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A large, faint, dotted outline of the AWHI Credit Union logo, which is a stylized map of the Hawaiian Islands, serves as a background for the title text.

AWHI CREDIT UNION

Prospectus for the Offer of Debt Securities
dated 20 September 2013

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Directory

Credit Union

(and place where Register of Members is kept)
AWHI Credit Union
107 Church Street
Opotiki 3122

PO Box 554
Opotiki 3162

Ph (07) 315 5000 | Fax (07) 315 6256

Auditors

BDO Waikato
1026 Victoria Street
PO Box 187
Waikato Mail Centre
Hamilton 3240
Ph (07) 839 2106 | Fax (07) 839 0509

Solicitors To The Credit Union

Anthony Harper
Level 8 Chorus House
66 Wyndham St
Auckland 1140
PO Box 2646
Auckland 1140
Ph (09) 920 6400 | Fax (09) 920 9599

Prudential Supervisor

Covenant Trustee Company Limited
Level 18
48 Emily Place
PO Box 4243
Auckland 1140

Ph (09) 302 0638 | Fax (09) 302 1037
Email: graham@covenant.co.nz

Companies Office

Ministry of Business, Innovation and
Employment
Northern Business Centre
Level 18, ASB Bank Centre
135 Albert Street
Private Bag 92061
Auckland 1141

Ph 0508 266 726 | Fax (09) 912 7787

Financial Markets Authority

Level 5, Ernst & Young Building
2 Takutai Square, Britomart
Auckland
Ph (09) 300 0400 | Fax (09) 300 0499

Directors of the Credit Union

Eric Codlin <i>Opotiki</i>	Vice Chair, Treasurer, Director
Pamela McGreevy <i>Opotiki</i>	Secretary, Director
Bettina Maxwell <i>Opotiki</i>	Trustee, Director
James Mio <i>Opotiki</i>	Trustee, Director
Memory Mio <i>Opotiki</i>	Chair, Trustee, Director
Tracy Hillier <i>Opotiki</i>	Director

The directors may be contacted through the Credit Union's registered office.

KEY INFORMATION SECTION

The following is a brief summary of information which will be important in making a decision to invest in the Credit Union. It is intended to assist you in reading the Prospectus only. It is not intended as a substitute for the information contained in the Prospectus.

Credit Union

The Credit Union is a financial cooperative offering financial services to its customers, who are called members.

Members who have accounts in the Credit Union are the owners of the Credit Union and they elect its board of directors.

The assets of the Credit Union are legally owned by trustees, who are elected by the members of the Credit Union from the Credit Union's Board. The trustees hold the assets of the Credit Union for the use and benefit of the Credit Union and its members.

The Credit Union has appointed Covenant Trustee Company Limited ("Prudential Supervisor") to act as statutory trustee of all the members' shares, in accordance with the Securities Act 1978. For more information concerning the role of the Statutory Supervisor refer to paragraph 6 (Details of Trust Deed and Other Restrictions on the Credit Union).

Offer Terms

- This Prospectus provides important information concerning a secured offer of shares in the Credit Union.
- Shares are issued at \$1.00 and must be paid in cash. Payments of less than \$1.00 are treated as advance payments for additional shares.
- Shareholders in the Credit Union are termed "members".
- Shares are not transferable. For more information concerning what happens to the shares on a member's death, and as to shares generally, see paragraph 3 (Shares) of this Prospectus.
- While shares are usually available for withdrawal on call (unless the terms and conditions of a share account provide otherwise) the Friendly Societies and Credit Unions Act 1981 ("Act") provides that a 60 day notice period for withdrawals may be required.
- No persons guarantee the repayment of the shares, or the payment of any returns on shares in the Credit Union.

Share Characteristics

- Historically, no returns have been paid on members' share accounts. Any return on shares depends on the profitability of the Credit Union and will also depend on the type of share account which you invest in, the terms and conditions of that share

account, the rate of return currently offered on that account, the minimum amount of shares required to be held in that account, the term of the investment and the timing of repayment. The terms and conditions of share accounts are set out in Schedule 2 of the Prospectus.

- As a member you have a right to vote on certain matters relating to the Credit Union, for example the election of a director. On every matter determined by a vote, you will be entitled to one vote irrespective of the number of shares held by you.

Key Risks

The key risks of investing in the Credit Union are as follows:

- Credit Risk: this is the risk of people to whom the Credit Union has lent money not repaying their loans or making interest payments on time.
- Liquidity Risk: this is the risk of the Credit Union not having sufficient cash to meet share repayment obligations to members. Attention is drawn to the statements on page 19 under the heading Liquidity Risk. This risk requires the Credit Union to manage the maturity of loans and balance this with the anticipated need to repay members' shares.
- Members' Returns: the payment of any return on members' shares depends on annual surpluses being earned through the ongoing activities of the Credit Union. Historically, no returns have been payable on member's share accounts.
- Size of Credit Union: the Credit Union is a relatively small financial co-operative. As a consequence, the Credit Union is potentially more exposed than larger financial institutions to volatility in the economy and general market risk (see below) and borrower default. Additionally, its small size means that regulatory or compliance costs are a greater proportion of the Credit Union's expenses than would be the case with larger institutions.
- Insolvency: the Credit Union must remain solvent, meaning that its assets must exceed its liabilities and it must be able to meet its debts as they fall due. The Credit Union could become insolvent and/or be wound up if a significant amount of the loans due for repayment remain unpaid for an extended period of time, or if the Credit Union is, for any reason, unable to pay its debts as they fall due.
- General Market Risk: the Credit Union is likely to be affected by the state of the New Zealand and international economies. The current economic slowdown and global recession will likely have a negative impact on potential and existing members' saving and borrowing habits, which may have a consequential flow-on effect on the growth and profitability of the Credit Union.

Costs

- You must pay for your shares in the Credit Union. You will receive one share for every \$1 paid by you.
- You must hold at least one share in the Credit Union (unless you cease to be a member).

- In addition to the cost of shares, you may be required to pay account and membership fees and charges. Details of fees and charges for each share account are available from the Credit Union (refer to the directory on page 8 for contact details)

1. Main Terms of Offer

Name and Address of the Credit Union

Name of Credit Union: AWHI Credit Union ("Credit Union")

Registered Office: 107 Church Street, Opotiki, 3122

Postal Address: PO Box 554, Opotiki, 3162

Branches:

- Rotorua Branch - 1186 Haupapa Street, Rotorua 3010
- Gisborne Branch - 7b Gladstone Road, Gisborne 4010

The Credit Union intends to provide services from a mobile branch operating around the industrial areas of Rotorua.

Ordinary Office Hours: 9.30 am – 4:00 pm Monday to Friday

Details of Incorporation of the Credit Union

The Credit Union is a financial co-operative registered as a credit union under the Friendly Societies and Credit Unions Act 1982 ("Act"). The Credit Union was registered on 30 March 1993 (registration number 1802892). The Credit Union is also registered with the Financial Service Providers Register under registration number FSP15502.

The Act, and all other legislation referred to in this Prospectus, are available on the New Zealand legislation website at www.legislation.govt.nz.

The Credit Union operates under rules prepared in accordance with the Act ("Rules") which are registered with the Registrar of Friendly Societies and Credit Unions ("Registrar").

Creditworthiness Not Rated

The creditworthiness of the Credit Union is not rated by a rating agency approved by the Reserve Bank of New Zealand under section 157J of the Reserve Bank of New Zealand Act 1989 ("Reserve Bank Act").

The Offer

This Prospectus contains important information about the offer to subscribe for \$1.00 fully paid-up redeemable shares ("shares") in the Credit Union. Shareholders in the Credit Union are called "members". The offer of the shares is an offer of debt securities under and subject to the terms of the Securities Act 1978 ("Securities Act").

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. Please refer to the paragraph headed "*Details of Trust Deed and Other Restrictions on the Credit Union*" on page 14, for further details on this appointment.

As at the date of this prospectus, the Prudential Supervisor has a licence pursuant to s16(1) of the Securities Trustees and Statutory Supervisors Act 2011 to act as a trustee in respect of debt securities. The licence expires on 17 March 2017 and is subject to conditions. Further information on the Trustee's licence is available on the Financial Services Providers Register at www.business.govt.nz/fsp and on the FMA's website at

www.fma.govt.nz. A copy of the Trustee's licence is available on its website at www.covenant.co.nz.

The offer of shares in the Credit Union is made only to people that come within the Credit Union's membership criteria - its "common bond" - being:

- Persons residing within the North Island of Aotearoa, New Zealand including any such person aged 16 years or younger;
- Any person who is a member of the same household as, and is a relative of, a member (a relative, in relation to a person, is a spouse, former spouse, de facto spouse and any lineal ancestor, lineal descendant, brother, sister, uncle, aunt, nephew, niece or first cousin, of that person, or that person's spouse);
- A charitable entity;
- An incorporated society under the Incorporated Societies Act 1908.

Description of the Activities of the Credit Union

The Credit Union's objectives include the promotion of thrift amongst its members by the accumulation of their savings, the use and control of members' savings for their mutual benefit and the training and education of members in the wise use of money and management of their financial affairs.

The Credit Union's primary activity over the past five years before the date this Prospectus was delivered to the Registrar of Financial Service Providers for registration (the "Specified Date") has been to provide a co-operative saving facility for members to form a loan fund and to make loans to members from that fund.

The principal assets of the Credit Union consist of loans to members, office equipment, the Credit Union's branch in Rotorua, a leasehold interest in the Credit Union's branch in Opoiki and a motor vehicle. The Credit Union is considering selling its branch office in Rotorua. The principal assets are used solely for the purpose of furthering the Credit Union's objectives. The principal assets are subject to an equitable assignment and a security interest in favour of the Prudential Supervisor as more particularly described on page 14. The Credit Union has not granted any other charges over the principal assets.

2. Shares

Share Characteristics

Members contribute to the Credit Union by subscribing for shares. The shares offered under this Prospectus rank equally with all other shares issued or to be issued by the Credit Union.

The shares are issued at \$1.00, and cannot be allotted to a member until fully paid-up in cash. Payments for shares not in whole dollar amounts are treated as an advance payment on a subscription for an additional share.

The Credit Union can decide how members will pay for shares they subscribe for. This may include electronic payment or otherwise as agreed in writing by the Credit Union.

A member must hold at least one fully paid-up share and a member's shareholding cannot exceed \$250,000. This maximum shareholding is contained in the Rules.

Two or more members may hold shares jointly. The person named first in the Credit Union's register of members will be deemed to be the member to whom the shares were allotted.

Shares in the Credit Union are not transferable. However, a member may nominate a person to receive up to a maximum of \$2,000 of the member's shareholding on that member's death. This nomination must be in writing, signed by the member and sent to the Credit Union's registered office.

The Credit Union does not issue share certificates to members. On request, and not less than every six months during the period of membership, the Credit Union will forward an account statement to each member.

Application for Shares

To apply for shares, prospective members must complete the Credit Union's standard application form. This form is available from any of the Credit Union's offices. On application, the prospective member must provide proof of their identity and pay for their initial share subscription.

The Credit Union will only accept applications from those persons who fall within the Credit Union's common bond. The board of directors of the Credit Union ("Board") reserves the right to decline a prospective member's application without giving any reason.

The application form will also govern subsequent share subscriptions by the member. The minimum amount for subscribing for additional shares varies depending on the type of share account.

Voting Rights

On each matter to be determined by members' votes, each member has only one vote. This is the case regardless of the number of shares held by that member. Where a share is held by two or more members jointly, the first person named on the register of the members of the Credit Union is the member entitled to vote.

Types of Meetings

- **Annual general meeting**

To be held no later than 30 June of each year. At this meeting, members may vote on matters which affect the Credit Union.

- **Special general meeting**

The Chair of the Board must call a special general meeting on application of at least 10 percent of members to consider the business set out by the members in their application. The Board or the trustees may also resolve to call a special general meeting.

- **Meeting called by Prudential Supervisor**

The Prudential Supervisor may call a meeting of members to raise and discuss any issue relating to the administration of the affairs of the Credit Union.

- **Meeting called by Credit Union**

At the request in writing of the Prudential Supervisor or not less than 10 percent of its members, the Credit Union must summon a meeting of its members for the purpose of considering the financial statements of the Credit Union for its last preceding financial

year or giving directions to the Prudential Supervisor in relation to the exercise of its powers.

Members must be given notice of any meeting as prescribed by the Rules, the Trust Deed and the Securities Act (Credit Unions) Exemption Notice 2010.

Cessation of Membership

- **Withdrawal**

A member may withdraw from membership of the Credit Union at any time.

- **Expulsion**

A member may be expelled from membership by a two thirds majority vote of members present at a special general meeting called for that purpose.

- **Non-Qualifying Members**

If a member ceases to fall within the Credit Union's common bond, that member is deemed to be a "non-qualifying member". Subject to the Rules and the Act, a non-qualifying member may purchase shares and receive loans.

However, if the number of non-qualifying members exceeds 10% of the total membership of the Credit Union, the Board shall have the power to terminate the membership of as many non-qualifying members as is necessary, in accordance with the criteria set out in the Act, to reduce the number of non-qualifying members back to 10% of the total members.

All amounts paid on shares, plus any returns owed and less all amounts due from the member to the Credit Union, will be paid to an expelled, withdrawing or non-qualifying member as funds become available.

The restrictions set out in the paragraph headed "Withdrawals" on page 12 will apply to payments made to withdrawing, expelled or non-qualifying members.

Death or Bankruptcy

- **Death**

Where a member who was a sole holder of shares dies, the executors or administrators of the deceased member's estate will (subject to any applicable laws) be the only persons recognised by the Credit Union as having any right to the proceeds of that deceased member's shares.

When a member who was a joint holder of shares dies, the survivor or survivors of the joint shareholding will be the only persons recognised by the Credit Union as having title to the deceased member's interest in the shares.

- **Bankruptcy**

If a member becomes bankrupt, that member's shares will come under the control of the Official Assignee in bankruptcy.

There are restrictions on the amount that a bankrupt member can retain in his or her account and on a bankrupt member's ability to obtain credit.

Amounts representing share entitlements will only be paid out following a member's death or bankruptcy on production of such evidence of death and/or entitlement to share proceeds, as may be required by the Board and under generally applicable laws, after deduction of any amounts due from the member to the Credit Union. The

payment of such proceeds will also be subject to the terms set out in the paragraph headed "Withdrawals" on page 12.

3. Share Accounts

Members' shares must be held in one or more of the share accounts operated by the Credit Union ("share accounts").

Each share account may offer different terms and conditions as to:

- return;
- the minimum number of shares required to be held in that account;
- the term of investment;
- the timing of repayment;
- methods of subscription; and
- withdrawal and the fees and charges payable.

No returns are currently payable on share accounts.

The Board reserves the right (subject to any restriction contained in the Act, Trust Deed, Rules or otherwise at law) to vary the terms and conditions of the share accounts. The maximum level of fees and charges is set out in the Rules. The maximum level may be changed if members vote to approve an amendment to the Rules.

Types of Share Accounts

The Credit Union offers two different types of share accounts, being:

- On Call and Notice of Withdrawal Accounts; and
- Special Share Accounts.

Details of these share accounts, as at the Specified Date, are set out in Schedule Two.

Returns

Returns payable on a share account will be credited to the member's share accounts at such intervals as is provided for in the terms and conditions of that account.

The rate of return is largely dependent on annual surpluses being earned through the profitability of the Credit Union. The amount of any surplus available for distribution to members is subject to the obligation of the Credit Union to maintain a risk-weighted capital ratio of not less than 10% as referred to under the heading "Financial Ratios" on page 16 of this prospectus.

Historically, no returns have been payable on members' share accounts.

Withdrawals

Subject to the provisions of the Act and the Rules, members operate their share accounts in a similar manner to bank accounts. Shares are usually available to be withdrawn at call, however, the Act and the Rules provide that the Credit Union has the right at any time to require a 60-day notice period for withdrawal.

The methods of withdrawal that may be available in respect of each share account, as at the Specified Date, are set out in Schedule Two.

Any withdrawal of shares that would put the member into overdraft will only be permitted at the Credit Union's discretion (e.g. reduce a member's paid-up share holding in the Credit Union to less than the member's total liability (including any contingent liability) to the Credit Union). No withdrawals into overdraft will be permitted for non-qualifying members.

The Credit Union is not legally able to consent to any withdrawals when the Credit Union is unable to meet its debts as they fall due.

Taxation

The Credit Union is legally required to deduct Resident Withholding Tax ("RWT") from any returns paid or credited to any person resident in New Zealand and to account for this deduction to the Inland Revenue Department ("IRD"). For members who supply the Credit Union with their IRD number and nominate a RWT rate, RWT will be deducted at the rate nominated. In the event that an individual member:

- omits to notify the Credit Union of their IRD number, the Credit Union will deduct RWT at 33% or such other amount as required by law; or
- has notified the Credit Union of their IRD number, but omits to nominate the rate they wish RWT to be deducted, RWT will be deducted at 17.5% for existing share accounts or 33% for new share accounts or such other amount as required by law.

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

An investment in shares in the Credit Union may have taxation implications. The effect of taxation will vary according to each member's personal circumstances. Prospective and existing members are encouraged to obtain independent professional advice on their personal tax circumstances. The above liabilities for taxation are as prescribed under current enactments.

4. Loans to Members

The Credit Union makes loans from the share capital of the Credit Union to its members. The availability of loans to members is dependent upon the availability of funds to the Credit Union from its share capital at any particular time. Loans to members are subject to the terms of the Act, the Rules and the Trust Deed.

Loan applications must be made on the form prescribed by the Board from time to time. The member will be required to detail in the application form the purpose of the loan, any security offered and such other information as the Board may require. A loan application form and details on the Credit Union's terms and conditions of lending can be obtained from the Credit Union's office.

The Credit Union's loan policy, as prescribed by the Board, provides for loan applications to be approved or rejected depending upon whether the prescribed criteria for loan approval have been met. There are differing levels of loan approvals, depending on the amount of the loan advance and the level of security provided. All loans made by the Credit Union are supervised by the Trustees (but not directly by the Prudential Supervisor). The Credit Union reserves the right to decline any application for a loan without giving any reason.

The indebtedness of a member to the Credit Union must not exceed 10% of the value of the assets of the Credit Union for secured loans, 5% of the value of the assets of the Credit Union for unsecured loans or such lesser amount as the Board may from time to time determine as set out in the Credit Union's Rules.

The maximum period within which a loan by the Credit Union to a member must be repaid must not exceed ten years for secured loans or five years for unsecured loans as set out in the Credit Union's Rules.

Loans to related parties (directors and staff of the Credit Union and their families) are dealt with on the same terms and conditions as loans to other members, but are subject to additional approvals. Loans to related parties must not exceed a maximum limit ratio of 15% of the Credit Union's capital (see heading Financial Ratios under paragraph 6 below). Generally, loans to directors and their spouses or to the Credit Union manager require the approval of two non-interested trustees and loans to staff and their families must be approved by the Credit Union manager in conjunction with the trustees. The Board is also notified of all such loans.

5. Ranking of Securities

No securities are secured by a mortgage or charge over any of the assets of the Credit Union that rank in point of security ahead of the shares being offered under this prospectus. There is however, the bond more particularly referred to in clause 15 under the heading "Transactional Banking Facilities".

As at 31 March 2013, the aggregate amount of securities, being shares previously issued by the Credit Union to its members, that ranked in point of security equally with the shares being offered under this Prospectus was \$2,967,322.

6. Details of Trust Deed and Other Restrictions on the Credit Union

Trust Deed

The shares offered by this Prospectus are issued in accordance with a trust deed entered into between the Maori Trustee, as the Prudential Supervisor, and the Credit Union dated 10 September 2001, as modified by deeds of amendment of the trust deed dated 19 February 2004, 30 November 2010 and 28 September 2012 ("Trust Deed"). Covenant Trustee Company Limited was appointed as the Prudential Supervisor by a Deed of Retirement and Appointment dated 28 September 2012.

A full copy of the Trust Deed can be obtained from the Credit Union or the Companies Office (refer to the paragraph headed "*Places of Inspection of Documents*" on page 25 for further details). A summary of the main provisions of the Trust Deed, as at the Specified Date, is set out below.

- **Equitable Assignment by Way of Security**

To secure the repayment of moneys owing on members' shares, to the extent permitted by law, the Credit Union has granted the Prudential Supervisor a first ranking equitable assignment by way of security ("Equitable Assignment") over all of the Credit Union's property (including the Credit Union's present and future assets, property, business, undertakings, revenues, rights and unpaid share capital (if any)) ("Property").

The Credit Union may not dispose of any part of the Property, other than in the course of and for the purpose of the Credit Union's normal business, without the prior written consent of the Prudential Supervisor. The Credit Union's right to deal with the Property

in the ordinary course of its business may be revoked upon the occurrence of an Event of Default (as defined in the Trust Deed).

The Credit Union has covenanted not to grant any charges or security interests (other than in favour of the Prudential Supervisor) without the Prudential Supervisor's prior written consent.

- **Security Interest in Personal Property**

The Credit Union has also granted the Prudential Supervisor a security interest over all its present and after-acquired personal property.

- **Financial Ratios**

The Credit Union has covenanted, subject to the terms and conditions contained in the Trust Deed, that:

- > Its capital ratio shall not be less than 10%. The capital ratio is calculated by measuring the Credit Union's capital against specified weightings for credit, market and operational risks that the Credit Union is exposed to in the course of its business, in accordance with the requirements of the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010.
- > Its exposure to related parties will not exceed a maximum limit ratio of 15% of the Credit Union's capital. This ratio is also calculated in accordance with the provisions of the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010. Related parties to the Credit Union include directors, senior management and relatives of directors or senior managers.
- > The total moneys due and payable upon redemption of shares will not be less than 98.5% of its Total Liabilities (as defined in the Trust Deed).
- > At all times ensure that it has cash (as defined in the Trust Deed) of no less than 7% of the Credit Union's total assets.
- > At all times it will ensure that it has sufficient assets to discharge all debts as they fall due.
- > It will manage its liquidity to ensure that, for each of the first 3 months of each monthly liquidity report, the Credit Union's projected liquidity position is positive.

- **Further Covenants**

The Credit Union has also covenanted:

- > To comply with the Act, the Trust Deed and the Rules.
- > To meet all registration, filing and reporting obligations.
- > 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, or to enforce its rights under, the Trust Deed. Examples of such events include any breach of the Rules, the Act, the Trust Deed or of the terms of the offer of shares under this Prospectus.
- > Upon request, to provide the Prudential Supervisor with such information as it may require for the purpose of discharging the Prudential Supervisor's duties, trusts or obligations under the Trust Deed or otherwise by imposed law.

- > To comply with all its obligations, pay its debts in a timely manner and conduct its business in a proper and efficient manner.
- > Not to change the 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 of the Credit Union and their relatives) other than for full market value, on an arms-length basis, in the ordinary course of the Credit Union's business, and only after having given not less than ten business days' notice of its intention to do so to the Prudential Supervisor.

The Credit Union is also required to provide the Prudential Supervisor with:

- > Monthly interim financial statements, half-yearly unaudited and annual audited financial statements prepared in accordance with generally accepted accounting practice;
- > A quarterly certificate confirming, amongst other things, that the Credit Union is complying with the financial ratios, is in compliance with its obligations under the Trust Deed and the Act and there are no matters which have not been disclosed to the Prudential Supervisor which may materially and adversely affect the ability of the Credit Union to perform its obligations under the Trust Deed as those obligations fall due; and
- > Monthly liquidity reports under the Reserve Bank of New Zealand's guidelines in relation to the quantitative liquidity requirements established under section 157Z of the Reserve Bank Act 1989.

- **Prudential Supervisor's Obligations**

The Prudential Supervisor is appointed to act in the interests of the members of the Credit Union by monitoring the Credit Union's compliance with the Rules, the Trust Deed and the Act. The Prudential Supervisor must:

- > exercise reasonable diligence to ascertain whether or not any breach of the terms of the Trust Deed or of the offer of securities has occurred;
- > do all the things that it is empowered to do to cause any breach of those terms to be remedied (except if it is satisfied that the breach will not materially prejudice the security (if any) of the securities or the interests of the holders of securities); and
- > to exercise reasonable diligence to ascertain whether or not the assets of the Credit Union that are or may be available, whether by way of security or otherwise, are sufficient or likely to be sufficient for the Credit Union to meet its obligations to members in accordance with:
 - the Rules; and
 - the terms of the issue of the shares.

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

Prudential Supervisor's Statement

A statement by the Prudential Supervisor that the offer of shares in the Credit Union complies with any relevant provisions of the Trust Deed and that the Prudential Supervisor does not guarantee the repayment of shares in the Credit Union or interest payable on those shares, is set out in Schedule Four.

Other Restrictions on the Credit Union

A number of statutory restrictions are imposed by the Act on the Credit Union. Those principal restrictions not addressed elsewhere in this Prospectus are outlined below:

Borrowing: The Credit Union may only borrow money in accordance with and as authorised by its Rules and Trust Deed.

Land and Buildings: The Credit Union may only hold an interest in land or buildings in accordance with and as authorised by its Rules and Trust Deed. The Rules and Trust Deed have been amended to allow trustees to hold land on behalf of the Credit Union.

Investment: The Credit Union may only invest its surplus funds with the NZACU or a bank or in accordance with and as authorised by its Rules and Trust Deed. As at the Specified Date the Rules and Trust Deed do not allow any other types of investment.

7. Names, Addresses and Other Information

The names and contact details of the Credit Union's directors, trustees, auditor and solicitors are set out in the Directory on page 4.

Directors

The Rules require that the Credit Union have no less than five and no more than nine directors. The directors elect from their number a Chair, Vice-Chair, Secretary and Treasurer.

It is the responsibility of the directors to determine and implement the policies of the Credit Union. The directors are also responsible for the general management of the affairs and records of the Credit Union.

The directors are elected by members at the annual general meeting. The directors serve a term of two years, retire by rotation, and are eligible for re-election. Directors must be members of the Credit Union.

No director of the Credit Union is also an employee of the Credit Union.

Below is a summary of each director's relevant skills, experience and expertise.

Director's Name	Qualifications	Experience
Eric Codlin	Ticketed Electrician	Ex NZ Serviceman 11 Years Owner Operator of own Electrical Business 26 years. Management & Financial Management Credit Union Director for 13 years

Pamela McGreevy	Ex Owner operator of own business, Administration	Financial and business management for 11 years 2 years as Credit Union Director Committee member community Pre School Centre 3 years
Bettina Maxwell	Administration Management Kohanga Reo Certificated	21 years Credit Union Director (Founding Director) Administrator 31 Years Primary School Teacher Aid 4 Years Kohanga Reo Teacher 6 Years
James Mio	Self Employed Dairy Farmer Ex Army Electrical Mechanical Engineer Artisan	21 Years Credit Union Director, (Founding Director) 22 Years Electrical Mechanical Engineer NZ Army (Rank: Staff Sergeant) Dairy Farmer 30 Years
Memory Mio	Social Services Support Worker	Credit Union Director 21 Years (Founding Director) Credit Union Manager 5 Years Iwi Housing Manager 5 Years COGS Chairperson and Funding Committee Member
Tracy Hillier	Financial & Business Management In Social Services	Credit Union Director. Secretary Iwi/Marae Committee Member on Community Funding COGS Treasurer Shining Stars Pre School Centre

Trustees

The Rules require that the Credit Union have three trustees. Trustees are elected by the members from the Board at the annual general meeting. Trustees must be aged 20 or older. The Credit Union's secretary and treasurer cannot be trustees.

Trustees serve a two year term, retire by rotation and are eligible for re-election. No trustee may be elected for a term exceeding their remaining term as director.

All property belonging to the Credit Union is vested in the trustees for the use and benefit of the members.

Executive

Rachell Mio is the Chief Executive Officer of the Credit Union. Rachell was a director of the Credit Union for 5 years and a supervisory committee member for 2 years. She has been the Chief Executive Officer of the Credit Union for 13 years and prior to that was an owner/operator of her own business. Rachell has 'inter alia', a certificate in Senior Governance from Australian Mutual Institute, a Certificate of Competency in Budget Advising from the NZ Federation of Business Advisers and a Level 4 Certificate in Small Business Management from Te Wananga o Aotearoa.

Audit Committee

The Rules require the Credit Union to have an audit committee comprising two or more members appointed by the Board. At least one member of the Audit Committee must be a member of the Board. The audit committee monitors the trustees' and directors' compliance with the Act, the Rules and all other applicable operating procedures and legislation.

Auditor

The Credit Union has BDO Waikato as its auditor. BDO Waikato's report, together with its consent to the report appearing in this Prospectus, is attached as Schedule Three.

As at the Specified Date, BDO Waikato is registered under the Auditor Regulation Act 2011 and there are no restrictions or limitations associated with its registration.

Solicitors

The Credit Union's solicitors involved in the preparation of this Prospectus are Anthony Harper.

Restrictions on directors' powers

The directors of the Credit Union have specific duties and obligations placed upon them by the Credit Union's rules, which are registered pursuant to the Act. These duties and obligations place certain restrictions on the directors' powers (see rule 30). The principal restriction imposed on the Directors is to comply with all relevant provisions of the Act. A copy of the Rules can be obtained directly from the Credit Union or from the Companies Office (as set out in section 17 of this Prospectus).

8. Other Terms of Offer and Securities

Risks

Risk is an integral part of investing. No undertaking is made to Members or prospective members about returns on their shares. If the risk factors set out below materially and adversely affect the Credit Union it is possible that members may lose some or all of the

money they invested, they may not receive returns on their shares or the share value may fall.

- **Credit Risk**

Credit risk is the risk of members not repaying their loans or making interest payments on the due date. The Credit Union has a credit policy which is used to manage its exposure to credit risk. As part of this policy, credit evaluations are made on members who wish to borrow money and limits on exposures are set. Lending is subject to defined criteria and is monitored and controlled by prudent credit measures.

The Credit Union takes security over assets to secure some of the loans it makes. Board policy, as at the date of this prospectus, is that unsecured loans are limited to a maximum of \$500 per member and secured loans are limited to a maximum of \$400,000. A maximum of \$3,000 is accepted in the form of household chattels and a maximum of 85% of the value of motor vehicles (valued by a registered dealer). Value of security property is determined at the date of loan approval and that value may subsequently decline. 100% security is accepted by way of member's shares and loans secured by mortgages over real estate are also offered.

Approximately 60.07% of the total amount that the Credit Union has advanced by way of loans is secured by members' shares. Approximately 21.13% of the total amount that the Credit Union has advanced by way of loans is secured by charges over personal property with the remaining lending being secured by first mortgages over land (approximately 14.42%) and motor vehicles (approximately 4.38%) If a member fails to repay a loan on the due date and the value of the secured asset is insufficient to cover the outstanding payments, or if the loan is unsecured, the Credit Union may make a loss on that loan. This may adversely affect the Credit Union's profitability and the value of members' shares. This could mean that members' may not recover the full value of their investment, or that the Credit Union may need to invoke the 60 day notice period referred to on page 12.

- **Liquidity Risk**

Liquidity risk is the risk of the Credit Union not having sufficient cash to meet obligations to members. This risk requires the Credit Union to manage the maturity of loans and balance this with the repayment of members' shares.

In this context, there is, in particular, a mismatch between monetary assets receivable (for the periods between one to three months and three to six months following the balance date) and monetary liabilities payable over the same periods.

The Credit Union aims to manage this liquidity risk by:

- Regularly monitoring forecasts and actual daily cashflows;
- Reviewing the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities The Credit Union's policy is to maintain a least 7% of total assets as liquid assets capable of being converted to cash within 90 days. This ratio is checked monthly. Should the liquidity ratio fall below this level, then management and the Board are to address the matter with the object of ensuring that the liquid funds are obtained from new deposits.

The Credit Union also has a number of available options designed to manage liquidity risk. These include a reduction in lending, invoking the 60 day notice period of

withdrawal option on call shares and using the standby facility the Credit Union has with the NZACU.

- **Size of Credit Union**

With total assets of \$3,537,218.00 as at 31 March 2013, the Credit Union is a relatively small financial co-operative. As a consequence, the Credit Union is potentially more exposed than larger financial organisations to volatility in the economy and general market risk (see paragraph on general market risk below) and borrower default. Additionally, its small size means that its regulatory and compliance costs are a greater proportion of the Credit Union's expenses, than would be the case with larger institutions.

- **Regional Risk**

Members are concentrated in the Bay of Plenty/East Coast region of New Zealand which means the Credit Union is particularly susceptible to an external event within that region or a significant natural disaster impacting on members' ability to repay advances made. Members of the Credit Union are also generally in lower socio-economic groups and may have limited capacity to repay loan advances made, or may be reliant in part on the seasonal nature of some work within the Bay of Plenty/East Coast region.

- **Succession Planning and Key Person Risk**

The Credit Union is operated by a small staff and has historically experienced some difficulty in locating persons to fill key positions. If a key person left the Credit Union and if a successor cannot easily be found, this could have a significant impact on the Credit Union's ability to operate.

- **Members' Returns**

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

- **General Market Risk**

The Credit Union is likely to be affected by the state of the New Zealand and international economies. The current economic slowdown and global recession will likely have a negative impact on potential and existing members' saving and borrowing habits, which may have a consequential flow-on effect on the growth and profitability of the Credit Union.

In particular, if a high number of members become unemployed, or otherwise unable to meet their loan repayment obligations, this may affect the profitability and solvency of the Credit Union.

- **Competition**

The Act restricts the class of persons to whom the Credit Union may offer shares, to those who fall within the Credit Union's common bond (as set out in the paragraph headed "The Offer" on page 8).

As the Credit Union is competing with banks and other financial institutions operating in the national savings and loans market, restrictions on membership may affect the Credit Union's profitability and the returns payable to members.

- **Regulatory Risk**

Compliance risk is the risk of legislative or regulatory changes impacting on the Credit Union. If the Credit Union had to make changes to comply with new legislation this would be likely to increase the Credit Union's compliance costs, which could affect the Credit Union's profitability and the returns payable to members. In particular, the Credit Union has been impacted upon by the costs of complying with the Financial Advisers Act 2008 and the Financial Service Providers (Registration and Dispute Resolution) Act 2008.

The Credit Union has been impacted by the cost of complying with the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 which has required the implementation of a compliance programme and a more rigorous customer due diligence process.

In addition, the Financial Markets Conduct Bill, when passed into law (this is expected to occur in early 2014), will create significant compliance costs for the Credit Union.

- **Insolvency**

The Credit Union must remain solvent, meaning that its assets must exceed its liabilities and it must be able to meet its debts as they fall due.

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

If the Credit Union becomes insolvent:

- > Members will not be required to pay any additional money, other than that already owing to the Credit Union;
- > The Credit Union is legally obliged to reject all requests for withdrawals from members' share accounts, and would not be entitled to make any further loans;
- > All members' claims will rank equally (including those who invest under a later prospectus); and
- > Some specific claims will rank ahead of member's claims, for example, employees' unpaid wages insolvency costs and Prudential Supervisor's fees.

- **Government Policy Risk**

Policies and decisions of the Government and other local or national regulatory bodies may also impact on the Credit Union's potential and existing membership or saving and borrowing habits with a consequential flow-on-effect on the growth and profitability of the Credit Union.

- **Winding Up**

On a dissolution or winding up of the Credit Union, members will receive no more than \$1.00 per share plus any returns owed. Members do not share in any surplus arising from the sale of the Credit Union's assets. Such surplus will be applied in accordance with the Rules and paid to either the NZACU or, subject to members' votes, be applied to charitable purposes.

Surety and Insurance

The Act requires that the Credit Union be insured against fraud or dishonesty and that the officers of the Credit Union give security for the proper performance of their duties. Both of these matters are covered by the Credit Union's insurance policy with Vero Insurance Liability Limited.

Other Terms

All the terms of the offer of shares in the Credit Union are set out in this Prospectus, other than those terms implied by law or set out in a document that is referred to in this Prospectus, registered with a public official and available for public inspection.

9. Guarantors

No person guarantees the repayment of the value of the shares, or the payment of any returns payable on shares held in the Credit Union.

10. Material Contracts

The following material contracts were entered into by the Credit Union in the period from the two years preceding the Specified Date:

Deed of Amendment

A Deed of Amendment to the Trust Deed was entered into 28 September 2012 between the trustees of the Credit Union and the Prudential Supervisor in order to amend the Trust Deed to include matters required by:

- The Securities Amendment Regulations (No 2) 2011;
- The Friendly Societies and Credit Unions Amendment Act 2012; and

to comply fully with the Reserve Bank of New Zealand's non-binding guidelines in relation to the quantitative liquidity requirements established under section 157Z of the Reserve Bank Act 1989 by the Deposit Takers (Liquidity Requirements) Regulations 2010.

Deed of Retirement and Appointment of Trustee

A Deed of Retirement and Appointment of Trustee was entered into 28 September 2012 between the trustees of the Credit Union, the Prudential Supervisor and the Maori Trustee, discharging the Maori Trustee from its obligations under the Trust Deed and appointing the Prudential Supervisor in place of the Maori Trustee to act under the Trust Deed.

11. Pending Proceedings

As at the Specified Date, there are no pending legal proceedings or arbitrations that may have a material adverse effect on the Credit Union.

12. Acquisition of Business or Subsidiary

The Credit Union has not acquired a business, and no entity has become a subsidiary of the Credit Union, during the two years preceding the Specified Date.

13. Summary Financial Statements

A summary of the financial statements of the Credit Union in respect of the five consecutive accounting years ended 31 March 2013, being the date of the last audited financial statements of the Credit Union, are set out in Schedule One.

14. Financial Statements

The most recent audited financial statements of the Credit Union are for the financial year ended 31 March 2013. The audited financial statements were registered under and comply with the Financial Reporting Act 1993 on 1 July 2013.

15. Other Material Matters

Breach of Act and Trust Deed

The Friendly Societies and Credit Unions Amendment Act 2012 ("Amendment Act") came into force on 31 August 2012.

Prior to the implementation of the Amendment Act the Credit Union owned land which it held for limited purposes as allowed under the Act at the time. The effect of the Amendment Act was that the Credit Union's ownership of land was in breach of the Act and Trust Deed as any land ownership must be specifically approved by the Rules and Trust Deed.

For the period from 31 August 2012 to 28 September 2012 the Credit Union was in breach of the Act. On 18 September 2012, the Prudential Supervisor consented, pursuant to clause 15.1(n) of the Trust Deed, to the Credit Union continuing to offer and issue shares while in breach of the provisions of the Trust Deed.

A Deed of Amendment to the Trust Deed was entered into 28 September 2012 between the trustees of the Credit Union and the Prudential Supervisor in order to amend the Trust Deed to include, among other things, authorisation for the Credit Union to hold land (see Deed of Amendment under Material Contracts above). The Rules were also amended on 18 October 2012 to allow the Credit Union to hold land.

Income Deficit for the 2012/2013 Year

The financial statements for the year ended 31 March 2013 show a \$69,721.00 deficit in total comprehensive income. This follows a deficit in total comprehensive income of \$15,948.00 for the year ending 31 March 2012.

These deficits have corresponded to a reduction in the Credit Union's total revenue.

The Credit Union considers that the deficit will not have any impact on Members provided that it does not continue. The Credit Union took steps to increase revenue by increasing its loan portfolio in the 2012/2013 financial year. The Credit Union will take steps to continue to increase its loan portfolio in the 2013/2014 financial year.

Credit Rating Exemption

Under the Reserve Bank of New Zealand Act 1989, every deposit taker, including credit unions, is required to have a current rating of its creditworthiness given by an approved rating agency (unless otherwise exempted).

The Credit Union is not required to obtain a credit rating as it operates under the exemption contained in the Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2009. **The creditworthiness of the Credit Union is therefore not rated by an approved rating agency under the Reserve Bank Act.** The Exemption Notice applies to the Credit Union because it has liabilities of less than \$20 million and it would be unduly onerous and burdensome for the Credit Union to comply with the requirements under the Reserve Bank of New Zealand Act 1989 to have a credit rating.

The exemption is conditional on the Credit Union providing to the Reserve Bank, annually prior to March in each year, a statement from the directors of the Credit Union that the Credit Union meets the requirements of the exemption and that the Credit Union will be operating on the basis of the exemption for that forthcoming year. Figures supporting the directors' statement must be attached to the statement.

Transactional Banking Facilities

In February 2013 the Credit Union entered into various documents which allow the Credit Union to use the MasterCard brand and offer MasterCard services to its members. The terms of the right to use such facilities were negotiated by the NZACU on behalf of the Credit Union. Under the documents the Credit Union has agreed to indemnify Westpac against any losses caused by the Credit Union to Westpac in connection with the Credit Union's use of the transactional banking facilities. The Credit Union has a bond with the NZACU in connection with the facilities. The bond amount fluctuates, but will rank ahead of members' deposits.

Not a Registered Bank

The Credit Union is not a registered bank in terms of the Reserve Bank Act.

Dispute Resolution

As a financial service provider registered under the Financial Service Providers (Registration and Dispute Resolution) Act 2008, the Credit Union is a member of an approved dispute resolution scheme. The scheme is operated by Financial Services Complaints Limited ("FSCL").

FSCL's contact details are:

Financial Services Complaints Limited
PO Box 5967 Lambton Quay Wellington 6145
Telephone: 0800 347257 or (04) 472FSCL (472 3725)
Fax: (04) 472 3727
Website: www.fscl.org.nz
Email: info@fscl.org.nz.

No Other Material Matters

Other than those set out in this Prospectus, there are no material matters relating to the offer of shares under this Prospectus.

16. Places of Inspection of Documents

Copies of the Rules, this Prospectus, the Trust Deed, the Material Contracts and the Credit Union's audited financial statements are included in the public file relating to the registration of the Credit Union, which can be viewed online on the Companies Office website www.business.govt.nz/companies under "Search Other Registers".

Copies of these documents, along with the register of the members of the Credit Union, are also available for inspection or copying, free of charge, at the Credit Union's registered office during office hours.

17. Directors' Statement

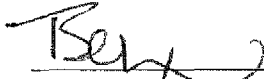
In the opinion of the directors, after due enquiry by them, none of the following has materially and adversely changed during the period between the balance date of the latest financial statements referred to in this Prospectus, being 31 March 2013, and the Specified Date:

- The trading or profitability of the Credit Union;
- The value of the Credit Union's assets; or
- The ability of the Credit Union to pay its liabilities due within the next twelve months.

THIS PROSPECTUS has been duly signed by each of the directors of AWHI Credit Union or by their agent authorised in writing.



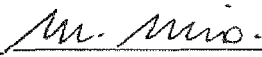
Eric Codlin



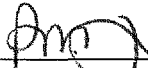
Bettina Maxwell



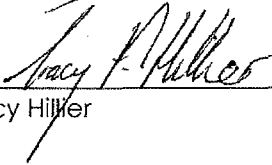
James Mio



Memory Mio



Pamela McGreevy



Tracy Hillier

**Index of Matters Required to be Disclosed by
Schedule 2 of the Securities Regulations 2009**

Clause		Page
1 -	Main Terms of Offer	8
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3 -	Details of Registration of Issuer	8
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5 -	Names, Addresses and Other Information	8 & 17
6 -	Restrictions on Directors' Powers	N/A
7 -	Description of the Activities of the Borrowing Group*	9
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* The "Borrowing Group" comprises only the Credit Union

Schedule One

Summary Financial Statements

AWHI Credit Union

Statement of Financial Position as at 31 March (in \$)

	2013 (NZ IFRS)	2012 (NZ IFRS)	2011 (NZ IFRS)	2010 (NZ IFRS)	2009 (NZ IFRS)
Members Funds	526,525	596,246	612,194	570,500	554,819
Represented by:					
Assets					
Cash	114,084	116,991	147,790	254,460	105,237
Bank deposits and cash equivalents	166,231	420,435	378,009	159,143	159,108
Trade and other receivables	35,449	11,966	32,204	25,715	59,319
Loans to members	2,471,154	2,237,428	2,448,256	2,686,139	2,685,843
Plant & equipment	685,485	697,710	671,823	587,508	602,526
Capital notes	64,815	64,815	64,815	64,815	64,815
Total assets	3,537,218	3,549,345	3,742,897	3,777,780	3,676,848
Liabilities					
Trade and other payables	43,371	18,873	31,445	42,923	43,261
Members' deposits	2,967,322	2,934,226	3,099,258	3,164,357	3,078,768
Total liabilities	3,010,693	2,953,099	3,130,703	3,207,280	3,122,029
Net assets	526,525	596,246	612,194	570,500	554,819

Statement of Comprehensive Income for the year ended 31 March (in \$)

	2013 (NZIFRS)	2012 (NZ IFRS)	2011 (NZ IFRS)	(RESTATED) 2010 (NZ IFRS)	(ORIGINAL) 2010 (NZ IFRS)	2009 (NZ IFRS)
Interest revenue	351,124	380,547	409,615	398,456	398,456	380,643
Other revenue	486,446	562,949	519,791	557,405	480,358	483,671
Total Revenue	837,570	943,496	929,406	955,861	878,814	864,314
Interest expenditure	49	84	84	103	103	74
Administrative expenses	907,242	959,360	887,628	844,628	863,030	868,373
Total Expenditure	907,291	959,444	887,712	844,731	863,133	868,447
Profit for the year attributable to members	(69,721)	(15,948)	41,694	111,130	15,681	(4,133)
Other comprehensive income		-	-		-	-
Total comprehensive income for the year attributable to members	(69,721)	(15,948)	41,694	111,130	15,681	(4,133)

** These figures include interest and bank charges*

Statement of Cash Flows for the year ended 31 March (in \$)

	2013 (NZIFRS)	2012 (NZ IFRS)	2011 (NZ IFRS)	2010 (NZ IFRS)	2009 (NZ IFRS)
Net cash flows provided from operating activities	2,420	35,286	93,356	102,831	13,977
Net cash (used in)/provided from investing activities	(44,405)	99,786	(135,059)	(33,355)	(232,365)
Net cash (used in)/provided from financing activities	39,078	(165,871)	(64,967)	79,747	191,973
Total net increase (decrease) in cash held	(2,907)	(30,799)	(106,670)	149,223	(26,415)
Cash at beginning of the financial period	116,991	147,790	254,460	105,237	131,652
Cash at the end of the financial period	114,084	116,991	147,790	254,460	105,237

Statement of Changes in Equity for the year ended 31 March (in \$)

	2013 (NZIFRS)	2012 (NZ IFRS)	2011 (NZ IFRS)	2010 (NZ IFRS)	2009 (NZ IFRS)
Retained earnings					
Balance at start of year	397,266	413,214	371,520	260,390	264,523
Restatement of reserve	-	-	-	95,449	-
Total comprehensive income for the year	(69,721)	(15,948)	41,694	15,681	(4,133)
Balance at end of year	327,545	397,266	413,214	371,520	260,390
General Reserves					
Balance at start of year	198,980	198,980	198,980	294,429	294,429
Restatement of asset revaluation reserve	-	-	-	(95,449)	-
Balance at end of year	198,980	198,980	198,980	198,980	294,429
Total Reserves					
Balance at start of year	596,246	612,194	570,500	554,819	558,952
Transfers from general reserves	-	-	-	-	-
Total comprehensive income for the year	(69,721)	(15,948)	41,694	15,681	(4,133)
Balance at end of year	526,525	596,246	612,194	570,500	554,819

See Note 12 below

Notes to Summary Financial Statements

1. This Summary Financial Statements was authorised for issue, by the Board, as at the Specified Date.
2. The specific disclosures included in this Summary Financial Statements have been extracted from the full financial statements for each relevant period.
3. The full financial statements for each relevant period have been audited and each auditor's report is unqualified.
4. The full financial statements have been authorised for issue as follows:
 - a. for the year ended 31 March 2013 on 25 June 2013.
 - b. for the year ended 31 March 2012 on 2 July 2012.
 - c. for the year ended 31 March 2011 on 20 June 2011.

- d. for the year ended 31 March 2010 on 22 June 2010.
- e. for the year ended 31 March 2009 on 18 June 2009.
- 5. The full financial statements have been prepared in accordance with NZ GAAP ("Generally Accepted Accounting Practice").
- 6. The Credit Union is a public-benefit entity.
- 7. The full financial statements for the year ended 31 March 2011, 31 March 2010 and 31 March 2009 state that the financial statements comply with both IFRS ("International Financial Reporting Standards") and NZ IFRS ("New Zealand equivalent of International Financial Reporting Standards") and other applicable Financial Reporting Standards, as appropriate for public-benefit entities. The full financial statements for the year ended 31 March 2013 and 31 March 2012 state that the financial statements comply with NZ IFRS ("New Zealand equivalent of International Financial Reporting Standards") and other applicable Financial Reporting Standards, as appropriate for public-benefit entities.
- 8. The presentation currency is \$NZ.
- 9. The Summary Financial Statements cannot be expected to provide as complete an understanding as provided by the full financial statements.
- 10. Please refer to the paragraph headed "*Places of Inspection of Documents*" on page 25 above for details on how to obtain a copy of the full financial statements.
- 11. This Summary Financial Statements has been prepared in accordance with *FRS-43 Summary Financial Statements*.
- 12. The full financial statements for the year ended 31 March 2011 identify that the full financial statements for the year ended 31 March 2010 contained a material error in that the revaluation reserve of \$95,489 was not reversed on the sale of the Credit Union's previous Opotiki property. The comparative information for the year ended 13 March 2010 has been restated in the full financial statements for the year ended 31 March 2011 to correct this. The above error and subsequent restatement has affected the start of year balances in the balance sheet and statement of change in equity in the above Summary Financial Statement for the year ended 31 March 2011.
- 13. There are no abnormal items that derive from the ordinary activities of the Credit Union.
- 14. There are no extraordinary items that derive from events outside the ordinary activities of the Credit Union
- 15. No amounts have been provided for or credited by way of taxation as the Credit Union income is exempt under Section CW 44 of the Income Tax Act 2007.
- 16. There are no contingent liabilities.

Schedule Two

Share Accounts

The terms and conditions of each share account are as set out on application and as generally described in this Prospectus. The rate of return for each share account will be that rate set by the Credit Union from time to time. No returns are currently payable for any of these share accounts.

The Board reserves the right (subject to any restriction contained in the Act, the Trust Deed, the Rules or otherwise at law) to vary the rate of return, the terms and conditions of each account, or the timing of repayments. Notice of any such change will be provided to members.

Methods of withdrawal from these share accounts include: counter withdrawal, debit card, direct credit to nominated account, or as otherwise advised by the Credit Union.

The types and amounts of fees and charges payable at the Specified Date are as follows:

Entrance Fee	\$10.00	per member
Account Handling Fee	\$2.50	per week (Ready Access Accounts only)
Electronic Transfer Fee	\$0.35	per transaction
Accesscard Charge	\$10.00	per card
Accesscard ATM Transaction	\$2.00	per transaction
Accesscard ETFFPOS Transaction	\$0.50	per transaction
Automatic Payment Alterations	\$0.50	per transaction
Counter Cheque Fee	\$1.50	per transaction (cheques payable to cash only)

Details of the current fees and charges for each share account are available from the Credit Union (refer to the Directory on page 4 for contact details).

On Call and Notice of Withdrawal Accounts

- **Ready Access Account**

This is the primary account and all members (with the exception of those who join as a Junior Saver or who operate a Senior Citizens or Teens Account) must operate a Ready Access Account. All shares must be deposited, expended or transferred to a member's other accounts from this account.

- **Money Management Account**

This is a secondary cash account where additional funds can be held.

- **Senior Citizens' Account**

This account is the equivalent of the Ready Access Account for members aged 60 and over.

- **Teens' Account**

This account is the equivalent of the Ready Access Account for members aged 14 to 17.

- **Target Account**

This is a committed savings account designed to help members reach a goal. Members set their own targets and the Credit Union aims to help them achieve it.

- **Accesscard Collateral Account**

This is a compulsory savings account for members who the Credit Union deems to be at risk of having a negative balance of shares in their Ready Access Account. If a member has a negative balance of shares in their Ready Access Account, shares from the Collateral Account will be transferred in to the member's Ready Access Account. Shares held in the Collateral Account can only be used to for this purpose.

- **Putea Account (Trust Account)**

This is a committed savings account for beneficiaries. The shares held in this account are utilised as collateral for the purposes of loans advanced.

There is no minimum deposit for the Ready Access, Money Management and Senior Citizens' accounts and \$1.00 for the Target Account, Accesscard Collateral Account and Putea Account (Trust Account).

Unless otherwise stated above, shares are usually available to be withdrawn at call, however, under the Act, the Credit Union has the right at any time to require a 60-day notice period for withdrawal.

Special Share Accounts

- **Christmas Club Account**

This account is designed to help members save their money specifically for Christmas and New Years shopping. Shares are able to be withdrawn from this account from November in each year, on the date advised by the Credit Union.

- **Junior Savers' Account**

This account is specifically for young children (up to 13 years of age) and no fees are charged against this account. Shares are able to be withdrawn once the member reaches the age of 13.

- **Loan Provider Savings Account**

Shares held in this account are utilised as collateral for the purposes of loans advanced to members.

- **Funeral Savings Account**

This account allows members to save for their funeral expenses or the funeral expenses of their spouse or dependent children. There are no weekly fees. Funds are released on proof of death.

The minimum deposit for all special share accounts is \$1.00.

Schedule Three

Auditors' Report



Tel: +64 7 839 2106
Fax: +64 7 839 0509
waikato@bdo.co.nz
www.bdo.co.nz

BDO WAIKATO
1026 Victoria Street
PO Box 187, Waikato Mail Centre
Hamilton 3240, New Zealand

Reference: AWCR/MAM

20 September 2013

The Directors
AWHI Credit Union
PO Box 554
OPOTIKI 3162

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 for the year ended 31 March 2013. 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 March 2013, pursuant to clauses 16 and 17 of Schedule 2 of the Securities Regulations 2009. 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 March 2013 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 2009.

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.

PARTNERS: Bernard Larnusse Glen Martyn Steven Stark

BDO New Zealand Ltd, a New Zealand limited liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO New Zealand is a national association of independent member firms which operate as separate legal entities.



BDO WAIKATO

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.

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 pursuant to Clauses 16 and 17 of Schedule 2 of the Securities Regulation 2009, and that are required to be audited have been prepared, and:
 - i. comply with Generally Accepted Accounting Practice; and
 - ii. give a true and fair view of the state of affairs of the Credit Union as at 31 March 2013 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 25 June 2013 and our unqualified opinion was expressed as at that date.

Historical Summary of Financial Statements & Ranking of Securities

In respect of the amounts and information stated pursuant to clauses 8 (1) and (2) and clauses 9 (2) and (3) of Schedule 2 of the Securities Regulations 2009 as set out in the Summary of Financial Statements in the First Schedule of the Credit Union's Prospectus; and clause 13 of Schedule 2 of the Securities Regulations 2009 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 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.



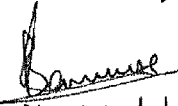
BDO WAIKATO

Auditor's Consent

In terms of regulation 18 (1)(c)(ii) of the Securities Regulations 2009, we hereby give consent to the inclusion of this report in the Credit Union's Prospectus dated 20 September 2013.

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


BDO Waikato
BDO WAIKATO

Schedule Four

Prudential Supervisor's Statement



Covenant Trustee Company

20 September 2013

The Directors
AWHI Credit Union
107 Church St
Opotiki 3122

Dear Directors

TRUST DEED DATED 10 SEPTEMBER 2001 AS AMENDED

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

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

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

The Trustees statement does not refer to any financial information, or to any other material in this Prospectus which does not relate to the Trust Deed.

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

The inclusion of this Trustee's statement in the Prospectus should not be taken to imply that the Trustee has responsibility for the material in this Prospectus other than the Trustee's statement.

The Trustee does not guarantee or provide any assurances as to the repayment of the Securities offered or the payment of interest thereon.

Signed for and on behalf of the Trustee

Richard Spong
Senior Client Relationship Manager
Covenant Trustee Company Limited

Schedule Five
Financial Statements

AWHI CREDIT UNION

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

AWHI CREDIT UNION

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Statement of Changes in Equity Page 2

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AWHI CREDIT UNION

DIRECTORY

AS AT 31 MARCH 2013

			<u>Last Appointed</u>	<u>Resigned</u>
Board of Directors	Memory Mio	Chairperson	25/06/07	
	Eric Codlin	Treasurer	28/06/09	
		Deputy Chairman	28/06/09	
	Pamela McGreevy Houia	Secretary	7/03/12	
	Bettina Maxwell		28/06/09	
	James Mio		24/06/07	
	Tracy Hillier		12/08/12	
Trustees	Memory Mio		25/06/07	
	Bettina Maxwell		1/10/08	
	James Mio		21/07/10	
Accountant	Glenn Sullivan Chartered Accountant Ltd			
Auditors	BDO Waikato			
Bankers	ANZ National Bank Ltd			
	BNZ Ltd			
	Westpac New Zealand Ltd			
Prudential Supervisor	Covenant Trustee Company Ltd			
Solicitors	McKechnie, Quirke & Lewis (for general legal issues)			
	Burke Melrose (for the Prospectus)			
Affiliations	New Zealand Association of Credit Unions			
	Credit Union Institute of New Zealand			

AWHI CREDIT UNION

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013

	Note	31-Mar-13	31-Mar-12
		\$	\$
Interest revenue	2	351,124	380,547
Other income	2	486,446	562,949
TOTAL INCOME		837,570	943,496
EXPENDITURE			
Interest expenditure	2	49	84
Loan impairment expenses	2	6,795	(16,173)
Employee benefits	2	411,463	448,257
Occupancy		34,458	38,836
Depreciation	2	51,748	63,883
Other expenditure	2	402,778	424,557
TOTAL EXPENDITURE		907,291	959,444
Loss for the period attributable to members		(69,721)	(15,948)
Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS		(69,721)	(15,948)

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

AWHI CREDIT UNION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2013

	Note	Retained Earnings \$	General Reserves \$	Total Reserves \$
Balance at 1 April 2011		413,214	198,980	612,194
Loss for the period		(15,948)	-	(15,948)
Total comprehensive income for the period		<u>(15,948)</u>	<u>-</u>	<u>(15,948)</u>
Balance at 1 April 2012	4	397,266	198,980	596,246
Loss for the period		(69,721)	-	(69,721)
Total comprehensive income for the period		<u>(69,721)</u>	<u>-</u>	<u>(69,721)</u>
Balance at 31 March 2013	4	<u>327,545</u>	<u>198,980</u>	<u>526,525</u>

AWHI CREDIT UNION

BALANCE SHEET AS AT 31 MARCH 2013

	Note	31-Mar-13	31-Mar-12
		\$	\$
MEMBERS' FUNDS			
Retained earnings	4	327,545	397,266
General reserves	4	198,980	198,980
TOTAL MEMBERS FUNDS		526,525	596,246
ASSETS			
Cash	5	114,084	116,991
Deposits with NZACU & other cash equivalents	5	166,231	420,435
Trade and other receivables	6	35,449	11,966
Loans to members	7, 8	2,471,154	2,237,428
Property, plant & equipment	9	685,485	697,710
Capital Notes	10	64,815	64,815
TOTAL ASSETS		3,537,218	3,549,345
LIABILITIES			
Trade and other payables	11	43,371	18,873
Members' deposits	12	2,967,322	2,934,226
TOTAL LIABILITIES		3,010,693	2,953,099
NET ASSETS		526,525	596,246

These Financial Statements are authorised for issue by:

Eric Collins
Director

25-06-13
Date

Betha Maxwell
Director

25-06-2013
Date

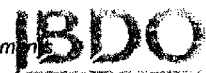
The attached notes to the financial statements form part of and should be read with the financial statements.

AWHI CREDIT UNION

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	Note	31-Mar-13 \$	31-Mar-12 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		341,896	367,126
Interest on Investments		9,228	11,696
Fees and commissions received		448,433	523,857
Bad loans recovered		6,030	2,200
Wage Subsidies		5,070	10,000
Other income		20,572	13,790
Interest paid		(49)	(83)
Payments to suppliers and employers		(828,760)	(893,300)
Net cash provided by operating activities	22	<u>2,420</u>	<u>35,286</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (Increase)/Decrease in members loans		(240,438)	227,579
Proceeds from sale of property, plant and equipment		100	8,823
Short term investments matured		262,431	-
Purchase of property, plant and equipment		(58,271)	(94,190)
Short term investments made		(8,227)	(42,426)
Net cash (used in)/provided by investing activities		<u>(44,405)</u>	<u>99,786</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase/(decrease) in members shares		<u>39,078</u>	<u>(165,871)</u>
Net cash provided by/(used in) financing activities		<u>39,078</u>	<u>(165,871)</u>
Total net decrease in cash and cash equivalents held		(2,907)	(30,799)
Cash at the beginning of the period		<u>116,991</u>	<u>147,790</u>
Cash and cash equivalents at the end of the period	5	<u><u>114,084</u></u>	<u><u>116,991</u></u>

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



AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Reporting Entity

The Credit Union is registered under the Friendly Societies and Credit Unions Act 1982. The Credit Union is an issuer for the purposes of the Financial Reporting Act 1993.

Nature of Business

The purpose of a Credit Union is to promote savings among its members and to use those savings for their mutual benefit. The Credit Union is restricted in its borrowings and members contribute to the Credit Union by way of share subscriptions. The shares cannot be transferred or sold. Members are able to withdraw their funds subject to certain conditions. The Credit Union makes loans to members or invests funds on the members' behalf. Interest and other income are received by the Credit Union. Currently no interest is paid to depositing members in the form of interest on shares. The Credit Union operates predominantly in one industry, being the investment of members' funds. All operations are based in New Zealand.

Trust Deed

To meet the requirements of The Securities Act 1978 a Trust Deed was entered into on the 10 September 2001 between the Trustees of the Credit Union and the Office of the Maori Trustee. A Deed of retirement and appointment of trustee was entered into on the 28 September 2012 between the trustees of the Credit Union, the Maori Trustee and Covenant Trustee Company Limited discharging the Maori Trustee from its obligations under the Trust Deed and appointing Covenant Trustee Company Limited in place of the Maori Trustee as the Prudential Supervisor under the Trust Deed. The Prudential Supervisor is appointed to act in the interests of the members of the Credit Union by monitoring the compliance by the Credit Union of its obligations, its Rules, the Trust Deed and the Friendly Societies and Credit Unions Act 1982. In addition, the Prudential Supervisor is under duty to exercise reasonable diligence to ascertain whether the Credit Union has:

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

1 SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by the Credit Union in the preparation of these audited financial statements. Except where stated, the accounting policies have been consistently applied.

(a) Measurement Base

The audited financial statements for the year ended 31 March 2013 are general purpose financial statements which have been prepared in accordance with the Financial Reporting Act 1993, the Friendly Societies and Credit Unions Act 1982 and the Securities Regulations 2009.

These financial statements were authorised for issue by the Directors on the date set out in the Balance Sheet.

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

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

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

The presentational and functional currency is New Zealand dollars, rounded to the nearest dollar.

(a) Revenue

Loans Interest Revenue

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the members loan account on the repayment date. Loan interest is recognised in profit or loss using the effective interest rate method.



AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Investment Interest Revenue

Investment interest revenue is recognised on an effective interest rate basis taking into account period that it relates to. Dividends are recognised upon notification of an entitlement to the dividend.

Fees, Commissions and Other Cost Recoveries Revenue

Fees, commissions and other cost recoveries are brought to account on an accrual basis once a right to receive consideration has been attained.

(c) Goods & Services Tax

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

(d) Income Tax

No amounts have been provided for Income Tax as the Credit Union's income from members is exempt under section CW 44 of the Income Tax Act 2007. Income derived other than from members does not produce a taxable profit.

(e) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and are amortised on a straight-line basis over the life of the lease.

(f) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Historical cost includes expenditure directly attributable to the acquisition of the asset and are recognised only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably. Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably. All other repairs & maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

All assets are depreciated over their estimated useful lives from the time the asset is ready for use. Depreciation is charged to profit or loss.

The following rates have been used:

Buildings	2% DV
Motor Vehicles	20% DV
Computer Equipment	33% DV
Furniture and Fittings	10 - 20% DV

The residual value, depreciation methods and useful lives are reviewed, and adjusted if appropriate, annually.

(g) Impairment Testing of Non-Financial Assets

The carrying amounts of the Credit Unions non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash flows from continuing use that are largely independent of the cash flows of assets or groups of assets ("the cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

IBDO

AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(h) Employee Benefits

Accruals are made for the liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled on an undiscounted basis and are expensed as the service is provided by the employee. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made if material.

(i) Financial Instruments Recognition

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

A financial asset and a financial liability are offset only when the credit union has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Financial instruments are initially measured at fair value plus, for financial instruments not at fair value through profit or loss, directly attributable transactions costs. Subsequent to initial recognition these instruments are measured as set out below;

Cash or cash equivalents

Cash and cash equivalent comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Credit Union's cash management are included as a component of cash and cash equivalents for the purposes of the cash flow statement.

Deposits at the New Zealand Association of Credit Unions and other banks

These are classified as loans and receivable financial assets. Deposits at the New Zealand Association of Credit Unions and other banks are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other Receivables

These are classified as loans and receivables financial assets. These amounts represent amounts due for interest owing and other services performed by the Credit Union prior to the end of the financial period which are not received. The amounts are expected to be received within a year of recognition. They are subsequently measured at amortised cost less any impairment allowance. Trade and other receivables are of a short term nature and are not discounted.

Loans and receivables

Loans to members are classified as loans and receivables financial assets. Subsequent to initial recognition they are recognised at amortised cost using the effective interest method less allowance for impairment. The method for assessing impairment is detailed in note 1(j).

Capital Notes

The Capital Notes are classified as available for sale financial assets. They are initially recognised at cost price, which is their fair value at the date of acquisition plus directly attributable transaction costs.

Dividend income from available-for-sale assets is separately recognised in the profit or loss as part of Other Income when the Credit Union's right to receive payments is established (ex-dividend date).

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

The Credit Union assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of Capital Notes classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investment is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, is recognised in profit or loss.

Members' Shares (Deposits)

Members' shares in the Credit Union have characteristics of both debt and equity instruments. For the purposes of financial reporting, members' shares are recorded as debt instruments. Any payments of dividends on these shares are recorded as interest payments. Members have the right to one vote at the meetings of the Credit Union, regardless of how many shares they hold in the Credit Union.

AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Trade and Other Payables

Trade and other payables are classified as financial liabilities. These amounts represent liabilities for goods and services provided to the Credit Union prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Derivative financial instruments and hedge accounting

Derivatives (interest rate swaps) are not entered into.

(j) Impairment - Loans & Advances

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

The amount provided for impairment of loans is determined by management and the board. The Prudential Standards issued by NZACU enable the minimum provision to be based on specific percentages of the loan balance, contingent upon the length of time the repayments are in arrears, and the security held. This approach is not adopted by the Credit Union. The board makes a provision for loans in arrears where the collectability of the debts is considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impracticable. Bad debts are written off when identified.

In addition a statutory General Reserve as required by section 119 of the Friendly Society and Credit Unions Act 1982 is maintained to cover risks inherent in the loan portfolios. Movements in the General Reserve for credit losses are recognised as an appropriation of retained earnings.

Key assumptions in determining the allowance for impairment

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

In identifying the impairment likely from these events the Credit Union is required to estimate the potential impairment using the length of time the loan is in arrears and the historical losses arising in past years. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses. An estimate is based on the period of impairment.

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

The various components of impaired loans are as follows;

"Individually impaired loans" are loans and advances for which there is reasonable doubt that the Credit Union will be able to collect all amounts of principal and interest in accordance with the terms of the agreement and provisions for impairment are recognised.

"Collectively impaired loans" are also referred to as "Restructured loans" and are loans where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties of the member.

"Assets acquired through the enforcement of security" are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

"90 day Past-due loans" are loans or similar facilities in arrears which has not been operated within its key terms by the borrower for at least 90 days and which is not an impaired loan.

The logo for BDO, consisting of the letters 'BDO' in a bold, sans-serif font, with a horizontal line underneath the letters.

AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(k) Cash Flow Statement

The Cash Flow Statement is prepared using the direct approach method. Certain cash flows have been netted in order to provide a more meaningful disclosure as many of the cash flows are received and disbursed on behalf of members and reflect the activities of members rather than those of the Credit Union. These include members loans and borrowings and member shares.

Definitions of Terms Used in the Cash Flow Statement:

"Cash" includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdrafts, used by the organisation as part of their day-to-day cash management.

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

"Financing Activities" are those activities relating to changes in the size and composition of the capital structure of the Credit Union.

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

(l) Critical Estimates, Judgements & Assumptions

The preparation of the financial statements requires the use of management judgements, estimates and assumptions that affect reported amounts and the application of policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable. This has an impact on the critical estimates being impairment allowance on loans and receivables and capital notes.

(m) New Standards, Interpretations and Amendments to Published Standards effective

None of the new standards, interpretations and amendments, effective from the first time from 1 October 2011, have had a material effect on the financial statements.

(n) Standards, Interpretations and Amendments to Published Standards that are not yet effective

At the date of the authorisation of the financial statements of the Credit Union for the year ended 31 March 2013, the following Standards and Interpretations which were expected to impact on the Credit Union were in issue but not yet effective:

NZ IFRS 7

The amendments to this are not effective until financial periods starting from the 1 January 2013 with a latest adoption date of periods starting 1 April 2016. This standard removes the need to restate comparatives when shifting to the standard NZ IFRS 9 outlined below. However additional note disclosures on the transition will be required. This is not expected to have a material impact on the financial statements of the Credit Union.

NZ IFRS 9

The amendments to this are not effective until financial periods starting from the 1 April 2015. This is the first stage of the IASB's project to replace IAS-39. The only expected effect on the Credit Union is that any impairment of loans relating to credit risk will be expensed through other Comprehensive income, instead of Comprehensive Income and that Capital Notes will have to be valued at fair value. The effect on the Capital notes is unknown at this stage. The other effects are not expected to have a material impact on the financial statements of the Credit Union.

The logo for BDO, consisting of the letters 'BDO' in a bold, sans-serif font, with a horizontal line underneath the letters.

AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

2 REVENUE AND EXPENDITURE

	Note	31-Mar-13 \$	31-Mar-12 \$
REVENUE			
<i>Interest Revenue</i>			
Interest on Loans to members		338,897	367,578
Interest on Restructured Loans		2,837	1,210
Interest on cash and cash equivalents		9,228	11,696
Other Interest		162	63
Total Interest Revenue		<u>351,124</u>	<u>380,547</u>
<i>Other Income</i>			
Accesscard Income		149,714	188,837
Loan Application Fees		135,427	172,689
Entrance Fees and Service Charges		152,687	151,799
Cost Recoveries		4,660	4,720
Donations		13,556	9,480
Bad Debts Recovered		6,030	2,200
Commissions		3,404	4,857
NZACU Insurance Bonus Payments		2,530	7,805
Dividends Received		4,298	3,759
Profit on Sale of Property Plant & Equipment		6,389	4,403
Wage Subsidies		5,070	10,000
Other Income		2,681	2,400
Total Other Income		<u>486,446</u>	<u>562,949</u>
TOTAL INCOME		<u><u>837,570</u></u>	<u><u>943,496</u></u>
EXPENDITURE			
<i>Interest Expenditure</i>			
Interest charged by trading banks.		49	84
Total Interest Expenditure		<u>49</u>	<u>84</u>
<i>Loan impairment expenses</i>			
Bad Debts Written Off		1,175	826
Movement in Allowance for Loan Impairments		5,620	(16,999)
Total Bad and Doubtful Debts		<u>6,795</u>	<u>(16,173)</u>
<i>Employee Benefits</i>			
Employee Remuneration		397,950	433,944
Employer Contributions to Kivisaver		922	152
Seminars, Courses and Training		8,861	10,601
Staff Relieving Travel		3,730	3,560
Total Employee Benefits		<u>411,463</u>	<u>448,257</u>

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AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

	Note	31-Mar-13	31-Mar-12
Other Expenditure		\$	\$
External Audit:			
Audit of Financial Statements		16,489	8,108
Internal Audit:		3,036	525
Accountancy		7,927	13,201
Accesscard Expenses		85,748	109,872
Trustee Fee		35,774	10,000
Directors and CEO Expenses and Training	23	12,906	12,715
Donations Made / Community Support		2,052	5,431
Electricity		15,846	16,173
Legal Fees		27,921	10,164
Life and Savings Insurance on behalf of Members		4,833	13,355
Mobile Branch Expenses		4,030	-
NZACU Association Dues		12,264	13,259
Bank Charges		38,381	41,895
Consultancy		3,141	10,770
Data Processing		15,708	23,011
Printing, Post, Stationery & Statements		43,150	62,167
Repairs and Maintenance		11,612	4,252
Telephone		41,758	48,121
Other Expenses		20,202	21,538
Total Other Expenditure		<u>402,778</u>	<u>424,557</u>
Depreciation Expenditure			
Buildings		1,207	16,796
Computer Equipment		13,680	23,094
Motor Vehicles		13,865	3,801
Furniture and Fittings		3,441	4,068
Office Equipment		19,555	16,124
Total Depreciation Expenditure		<u>51,748</u>	<u>63,883</u>

3 INTEREST PAID

Interest is not currently paid to depositing members. Interest rates applied to members' deposits for the period were:

	31-Mar-13	31-Mar-12
Ordinary Shares	0%	0%
Loan Provider Shares	0%	0%
Christmas Club Shares	0%	0%
Other Shares	0%	0%
Term Shares	0%	0%



AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

4 RESERVES

	31-Mar-13			31-Mar-12		
	Retained Earnings	General Reserve	Total Members' Reserves	Retained Earnings	General Reserve	Total Members' Reserves
Balance brought forward	397,266	198,980	596,246	413,214	198,980	612,194
Loss for the period	(69,721)		(69,721)	(15,948)		(15,948)
Balance carried forward	327,545	198,980	526,525	397,266	198,980	596,246
The Reserve % to Total Assets	9.26%	5.63%	14.89%	11.19%	5.61%	16.80%

Retained Earnings

Reserve arising from retained profits accumulated from operations.

General Reserve

A General Reserve has been established in accordance with S119 of the Friendly Societies and Credit Unions Act 1982 which requires the Credit Union to transfer 5% of gross earnings to the General Reserve until the General Reserve is the equivalent of 5% of total assets, and thereafter maintained at 5% of total assets. The reserve may not be distributed until the Credit Union is being wound up or dissolved, but may be applied for the following purposes:

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

Total Reserves

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

5 CASH AND CASH EQUIVALENTS

	Note	Interest Rates (p.a)	31-Mar-13	Interest Rates (p.a)	31-Mar-12
Cash & Bank		0.28%	\$ 114,084	0.11%	\$ 116,991
Deposits with BNZ (on call)		-	-	2.30%	108,069
Deposits with BNZ (on call)		-	-	2.30%	31,181
Deposits with BNZ (90 days maturity)		-	-	3.50%	50,000
Deposits with Westpac (90 days maturity)		-	-	3.25%	73,181
Deposits at NZ Association of Credit Unions (3 month maturity)		3.55%	166,231	3.65%	158,004
			<u>280,315</u>		<u>537,426</u>

The Credit Union does not hold tradable securities. Effective interest rates on bank deposits are the original contracted values. Movements in market rates will not affect the recorded value of investments. The deposits with the NZACU's central banking facility are excess funds held by the Credit Union. The NZACU minimises its exposure to credit risk by maintaining a diversified portfolio with controls over maturity, counter party and concentration of investment risks.

6 TRADE AND OTHER RECEIVABLES

	Note	31-Mar-13	31-Mar-12
Sundry Debtors		\$ 1,449	\$ 1,366
Prepayments		-	-
Other Receivables (AWHI Tautoko Trust)	24	34,000	10,600
		<u>35,449</u>	<u>11,966</u>

The aging of these are disclosed in note 18. These are all current assets.

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AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

7 LOANS TO MEMBERS

Loans are made in accordance with the lending policy of the Credit Union and are repayable on demand. An allowance for impairment has been made at the end of the reporting period. Bad loans are written off against income to profit or loss in the period in which they are deemed irrecoverable.

	31-Mar-13	31-Mar-12
	\$	\$
(a) Current v Non Current		
Current	1,156,627	1,177,560
Non Current	1,314,527	1,059,868
	<u>2,471,154</u>	<u>2,237,428</u>
(b) Loans to members comprises:		
Neither Past Due nor Impaired	2,471,154	2,237,428
Past due but not impaired	-	-
Impaired Individually 31-60 Days	10,976	-
Impaired Individually 61-90 Days	2,998	-
Impaired Individually over 90 Days	38,578	43,968
Impaired Collectively	264	3,228
Gross Loans	<u>2,523,970</u>	<u>2,284,624</u>
Less:		
Allowance for impairment individually (refer to note 8)	(52,552)	(43,968)
Allowance for impairment collectively (refer to note 8)	(264)	(3,228)
Net Loans	<u>2,471,154</u>	<u>2,237,428</u>
(c) Credit quality - Security dissection		
Secured by mortgage over real estate	362,159	-
Secured by members loan provider account shares (refer note 12)	1,803,756	1,869,043
Further secured by motor vehicles registered on PPSR	173,969	170,411
Further secured by caveat registered on PPSR.	36,019	46,642
Further secured by motor vehicles, chattels or caveat.	41,259	58,175
	<u>2,417,162</u>	<u>2,144,271</u>
Unsecured Portion of Gross Loans	106,808	140,353
Included above that relate to loans that are impaired		
Further secured by securities registered on the PPSR register.	-	113
Further secured by unregistered securities.	18,472	-
Unsecured Portion of Impaired Loans	34,344	47,083
Unsecured Portion of Net Loans	72,464	93,157

It is impractical to provide a valuation of the security held against loans due to the large number of assets to be valued to arrive at the amount. Currently all mortgages are loan to value ratio of under 70%. A breakdown of the quality of the security on a portfolio basis is shown above.

(d) Credit quality - Concentration of loans

- (i) Loans to individual or related groups of members which exceed 10% of member funds in aggregate

Loan Exposure	31-Mar-13		31-Mar-12	
	Number	\$	Number	\$
Between 40% and 50% of equity	1	234,571	-	-
Between 30% and 40% of equity	-	-	-	-
Between 20% and 30% of equity	1 Group	112,742	-	-
Between 20% and 30% of equity	1	100,678	-	-
Between 10% and 20% of equity	-	-	1 Group	101,970

AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

LOANS TO MEMBERS - Continued

	31-Mar-13 \$	31-Mar-12 \$
(ii) Loans to members are concentrated to individuals with Credit Union membership	100%	100%
(iii) Loans to members are concentrated solely in New Zealand and principally within the common bond of the Credit Union	100%	100%
(iv) Loans by customer type were		
Residential loans and facilities to natural persons	234,571	-
Personal loans and facilities to natural persons.	2,188,721	2,284,624
Loans to Charitable Trusts and Incorporated Societies	100,678	-
TOTAL	<u>2,523,970</u>	<u>2,284,624</u>

8 IMPAIRMENT OF LOANS AND ADVANCES

(a) Allowance for impairment

Balance brought forward	47,196	64,195
Addition / (reduction) in allowance	2,295	(16,981)
Bad Loans written off to allowance	(1,175)	(826)
Asset acquired through the enforcement of security	4,500	808
Balance carried forward	<u>52,816</u>	<u>47,196</u>

(b) Impairment of Loans

31-Mar-13

	Restructured Loans \$	Other Individually Impaired Loans \$	Total \$
Individual Assessed Loans			
Carrying Amount at start of period	-	43,968	43,968
Additions to Class	-	21,711	21,711
Written Off	-	(1,175)	(1,175)
Asset acquired through the enforcement of security	-	4,500	4,500
Deletions from Class	-	(16,452)	(16,452)
Carrying Amount at end of period	<u>-</u>	<u>52,552</u>	<u>52,552</u>
Individual Impairment Allowance			
Impairment at start of period	-	43,968	43,968
Additions to Class	-	21,711	21,711
Written Off	-	(1,175)	(1,175)
Asset acquired through the enforcement of security	-	4,500	4,500
Deletions from Class	-	(16,452)	(16,452)
Impairment at end of period	<u>-</u>	<u>52,552</u>	<u>52,552</u>
Net Loans at end of Period	<u>-</u>	<u>-</u>	<u>-</u>

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AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

8 IMPAIRMENT OF LOANS AND ADVANCES - Continued

31-Mar-12

	Restructured Loans \$	Other Individually Impaired Loans \$	Total \$
Individual Assessed Loans			
Carrying Amount at start of period	-	51,759	51,759
Additions to Class	-	15,688	15,688
Written Off	-	(826)	(826)
Asset acquired through the enforcement of security	-	808	808
Deletions from Class	-	(23,461)	(23,461)
Carrying Amount at end of period	-	43,968	43,968
Individual Impairment Allowance			
Impairment at start of period	-	51,759	51,759
Additions to Class	-	15,688	15,688
Written Off	-	(826)	(826)
Asset acquired through the enforcement of security	-	808	808
Deletions from Class	-	(23,461)	(23,461)
Impairment at end of period	-	43,968	43,968
Net Loans at end of Period	-	-	-
		31-Mar-13	31-Mar-12
		\$	\$
Loans Collectively Provisioned			
Carrying Amount at start of period		2,240,656	2,460,692
Additions to Class		4,058,860	5,344,293
Written Off		-	-
Deletions from Class		(3,828,098)	(5,564,329)
Carrying Amount at end of period		2,471,418	2,240,656
Impairment Allowance			
Impairment at start of period		3,228	12,436
Additions to Class		25	2,391
Written Off		-	-
Deletions from Class		(2,989)	(11,599)
Impairment at end of period		264	3,228
Net Loans at end of Period		2,471,154	2,237,428
(c) Fair Value of Assets acquire through enforcement of			
Real Estate		-	-
Other		4,500	-
		4,500	-

AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

9 PROPERTY, PLANT AND EQUIPMENT

	Note	31-Mar-13 \$	31-Mar-12 \$
<i>(a) Classes of Property, Plant & Equipment</i>			
Land			
At cost		91,922	91,922
		<u>91,922</u>	<u>91,922</u>
Buildings			
At cost or fair value at transition		469,780	468,417
Subsequent additions at cost		-	1,363
Accumulated depreciation		(67,216)	(66,009)
		<u>402,564</u>	<u>403,771</u>
Computer Equipment			
At cost		303,672	286,787
Subsequent additions at cost		3,312	16,885
Subsequent disposals at cost		(155,364)	-
Accumulated depreciation		(122,740)	(245,814)
		<u>28,880</u>	<u>57,858</u>
Motor Vehicles			
At cost		38,000	18,000
Subsequent additions at cost		47,497	38,000
Subsequent disposals at cost		-	(18,000)
Accumulated depreciation		(17,665)	(3,800)
		<u>67,832</u>	<u>34,200</u>
Furniture and Fittings			
At cost		48,678	44,262
Subsequent additions at cost		-	4,826
Subsequent disposals at cost		(200)	(410)
Accumulated depreciation		(34,454)	(31,200)
		<u>14,024</u>	<u>17,478</u>
Office Equipment			
At cost		174,179	141,153
Subsequent additions at cost		7,462	33,116
Subsequent disposals at cost		(650)	(90)
Accumulated depreciation		(100,728)	(81,698)
		<u>80,263</u>	<u>92,481</u>
Total Property, Plant & Equipment			
At cost		1,126,231	1,050,541
Subsequent additions at cost		58,271	94,190
Subsequent disposals at cost		(156,214)	(18,500)
Accumulated depreciation		(342,803)	(428,521)
		<u>685,485</u>	<u>697,710</u>

AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

PROPERTY, PLANT AND EQUIPMENT - Continued

(b) Movements in Carrying Amounts

Reconciliations of the carrying amounts of each class of property, plant and equipment between the beginning and end of the current financial year are set out below.

	Land \$	Buildings \$	Computer Equipment \$	Motor Vehicles \$	Furniture & Fittings \$	Office Equipment \$	Total \$
31-Mar-13							
Balance at the Beginning of the period	91,922	403,771	57,858	34,200	17,478	92,481	697,710
Additions	-	-	3,312	47,497	-	7,462	58,271
Disposals	-	-	(155,364)	-	(200)	(650)	(156,214)
Depreciation Reversed on above	-	-	136,754	-	187	525	137,466
Total Book Value on Disposal	-	-	(18,610)	-	(13)	(125)	(18,748)
Depreciation	-	(1,207)	(13,680)	(13,865)	(3,441)	(19,555)	(51,748)
Carrying amount at the end of the period	91,922	402,564	28,880	67,832	14,024	80,263	685,485
31-Mar-12							
Balance at the Beginning of the period	91,922	419,204	64,067	4,372	16,759	75,498	671,822
Additions	-	1,363	16,885	38,000	4,826	33,116	94,190
Disposals	-	-	-	(18,000)	(410)	(90)	(18,500)
Depreciation Reversed on above	-	-	-	13,629	371	81	14,081
Total Book Value on Disposal	-	-	-	(4,371)	(39)	(9)	(4,419)
Depreciation	-	(16,796)	(23,094)	(3,801)	(4,068)	(16,124)	(63,883)
Carrying amount at the end of the period	91,922	403,771	57,858	34,200	17,478	92,481	697,710

(c) Impairment Losses

The total impairment loss recognised in profit or loss during the period in respect of property, plant and equipment amounted to Nil. (2012:nil)

10 CAPITAL NOTES

NZACU Capital Notes are classified as "available for sale" financial assets and issued by the New Zealand Association of Credit Unions' Business Services Division as Trust Base Capital Notes (Capital Notes). These represent monies invested with the NZACU Business Services Division Trust and rank equally and without priority or preference among themselves. The Capital Notes rank after creditors in the event of the winding up of the NZACU Business Services Division Trust.

Capital Notes may only be sold or transferred to another Credit Union that is a member of the NZACU Business Services Division Trust and with consent of the NZACU Business Services Division Trust Board of Directors. The Credit Union has no intention to dispose of the equity investment within the next 12 months. Dividends are payable on a six monthly basis subject to the profitability of the NZACU Business Services Division Trust.

There is no active market for these securities which have no guaranteed rate of return. The Credit Union has measured Capital Notes at cost under the exemption in NZ IAS 39; Financial Instruments – Recognition and measurement. Capital Notes are non-current assets. The Credit Union's investment in these Capital Notes enables the New Zealand Association of Credit Unions to provide the Credit Union with essential services such as a treasury function, debit card facilities and insurance products.

	31-Mar-13	31-Mar-12
	\$	\$
Capital Notes at Cost	64,815	64,815

AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

11 TRADE AND OTHER PAYABLES

Note	31-Mar-13	31-Mar-12
	\$	\$
Trade Payables	29,374	5,408
Payables to Third Parties on behalf of Members	6,245	653
Sundry Creditors and Accrued Expenses	500	110
Employee Entitlements	7,252	12,702
	<u>43,371</u>	<u>18,873</u>

These are all current liabilities.

12 MEMBERS' DEPOSITS

(a) Deposits

Ordinary Shares

Savings Accounts	698,109	746,221
Christmas Club	112,221	93,658
Loan Provider Accounts	2,156,134	2,090,256
Total Ordinary Shares	<u>2,966,464</u>	<u>2,930,135</u>

Unallocated Member's Deposits

	858	4,091
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Total Members' Deposits

	<u>2,967,322</u>	<u>2,934,226</u>
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Loan Provider Account Shares

Used as security for loans (refer note 7)	1,803,756	1,869,043
Not used as security for loans	352,378	221,213
Total Loan Provider Shares	<u>2,156,134</u>	<u>2,090,256</u>

Total Shares not used as security

Loan Provider Shares not used for loans	352,378	221,213
Other Shares not used for loans	811,188	843,970
Total Shares not used as security for loans	<u>1,163,566</u>	<u>1,065,183</u>

(b) Current v Non Current

Current	2,010,593	2,048,862
Non Current	956,729	885,364
	<u>2,967,322</u>	<u>2,934,226</u>

Members share 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 of shares and unpaid capital (if any). The equitable assignment by way of security was granted in favour of Covenant Trustee Company Ltd, the Prudential Supervisor of the Credit Union, under Trust Deed dated 28 September 2012, which has been registered with the Registrar of Credit Unions. The Credit Union has also granted to Covenant Trustee Company Ltd a security interest in all its present and after-acquired personal property as additional security for the members' shares. Covenant Trustee Company 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 the Trust Deed mentioned above.

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AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

13 COMMITMENTS

(a) Future Capital Commitments

The Credit Union has no Future Capital Commitments.

(b) Finance Lease Commitments

The Credit Union has no Finance Lease Commitments.

(c) Operating Lease Commitments

Non cancellable operating leases contracted for but not capitalised in the financial statements, payable:

Not longer than 1 year

Longer than 1 and not longer than 5 years

Longer than 5 years

	31-Mar-13	31-Mar-12
	\$	\$
	9,188	10,171
	16,680	-
	-	-
	<u>25,868</u>	<u>10,171</u>

There are two operating leases;

a) a cancellable lease with a \$848 monthly term, with rent payable monthly in advance payable for the Gisborne branch premises.

b) an \$8,340 annual lease for computer equipment from the AWHI Tautoko Trust with a three year renewal. The AWHI Tautoko Trust is a related party. please refer note 24.

(d) Outstanding Loan Commitments

Loans and credit facilities approved but not funded or drawn at the end of the financial year:

	31-Mar-13	31-Mar-12
	\$	\$
	-	-

14 EVENTS OCCURRING AFTER REPORTING DATE

There are no known events that have occurred subsequent to reporting date which would materially affect these financial statements. (2012: Nil.)

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The board had endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union.

Key risk management policies encompassed in the overall risk management framework include:

- Market Risk and Hedging Policy management
- Credit risk management
- Liquidity risk management
- Operations risk management
- Capital adequacy management

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

Market Risk and Hedging Policy

The Credit Union is not exposed to currency risk, and other price risk. The Credit Union does not trade in the financial instruments it holds on its books. The Credit Union is exposed to interest rate risk arising from changes in market interest rates.

The policy of the Credit Union to manage the risk is to maintain a balanced "on book" strategy by ensuring the net interest rate earned on members loans is sufficient but not excessive. As interest is not currently paid on shares there is no current need to monitor the gap between interest charged and interest paid. All interest charged is at fixed rates which do not alter with market changes, with changes in these fixed rates only impacting on new loans. The interest earned each month is monitored by the finance committee and compared to the budget. The surplus/deficit earned is measured against the budgeted surplus/deficit. Loans advanced and interest charged on these are adjusted when required in order to ensure sufficient, but not excessive funds, are earned in order to maintain operations. The policy of the Credit Union is not to undertake derivatives to match the interest rate risks. The Credit Unions exposure to interest rate risk is set out in Note 25 which details the contractual interest change profile.

The following tables summarise the sensitivity of The Credit Union's assets and financial liabilities to 1 basis point movement in rate risk, which is considered the benchmark for sensitivity analysis in the credit union industry.

AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - Continued

	2013 - Interest Rate Risk			2012 Interest Rate Risk		
	Carrying Amount	-1% Profit & Equity	+1% Profit & Equity	Carrying Amount	-1% Profit & Equity	+1% Profit & Equity
	\$	\$	\$	\$	\$	\$
Financial Assets						
Bank deposits	280,315	(2,933)	2,933	537,426	(2,898)	2,898
Loan receivables	2,471,154	(18,980)	18,980	2,237,428	(15,538)	15,538
		(21,913)	21,913		(18,436)	18,436
Financial Liabilities						
Members deposits	2,967,322	-	-	2,934,226	-	-
Total Increase / (Decrease)		(21,913)	21,913		(18,436)	18,436

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

- The interest rate change would be applied equally over to the loan products and term deposits
- The rate change would be as at the beginning of the 12 month period and no other rate changes would be effective during the period
- The term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposit with similar terms and rates applicable
- All loans would be repaid in accordance with the contractual repayment terms
- The value and mix of call savings to term deposits will be unchanged
- The value and mix of personal loans to mortgage loans will be unchanged

There has been no change to the Credit Union's exposure to market risk or the way the Credit Union manages and measures market risk in the reporting period.

Credit Risk - Loans

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the entity. There is no industry concentration of credit risk with respect to loans and receivables as the Credit Union has a large number of customers dispersed in areas of employment. The credit policy is that loans and investments are only made to members that are credit worthy.

The credit union has established policies or procedures over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements
- Limits of exposure over the value to individual borrowers, non mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default
- Reassessing and review of the credit exposures on loans and facilities
- Establishing appropriate provisions to recognise the impairments of loans
- Debt recovery procedures
- Review of compliance with the above policies

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

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The board policy is to ensure that unsecured loans per member are limited to a maximum of \$500, with a maximum secured loan limit of \$400,000. A maximum of \$3,000 security is accepted in the form of household chattels and a maximum of 85% of the value of motor vehicles (valued by registered dealers). 100% security is accepted by way of a members own shares or pledging of another members shares. Mortgages are offered over real estate. Members can also access the NZACU mortgage product through an agency agreement. The risk and return, apart from a commission received, of these NZACU mortgage rests upon the NZACU not the Credit Union.

The Credit Union has a concentration in the retail lending for members who are residents within the geographic area of it's common bond and their whanau.

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AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - Continued

Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 14 days if not rectified. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loan is over 3 months in arrears. The exposures to losses arise predominantly in the non secure personal loans and facilities.

The significant accounting judgements are related to the determination of the provision for impairment of loans are set out in Note 1 (j).

Credit Risk - Liquid Investment

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Credit Union.

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

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

The board policy is to maintain some of the investments in the NZACU, an association set up to support the member Credit Unions. This association has a BB+ credit rating, with a negative outlook issued by Standard & Poors, however the NZACU's bank investments are principally of investment grade rating or better. All other investments must be with New Zealand registered banks. The policies of the board limit the investments outside NZACU to New Zealand registered banks.

Credit Risk - Equity Investments

The Credit Union does not have investments in equity investments.

Liquidity Risk

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

The Credit Union manages liquidity risk by:

- Continuously monitoring forecast and actual daily cash flows
- Reviewing the maturity profiles of financial assets and liabilities
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities

The Credit Union's policy is to maintain at least 7% of total assets as liquid assets capable of being converted to cash within 90 days. The ratio is checked monthly. Should the liquidity ratio fall below this level, the management and board are to address the matter and ensure that the liquid funds are obtained from new deposits or borrowing facilities available. The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in the specific note 18

Operational Risk

Operations risks relate to those risks arising from a number of sources including legal compliance, business continuity, data infrastructure and outsourced services failures and employees errors.

Capital Management

The Credit Union is regulated under the Friendly Societies and Credit Union Act 1982 and the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010. There are statutory requirements over the minimum reserves required to be maintained. In addition the Credit Union operates under a trust deed which requires additional capital and financial ratios to be met by the Credit Union. These are as follows;

	Note	31-Mar-13	31-Mar-12
a) Minimum capital reserves are 10% of assets	4	14.89%	16.80%
b) Cash (as defined in the Trust Deed) is greater than 7% of total assets.	5	7.92%	15.14%
c) Members deposits (shares) exceed 98.5% of total liabilities		98.56%	99.36%
d) At all times it will ensure that it has sufficient assets to discharge all debts as they fall due.			
- Current Ratio (the amount current assets exceed current liabilities).		728.05%	2910.99%

The Credit Union's capital is determined as follows:

	31-Mar-13	31-Mar-12
Tier 1		
Retained earnings & other revenue reserves	327,545	397,266
General reserve	198,980	198,980
Total reserves	526,525	596,246

AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - Continued

To manage the Credit Union's capital, which can be affected by growth and changes in assets and liabilities, the Credit Union reviews the capital and financial ratios monthly and monitors major movements in the asset and liability levels. Policies have been implemented to require reporting to the board and the trustee if the capital and financial ratio falls below there stipulated levels. Further, an annual capital budget projection of the capital level is maintained annually to address how strategic decisions or trends may impact on the capital level.

16 STANDBY BORROWING FACILITIES

The Credit Union has no borrowing facilities.

17 CONTINGENT LIABILITIES

There are no contingent liabilities at reporting date. (2012: Nil.)

18 MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term, and in the case of loans the repayment amount and frequency. The associated table shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained. For term loans the above dissection is based upon contractual conditions of each loan being strictly complied with and is subject to change in the event that current repayment conditions are varied. The impaired portion of loans are removed in both cases as repayment of this portion is not expected. Future Interest Receivable and Future Interest Payable represent the expected future interest cash flows arising from the contractual obligations of the underlying monetary assets and liabilities respectively.

31-Mar-13	Within 1 Month	1-3 Months	3-6 Months	6-12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
Monetary Assets									
<i>Receivable</i>									
Cash & Bank	114,084	-	-	-	-	-	-	-	114,084
Deposits and cash equivalents	-	166,231	-	-	-	-	-	-	166,231
Trade and other receivables	35,449	-	-	-	-	-	-	-	35,449
Loans to members	548	10,673	49,953	187,755	1,190,600	615,301	416,324	-	2,471,154
Future Interest	28,709	52,489	69,182	104,405	104,692	80,115	22,191	-	461,783
Total Monetary Assets Receivable	178,790	229,393	119,135	292,160	1,295,292	695,416	438,515	-	3,248,701
Monetary Liabilities									
<i>Payable</i>									
Trade and other payables	43,371	-	-	-	-	-	-	-	43,371
Members Deposits	1,123,156	158,309	226,059	503,069	529,849	289,321	137,559	-	2,967,322
Short-term borrowings	-	-	-	-	-	-	-	-	-
Total Monetary Liabilities Payable	1,166,527	158,309	226,059	503,069	529,849	289,321	137,559	-	3,010,693

AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES - Continued

	Within 1 Month	1-3 Months	3-6 Months	6-12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
31-Mar-12									
Monetary Assets									
<i>Receivable</i>									
Cash & Bank	116,991	-	-	-	-	-	-	-	116,991
Deposits and cash equivalents	139,250	281,185	-	-	-	-	-	-	420,435
Trade and other receivables	11,966	-	-	-	-	-	-	-	11,966
Loans to members	1,796	18,466	54,812	174,455	1,266,872	573,648	147,379	-	2,237,428
Future Interest	27,614	50,047	65,250	95,699	84,489	25,907	1,853	-	350,859
Total Monetary Assets Receivable	297,617	349,698	120,062	270,154	1,351,361	599,555	149,232	-	3,137,679
Monetary Liabilities									
<i>Payable</i>									
Trade & other payables	18,873	-	-	-	-	-	-	-	18,873
Members Deposits	1,058,303	185,456	257,005	548,098	607,022	173,234	105,108	-	2,934,226
Short-term borrowings	-	-	-	-	-	-	-	-	-
Total Monetary Liabilities Payable	1,077,176	185,456	257,005	548,098	607,022	173,234	105,108	-	2,953,099

19 OTHER CREDIT RISKS

(a) Maximum Credit Risk Exposure

The Credit Union's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the Balance Sheet.

(b) Concentrations of Credit Risk

The Credit Union minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of customers. Credit risk is currently managed in accordance with the Prudential Standards to reduce the Credit Union's exposure to potential failure of counterparties to meet their obligations under the contract or arrangement.

(c) Large Counterparties

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

Asset Counter-parties	31-Mar-13		31-Mar-12	
	Number	\$	Number	\$
Between 40% and 50% of equity	1	231,046	1	253,307
Between 30% and 40% of equity	-	-	1	222,818
Between 20% and 30% of equity	-	-	-	-
Between 10% and 20% of equity	1	75,695	1	104,052
Less than 10% of equity	3	38,389	1	22,063

In relation to loans to members, where a member has shares as security or deemed security, the security has not been taken into account when calculating the percentage of exposure.

(d) Loans to Members

Loans can only be made to Credit Union members. Non concessionary loan interest rates range from 6.5% to 21.5% p.a. (2012 6.5% to 21.5% p.a.) Concessionary rates are available to members who are in financial difficulties. The Credit Union has a lending policy that requires various levels and types of security for loans and includes that a portion of loans may be secured over the borrowing members shares. The Friendly Societies and Credit Unions Act 1982 limits the risk of any one member and provides, along with the loan agreement that any and all shares might be used to offset an individual loan to the limit of their liability. Under section 110 of the Act, the maximum indebtedness and repayment terms of a member shall not, without the prior consent of the Registrar, exceed the following limits:



AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Unsecured Loan 5% of the value of the assets of the Credit Union and 5 years
Secured Loan 10% of the value of the assets of the Credit Union and 10 years

The Registrar of Friendly Societies and Credit Unions has not approved an extension of the secured loan term from beyond 10 Years.

	31-Mar-13	31-Mar-12
The proportion of loans with repayments in arrears in excess of three months is:	2.14%	1.79%

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

Loans to Members

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

The monthly repayments on the loans for the past period represent an average loan of :	25 months	22 months
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The proportion of loans owed in aggregate by the debtors who owe the six largest amounts is	18.27%	6.93%
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There are no other monetary asset receivables that exceed the individual value of these six largest loans.

The Credit Union offers an overdraft facility.

Amount Drawn Down

\$	\$
-	-

20 CONCENTRATION OF FUNDING

The Credit Union's source of funding is members' deposits. Accordingly, the funding is concentrated in and limited to the area of the common bond' and consequently the Credit Union funding is almost exclusively from individuals residing within the East Coast and Bay of Plenty region of the North Island of New Zealand. The funding from members is recorded as Members' Shares in the Balance sheet.

21 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Directors consider the carrying value to be a reasonable approximation of the fair value of financial assets and liabilities, except for Base Capital Notes, as there is no active market to assess the value of Capital Notes, refer Note 10. All of the financial instruments except for Capital Notes are at call or able to be settled in the short term. Fair Value has been determined on the basis of the present value of expected cash flows under the terms and conditions of each financial asset and financial liability.

22 CASH FLOW STATEMENT RECONCILIATION

Reconciliation of Cash Flow from operating activities with operating profit

	Note	31-Mar-13	31-Mar-12
		\$	\$
Operating profit		(69,721)	(15,948)
Non Cash Items			
Depreciation		51,748	63,883
Loss/(Gain) on Disposal of Property, Plant, Equipment & Intangible Software.		(6,352)	(4,403)
Bad Debts		1,175	826
Allowance for Loan Impairment		5,620	(16,999)
		52,191	43,307
Changes in Assets and Liabilities			
Movements in Accounts Receivable		(23,483)	20,238
Movements in Prepayments		-	-
Movements in Accounts Payable		24,498	(12,572)
		1,015	7,666
Classified as a Financing Activity (Movements in Third Party and Credit Union Payables)		(5,982)	839
Classified as an Investing Activity (Movements in Accounts Receivable)		24,917	(578)
Net Cash Provided by /(Used in) Operating Activities		2,420	35,286



AWHI CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

23 DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

Remuneration of Key Management Persons (KMP)

Key management persons are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any director (whether executive or otherwise) of that entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Key management persons (KMP) has been taken to comprise the Trustees and Directors and the members of the executive management responsible for the day to day financial and operational management of the Credit Union. The aggregate compensation of key management persons during the year comprising amounts paid or payable or provided for was as follows: The aggregate compensation of key management persons during the year comprising amounts paid or payable or provided for was as follows:

Connected Parties are defined as the immediate relatives of Directors and the CEO

	31-Mar-13		31-Mar-12	
	Directors	Other KMP	Directors	Other KMP
	\$	\$	\$	\$
(a) short-term employee benefits	-	80,160	-	80,936
(b) post-employment benefits - superannuation/kiwisaver	-	-	-	-
(c) other long-term benefits - net increases in long service leave	-	-	-	-
(d) termination benefits	-	-	-	-
(e) share-based payment	-	-	-	-
(f) travel expenses paid	7,803	5,103	9,245	3,470
Total	<u>7,803</u>	<u>85,263</u>	<u>9,245</u>	<u>84,406</u>

Remuneration shown above as short term benefits means (where applicable) wages, salaries, paid annual leave and sick leave, profit-sharing and bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements. The Directors and Trustees received no fees or honoraria for their services. The Credit Union deals with Directors and Trustees on the same terms and conditions applied to all other members. The financial interest in the Credit Union of all Directors, Trustees, Executives and their Whanau were;

	31-Mar-13	31-Mar-12
	\$	\$
Owing to Directors, Trustees, Executives and their Whanau (Shares)	186,945	154,393
Owing from Directors, Trustees, Executives and their Whanau (Loans)	178,477	187,524
Security provided by members for loans by shares pledged	(159,610)	(131,297)
Security provided by members for loans by other securities	(18,867)	(56,227)
Unsecured portion of loans	-	-
Impaired Loans	-	-
Additional security provided to other members	-	-
Interest earned by the credit union on loans to Directors, Trustees, Executives and their Whanau	33,646	38,201

There are no term shares from the above parties and all these loans are repayable upon demand.

24 OTHER RELATED PARTY TRANSACTIONS

The Credit Union has common trustees and/or directors with the AWHI Tautoko Trust and Te Rumaki Arorangi. Currently these entities have shares in the Credit Union.

The closing balances of the share and loan accounts of these entities and the rental paid by the Credit Union at times when they were related parties was:

Shares Held by AWHI Tautoko Trust	196	35
Security provided to other members by AWHI Tautoko Trust	-	-
Shares Held by Te Rumaki Arorangi	3,441	15,691
Security provided to other members by Te Rumaki Arorangi	(12,500)	(10,000)
Shares Held by other related parties	(424)	-
AWHI Tautoko Trust Balance in Accounts Receivable	34,000	10,600

On the 31/3/13 computer hardware with a total book value of \$18,610 was sold to the AWHI Tautoko Trust for \$25,000. The Credit Union will lease these and all future computer hardware purchases from the AWHI Tautoko Trust. Please refer note 13.

AWHI CREDIT UNION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**

25 INTEREST RATE RISK

The Credit Union's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on classes of financial assets and financial liabilities, is as follows:

Repricing period at 31 March 2013																								
Floating interest rate		Fixed Interest Rate Maturing In:												Non-interest sensitive		Set six monthly in arrears		Total		Weighted average effective interest rate*				
		0 to 3 months		3 to 6 months		5 to 12 months		1 to 2 years		2 to 5 years		Over 5 years												
		2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012									2013	2012	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	2013	2012			
Monetary Assets																								
Cash																114,084	118,991			114,084	118,991	0.28%	0.11%	
Deposits & cash equivalents	-	139,260	-	123,181	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%	2.78%
Deposits at NZACU			166,231	158,004																	166,231	158,004	3.66%	3.65%
Trade & other receivables																35,449	11,968			35,449	11,968	N/A	N/A	
Loans to members			11,221	20,267	49,983	54,812	187,755	174,455	1,190,600	1,266,872	615,301	573,648	416,324	147,379						2,471,164	2,237,428	14.39%	16.94%	
Derivatives																								
Capital Notes																		64,815	64,815	64,815	64,815	0.00%	0.00%	
Total Monetary Assets	-	139,260	177,452	301,447	49,983	54,812	187,755	174,455	1,190,600	1,266,872	615,301	573,648	416,324	147,379	149,533	128,957	64,815	64,815	2,661,733	2,661,636				
Monetary Liabilities																								
Deposits																2,967,322	2,934,226			2,967,322	2,934,226	N/A	N/A	
Other payables																43,371	18,873			43,371	18,873	N/A	N/A	
Borrowings																								
Total Monetary Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,010,693	2,953,099	-	-	3,010,693	2,953,099				

* The weighted average effective interest rate has been calculated on the interest sensitive financial instruments in each category. N/A - Not Applicable.

(a) Capital notes do not have any pre determined rate of interest. A dividend is payable on a six monthly basis in arrears subject to the profitability of the NZACU Business Services Division Trust. The last dividend payment was equivalent to an annual interest rate of 6.63%. (2012: 5.80% per annum).





INDEPENDENT AUDITOR'S REPORT

BDO WAIKATO

TO THE MEMBERS OF

AWHI CREDIT UNION

Report on the Financial Statements

We have audited the financial statements of the Credit Union set out on pages formally stamped by BDO, which comprise the balance sheet as at 31 March 2013, and the statement of changes in equity, statement of comprehensive income and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Unqualified Opinion

In our opinion, the financial statements on the pages formally stamped by BDO:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the Credit Union as at 31 March 2013, and its financial performance and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

The Financial Report on the pages formally stamped by BDO complies with requirements of section 60 and 61 of the Friendly Societies and Credit Unions Act 1982 and in accordance with the Financial Reporting Act 1993 we report that:

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

BDO Waikato

BDO Waikato

27 June 2013
1026 Victoria Street
Hamilton
New Zealand