The amount of the Provision for Doubtful Debts is based on an actual review of the restructured loans.

17. Related Parties

The total amounts owing from, and to, the Directors of the Credit Union as at the date of these Financial Statements are:

	<u>31-Aug-07</u>	<u>31-Aug-06</u>
Loans owing from:	53,409	61,479
Shares owing to:	38,544	6,042

All Directors' shares and loans are at normal commercial interest rates and terms. There are no shares from Directors for terms exceeding 12 months and all Directors' loans are repayable on demand.

Directors' remuneration of \$19,580 was paid in the Financial Year Ended 31 August 2007 (2006: \$16,220).

18. Method of Calculation of Doubtful Debts Provision

Provision has been made to reflect the expectation that some recorded loans will not be recovered in full in the future. The general and specific provision has been calculated in accordance with NZACU Prudential Standards.

General Provision – in previous years the Doubtful Debts Provision has been calculated in a manner that included some general provisioning as well as that required under the NZACU Prudential Standard. The adequacy of the Doubtful Debt Provision over the last 5 years has been reviewed in detail and discussed with External Auditors. This general provisioning is now unnecessary.

There is no longer any general provision made in respect of any single category of impaired assets.

Specific Provision – is based on those loans 90 days or more in arrears. An estimate of the adjustment required to bring these assets to fair value is calculated as per the NZACU Prudential Standard which provides a percentage of the outstanding balance of any given loan for which any repayment or installment is in arrears, such percentage being based on the period in arrears as follows:

31 to 90 days delinquent 20% of loan balance

91 to 181 days delinquent.....	40% of loan balance
182 to 272 days delinquent.....	60% of loan balance
273 to 364 days delinquent.....	80% of loan balance
365 days and over delinquent.....	100% of loan balance
Overdrawn savings.....	100%

No adjustment is made for securities or collateral held on these loans.

The Directors' believe the above adjustments to the carrying values reasonably reflect the fair value of Loans to Members.

To the extent that any category of impaired assets contains any outstanding balances which are included in the calculation of the specific provision, then the total within the specific provision relating to such balances is shown as a provision for losses against the sum of all impaired assets and past due assets.

19. Financial Instruments

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

Risk Management Policies

a) Maximum Credit Risk

Financial instruments, which potentially subject the Credit Union to credit risk, principally consist of:

	<u>31-Aug-07</u>	<u>31-Aug-06</u>
Loans to Members	5,089,525	4,089,262
Bank Balances	169,426	129,224
Cash Investments	607,187	695,918
Accounts Receivable	74,580	85,213
NZACU Base Capital Notes	194,233	168,768

The Credit Union has no "off balance sheet" financial instruments.

Loans to Members

Loans can only be made to Credit Union members. Loan interest rates range from 9.25% to 25% p.a. (2006: 8.5% to 25% 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 maximum term;

Secured Loan – 10% of the value of the assets of the Credit Union and 10 Years maximum term.

The Registrar of *Friendly Societies and Credit Unions* approved, on 14 October 2002, an extension of the secured loan term from 10 to 20 Years.

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

Cash Investments

The Credit Union's management policies comply with Sections 49 and 117 of the *Friendly Societies and Credit Unions Act 1982* in regard to investments made by Trustees. Details of investments are outlined in Note 15. The composite total of both cash investments and NZACU Base Capital Notes is not considered by the Directors to be high-risk investment. No collateral securities are held on the bank balances and investments.

Receivables

Receivables comprise interest accrued on investments, payroll direct credits and rent due and there is no perceived credit risk associated with this asset. Receivables are recorded at expected realisable value.

Collateral

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

b) Liquidity Risk

Investments

The Trust Deed requires that liquid assets be equal to at least 8% of total assets. The Credit Union has an overdraft facility in place with the NZACU Central Fund. It is not expected that this facility will be drawn upon but it can be included in the calculation of the ratio. The Prudential Supervisor has approved the facility. The liquidity risk is minimised with the short-term nature of the majority of Credit Union's cash investments. With the exception of NZACU Capital Notes, these are either on-call investments or can be converted into cash within 5 working days.

Loans to Members

Loans are for varying terms but the standard loan contract includes an "on demand" clause. Refer to Notes 26, 27 & 28 for other risk detail.

Member Shares

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

Overdraft

The Credit Union has an overdraft facility of \$28,000. The amount drawn down at Financial Year End is: Nil (2006: Nil). Interest is paid at 9.10% on the facility and at 13.65% on amounts exceeding the facility.

c) Concentration of Credit Risk

Financial instruments, which potentially subject the Credit Union to concentrations of credit risk, principally consist of:

	<u>31-Aug-07</u>	<u>31-Aug-06</u>
Bank Balances	169,426	129,224
Cash Investments	607,187	695,918
Accounts Receivable	74,580	85,213
ZACU Base Capital Notes	194,233	168,768
Loans to Members	5,089,525	4,089,262

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

Concentration of credit risk with respect to loans to members is limited due to the large number and varied membership base that are from a wide range of financial and employment backgrounds. The membership is drawn from the Taranaki region and the Credit Union is exposed to the risk of a regional natural disaster. The Directors do not consider the risk to exceed normal business risk.

d) Large Counter-parties

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

	<u>Assets</u>	<u>Number of Counter-parties</u>	<u>Liabilities</u>
Greater than 100% of equity	-		-
Between 90 and 100% of equity	-		-
Between 80 and 90% of equity	-		-
Between 70 and 80% of equity	-		-
Between 60 and 70% of equity	-		-
Between 50 and 60% of equity	-		-
Between 40 and 50% of equity	-		-
Between 30 and 40% of equity	-		-
Between 20 and 30% of equity	1		4
Between 10 and 20% of equity	4		5
Between 0 and 10% of equity	1		1

e) Concentration of Funding

The Credit Union's source of funding is members' deposits. Accordingly, the funding is concentrated in and limited to the area of the "common bond" and subsequently the Credit Union funding is almost exclusively from individuals residing within Taranaki. The funding from members is recorded as Members' Shares in the Statement of Financial Position.

f) Currency Risk

The Credit Union has no currency risk given that all financial instruments it deals with are in New Zealand dollars.

g) Interest Rate Risk

Loans to Members

The Credit Union standard loan agreement provides for adjustments to interest rates on existing loans upon written notice to members. Loans vary from 1 month to 20 years. Loan Agreements include a clause allowing the Credit Union to demand repayment of the loan at any time. Given the nature of the loan portfolio the Credit Union does not face any material interest rate risk on loans.

Cash Investments

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

Shares

The Credit Union intends to pay no dividends on Ordinary Shares until Members' Equity reaches a minimum of 10% of Total Assets. At 31 August 2007 Members' Equity is 12.2% of Total Assets.

When dividend payments recommence dividend rates payable on members' shares will be set by the Board of Directors and as a management policy generally on par with market indicators. These rates, and their effect on the Credit Union's overall return, are to be kept under constant review. Term shares are generally limited to terms less than 12 months to allow for re-pricing.

h) Fair Values

Financial Assets

Loans to Members

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

Cash and Bank Balances

The reported amount is equal to the fair value.

Receivables

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

Investments

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

Financial Liabilities

Shares

Members' shares are accepted on the basis of a fixed value of \$1 per share. Deposits not in whole dollars are deemed to be advance subscriptions for shares. Dividends not paid in cash are deemed to be subscriptions for shares and add to the member's 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 29 November 2001, which has been registered with the Registrar of Companies.

The Credit Union has also granted to *Trustees Executors Limited* a security interest in all its present and after-acquired personal property as additional security for the members' shares. *Trustees Executors Limited* has registered a financing statement under the *Personal Property Securities Act 1999* in respect of the same. The grant of this security interest was recorded in a Deed of Variation to the Trust Deed, dated 07 December 2001, which has been registered with the Registrar of Companies.

Other Liabilities

Accounts Payable are carried at fair value.

20. Capital Commitments

The following Capital Commitments have not been provided for in the Financial Statements:

NZCU-related exterior upgrade of premises, currently estimated at \$57,000, to be completed by August 2008.

Purchase and installation of ATM in Patea, quoted cost \$49,000, to be completed in September 2007.

(2006: Nil).

21. Contingent Liabilities

Contingent liabilities at Financial Year End were \$28,430, being Loans approved but not yet disbursed to Members (2006: \$106,980).

22. Segment Reporting

The Credit Union operates in the New Zealand financial services industry with a concentration of members and activity in the Taranaki area.

23. Liquidity Management

If, for whatever reason, the Credit Union is unable to meet members' demand for funds, then the Credit Union will cease lending until all current demand for repayment of deposits has been met.

24. Reconciliation of Operating Surplus to Cash Inflow from Operating Activities

	<u>31-Aug-07</u>	<u>31-Aug-06</u>
Reported Surplus/(Deficit) for the Period:	48,880	119,516
<u>Items Not Involved in Cash Flows:</u>		
Depreciation	19,799	23,065
Bad Debts Written-off	27,127	13,396
Provision for Doubtful Debts	(16,027)	-
Loss on Disposal	-	-
<u>Impact of Changes in Working Capital Items:</u>		
(Decrease)/Increase in Accounts Payable	(15,032)	67,122
(Increase)/Decrease in Prepayments	10,633	(48,596)
(Increase)/Decrease in Accounts Receivable	(5,250)	(3,189)
Net Cash Flows from Operating Activities:	<u>70,130</u>	<u>171,314</u>

25. Special Provisions relating to Financial Institutions

Statement matching monetary assets receivable and liabilities payable –

At 31-Aug-07:

<u>Monetary Assets</u>	<u>Total</u>	<u>0-6mths</u>	<u>>6-12mths</u>	<u>>12-18mth</u>	<u>>18-24mth</u>	<u>>24-60mth</u>	<u>>60mth</u>	<u>Effective Interest Rate</u>
Receivable:								
Loans to Members	5,055,569	5,055,569	-	-	-	-	-	14.0% p.a.
Accounts Receivable	90,846	90,846	-	-	-	-	-	0.0% p.a.
Cash on Hand	169,426	169,426	-	-	-	-	-	0.0% p.a.
Cash at Bank	7,187	7,187	-	-	-	-	-	0.0% p.a.
Central Fund Investments	600,000	600,000	-	-	-	-	-	7.6% p.a.
Capital Notes 1 & 2	194,233	-	-	-	-	-	194,233	16.1% p.a.
Total Receivables	<u>6,117,261</u>	<u>5,923,028</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,233</u>	

<u>Liabilities:</u>	<u>Total</u>	<u>0-6mths</u>	<u>>6-</u>	<u>>12-</u>	<u>>18-</u>	<u>>24-</u>	<u>>60mth</u>	<u>Effective</u>
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			<u>12mths</u>	<u>18mth</u>	<u>24mth</u>	<u>60mth</u>		<u>Interest Rate</u>
Accounts Payable	173,277	173,277	-	-	-	-	-	0.0% p.a.
Cash at Bank	-	-	-	-	-	-	-	-
Call Shares	1,899,121	1,899,121	-	-	-	-	-	0.3% p.a.
Term Shares	3,117,708	375,777	854,306	1,542,671	676	-	344,278	7.5% p.a.
Xmas Club/Hamper	246,853	246,853	-	-	-	-	-	3.5% p.a.
Total Payables	5,436,959	2,695,028	854,306	1,542,671	676	-	344,278	

At 31-Aug-06:

<u>Monetary Assets</u>	<u>Total</u>	<u>0-6mths</u>	<u>>6-12mths</u>	<u>>12-18mth</u>	<u>>18-24mth</u>	<u>>24-60mth</u>	<u>>60mth</u>	<u>Effective Interest Rate</u>
<u>Receivable:</u>								
Loans to Members	4,039,279	4,039,279	-	-	-	-	-	13.0% p.a.
Accounts Receivable	96,229	96,229	-	-	-	-	-	0.0% p.a.
Cash on Hand	129,224	129,224	-	-	-	-	-	0.0% p.a.
Cash at Bank	145,918	145,918	-	-	-	-	-	0.0% p.a.
Central Fund Investments	550,000	550,000	-	-	-	-	-	7.0% p.a.
Capital Notes 1 & 2	168,768	-	-	-	-	-	168,768	16.5% p.a.
Total Receivables	5,129,418	4,960,650	-	-	-	-	168,768	
<u>Liabilities:</u>	<u>Total</u>	<u>0-6mths</u>	<u>>6-12mths</u>	<u>>12-18mth</u>	<u>>18-24mth</u>	<u>>24-60mth</u>	<u>>60mth</u>	<u>Effective Interest Rate</u>
Accounts Payable	188,309	188,309	-	-	-	-	-	0.0% p.a.
Cash at Bank	-	-	-	-	-	-	-	-
Call Shares	2,010,560	2,010,560	-	-	-	-	-	0.2% p.a.
Term Shares	2,029,611	341,564	830,674	445,594	86,237	-	325,542	6.6% p.a.
Xmas Club/Hamper	239,122	239,122	-	-	-	-	-	5.0% p.a.
Total Payables	4,467,602	2,779,555	830,674	445,594	86,237	-	325,542	

Repayment of Members' Loans is shown based upon periodic repayments as set out in loan documentation. Separately from these periodic repayments the Credit Union has the contractual right to require repayment of all loans on demand.

The Credit Union has the right to offset amounts due from members against amounts due to them.

In the event that members require their shares repaid and insufficient funds are available, the Credit Union will make no further loans until all applications for share withdrawals are honoured.

26. The monthly repayments on loans for the past Financial Year represents an average loan term of: 14 months (2006: 13 months).

27. The proportion of loans with repayments in arrears in excess of three months is: 0.4% (2006: 0.7%).

28. The proportion of loans owed in aggregate by the debtors who owe the six largest amounts is: 13.7% (2006: 11.6%).

29. Lease Commitments:	As at 31-Aug-07	\$ 24,867;
	0 – 1 year	\$ 16,146;
	1 – 2 years	\$ 8,721;
	2 – 3 years	Nil;
	3 – 4 years	Nil;
	4 – 5 years	Nil.

30. Accounts Payable and Provisions:

	<u>31-Aug-07</u>	<u>31-Aug-06</u>
Resident Withholding Tax	2,439	612
Provision for Employee Entitlements	27,584	24,243
Trade Creditors	56,039	57,216
NEW ZEALAND ACCESSCARD® Settlement	30,120	60,739
Sundry Payables	11,250	10,960
TOTAL	127,432	153,770
Increase/(Decrease) in Provision for Employee Entitlements	(26,341)	5,889

31. Bank and Cash Investments:

	<u>Interest Rates</u>	<u>31-Aug-07</u>	<u>31-Aug-06</u>
Cash & Bank	0.00 to 2.00% p.a.	169,426	129,224
Westpac Banking Corporation	0.00 to 5.00% p.a.	7,187	145,918
New Zealand Association of Credit Unions	5.00 to 7.50% p.a.	600,000	550,000
TOTAL		776,613	825,142

32. Commodity Instruments:

Commodity instruments are defined by FRS33 to include any contracts that provide for settlement only by receipt or delivery of a physical asset. The Credit Union has no commodity instruments at balance date.

33. Events Subsequent to Balance Date:

No known events have occurred subsequent to balance date which could materially affect these financial statements.

34. The Total Nominal Value for the Securities of that Class that have not been Allocated:

Nil.

35. Restrictions on Allotment:

Shares may only be allotted to members.

36. Amount of Cumulative Dividends in Arrears:

Nil. There are no dividends in arrears.

37. Impact of First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS):

The Credit Union will be required to prepare Financial Statements in compliance with International Financial Reporting Standards (IFRS) effective for financial years commencing on 01 September 2007. This requires the production of accounting data for future comparative purposes.

The Credit Union's management, along with its auditors, has assessed the significance of these changes and are preparing for their implementation.

The Directors are of the opinion that the key differences in the Credit Union's accounting policies which will arise from the adoption of IFRS are:

1. There is a new standard dealing with revenue recognition. In the past the Credit Union would return all its revenue in the year that a service was rendered. The requirement under IFRS is to spread the revenue recognition over the period of the service. In particular, in respect of fees charged on loans, there is a requirement for this to be spread over the period of the loan. The Credit Union management has calculated the financial impact of this change which has been found to be immaterial and therefore no adjustments have been made.
2. There is a requirement now for the impairment of loans to be individually calculated on each loan. The Credit Union has a mechanism in place to do so and the financial impact is shown in (b) below, where applicable.
3. Provisioning for Doubtful Debts. There is no further ability for Credit Unions to make general provisions. The requirement under IFRS for specific provisions has been calculated at (a) below, where applicable.

The impact on the Credit Union is set out below:

ASSETS	Note	GAAP at 01-Sep-07	Adjustment	NZIFRS at 01-Sep-07
Cash & Cash Equivalents		776,613	0	776,613
Trade & Other Receivables		90,846	0	90,846
Loans to Members	a,b	5,055,569	0	5,055,569
Other Financial Assets		0	0	0
Property, Plant & Equipment		76,375	0	76,375
Intangible Assets		0	0	0
Capital Notes		194,233	0	194,233
TOTAL ASSETS		6,193,636	0	6,193,636
LIABILITIES				
Trade & Other Payments		173,277	0	173,277
Member Deposits		5,263,682	0	5,263,682
Short-term Borrowings		0	0	0
Provisions		0	0	0
TOTAL LIABILITIES		5,436,959	0	5,436,959
NET ASSETS		756,677	0	756,677
EQUITY				
Retained Earnings	a,b	0	0	0
General & Prudential Reserve		756,677	0	756,677
TOTAL EQUITY		756,677	0	756,677

(a) Loans – General Provision

There is no General Provision therefore the impact is:

Increase/decrease in Retained Earnings is: 0
0
0

(b) Loans – Specific Provision for Impairment

Change in Provision for Doubtful Debts is: 0
Increase/decrease in Retained Earnings is: 0
0



14 February 2008

The Directors
Credit Union Taranaki
190 - 192 Devon Street East
NEW PLYMOUTH

CREDIT UNION TARANAKI

Clause 13(3) of the Second Schedule to the Securities Regulations requires us to confirm that the offer of deposits (in this Statement referred to generally as "the Securities") set out in this Prospectus complies with any relevant provisions of the Trust Deed dated 7 December 2001. These provisions are those which:

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

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

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

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

- (a) set out above; and
- (b) that, subject to the duties imposed on the Trustee by the Fifth Schedule of the Securities Regulations 1983, the Trustee relies on the information supplied to it by Credit Union Taranaki 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 Securities or the payment of interest thereon.

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

**Ray Edwin
BUSINESS MANAGER
CORPORATE TRUST**

SIXTH SCHEDULE –DIRECTORATE

DIRECTORS

Full Name & Address	Title	Occupation	Qualifications
Maureen Emma Louise BERENTSON 35 Beaumont Street New Plymouth	Director Trustee	Accountancy Clerk	Accounting Technician
Leora CHANCELLOR 2A La Salle Drive, or P.O. Box 3228 New Plymouth	Director Secretary	Personal Coach/ Certified Practitioner	Diploma Interior Design Cert. Adult Teaching
Graham Clark CLOUSTON 5B Truby King Street New Plymouth	Director Chairperson	Loss Adjuster, <i>McLarens Young International</i>	ACLA AIINZ DipTA (ATAA)
Peter William HEWETT 63A Karina Road New Plymouth	Director Trustee	Engineer, <i>Beca Carter Hollings & Ferner Ltd.</i>	BE, CPEng MBA MIPENZ
Sandra JULIAN 6C Fairview Place New Plymouth	Director	Managing Director, <i>Auaha Event & Conference Management</i>	Dip. Bus. Mgmt. NZIM Dip. Mgmt. Legal Executive Cert. Adult Teaching
Steven Leslie TANNER 386 Carrington Street New Plymouth	Director Deputy Chairperson Trustee	Financial Controller, <i>Ngati Ruanui Group Management Ltd.</i>	Accounting Technician

OFFICERS

Full Name & Address	Title	Occupation	Qualifications
James Field SEERUP 99A Gover Street New Plymouth	Treasurer	Property Investor/Business Consultant	Past Member ICANZ

CERTIFICATE OF REGISTRATION OF PROSPECTUS

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

CREDIT UNION TARANAKI

1802851

This is to certify that a Prospectus, for CREDIT UNION TARANAKI, dated the 14th day of February 2008 was registered on the 18th day of February 2008.

Neville Harris

Neville Harris
Registrar of Credit Unions and Friendly Societies
Dated this 19th day of February 2008

