



FRIENDLY SOCIETIES AND CREDIT UNIONS ACT 1982
ANNUAL RETURN
CREDIT UNION

This Return is to be completed and sent within three months of the end of the financial year to the Registrar of Friendly Societies and Credit Unions, Private Bag 92061, Auckland Mail Centre.

The purpose of the Return is to obtain up-to-date information, and to present certain details in a consistent manner for all credit unions, to better assess the financial position of each credit union. It is also used to compile overall credit union statistics. Please complete all sections. This Return may be typed or neatly handwritten.

Name of Credit Union: Auckland District Manchester Unity Credit Union
 Registered Office: 5 Campbell Road, Royal Oak, Auckland.
 Postal Address: PO Box 24318, Royal Oak, Auckland.
 Financial Year Ended (DD/MM/YY): 30 September 2005.

A. NAMES AND ADDRESSES OF OFFICERS (as at the date of the Return; continue of separate sheet if necessary).

	Name	Residential Address
Directors or Committee	Mark Wilson	East Coast Road, Redvale, Auckland
	Rex Oliver	43 O'Connor Drive, Pukekohe, Auckland
	John Fitzgerald	2-99 Hebron Road, Waiake, Auckland
	Philip Platt	Unit 3, 774 Mt Eden Road, Mt Eden, Auckland.
	Alex Robinson	15 Jacaranda Court, Pukekohe, Auckland.
Trustees	John Fitzgerald	2-99 Hebron Road, Waiake, Auckland
	Philip Platt	Unit 3, 774 Mt Eden Road, Mt Eden, Auckland
	Alex Robinson	15 Jacaranda Court, Pukekohe, Auckland
Acting Secretary/manager	Alex Robinson	15 Jacaranda Court, Pukekohe, Auckland.
Treasurer	N/A	
Manager	N/A	

B. MEMBERSHIP

Total number of members at beginning of year	2,454
Number brought in from merged credit unions	0
Number who joined during year	21
Number who left during year	80
Total number of members at end of year	2,395
Total number of non-qualifying members included above at the end of year (section 106(4) and (5) of the Act)	0

NATIONAL COMPANIES OFFICE
 26 JAN 2006
 LIVE

C. STATEMENT OF FINANCIAL PERFORMANCE ("INCOME STATEMENT")

INCOME

(Whole dollars only)

	\$
Interest charged of loans to members	360,416
Interest and dividends on investments and bank accounts	151,546
Commissions	0
Fees	12,153
Recovery of bad and doubtful loans previously written off	463
Other income (if any - specify significant items)	0
	0
	0

Total Income \$ 524,578 ✓

ADMINISTRATION COSTS

	\$
Honoraria for elected officers	2,500
Expenses for elected officers	0
Remuneration of employees	104,254
Dues to an association of credit unions	1,782
Members loans/savings protection insurance premiums	13,298
Expenses incurred on properties (i.e. Rent, Rates, etc)	18,483
Depreciation of properties	0
Depreciation of other fixed assets	4,795
Bad loans written off	22,371
Provision for doubtful loans	0
Other administration costs	51,620
Other expenditure (if any - specify significant items)	0
	0
	0

Total Administration Costs \$ 219,103 ✓

COST OF FUNDS

Interest & Dividends paid or payable to members (gross)	284,497 ✓
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Total Cost of Funds \$ 284,497 ✓

TRANSFERS FROM INCOME

	\$
Transfer to General Reserve (Section 119)	0
Transfers to other reserves	0
Transfers from reserves	0
Brought in from merged credit unions	0

Net Transfers from Income \$ 0

Retained Earnings at beginning of year \$ 13,745 ✓

Retained Earnings at end of year \$ 34,723 ✓

D. STATEMENT OF FINANCIAL POSITION ("BALANCE SHEET")

ASSETS

(Whole dollars only)

	\$
Land and buildings	0
Other fixed assets (machinery, furniture, vehicles etc)	16,945
Loans to members (less provisions for bad/doubtful debts)	5,618,609
Investments - Government securities	0
Local Authority and SOE securities	0
Bank	0
Association of Credit Unions	0
Other investments	644,000
Cash on hand & Bank current accounts	2,252,455
Sundry debtors / Accounts receivable	27,996
Other (specify significant items)	0
	0
	0

Total Assets \$

8,560,005 (A)

LIABILITIES & MEMBERS EQUITY

\$

On-call shares	7,808,031
Term shares	0
General reserve (under section 119)	637,847
Other reserves	0
Retained Earnings (as in Section C)	34,723
Loans from other credit unions or an association	0
Bank loans and overdraft	0
Provision for interest / dividends (gross)	0
PAYE / GST / Tax payable	56,103
Other (specify significant items)	0
Sundry Creditors	12,544
Provision for Holiday Pay	10,757

NOTE: TOTALS (A) & (B) MUST BE IDENTICAL

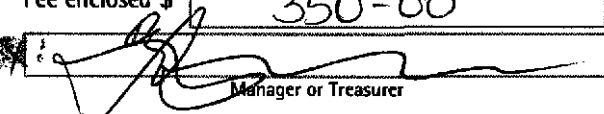
Total Liabilities & Equity \$

8,560,005 (B)

The proportion of loans with repayments at least three months in arrears is0.16.....% of total loans outstanding (after write-off of bad loans, and before provision for doubtful loans).

We hereby certify that this Return is in accordance with the audited financial statements of the credit union. A signed copy of the audited financial statements and auditor's report are enclosed.

Fee enclosed \$ 350-00


 Manager or Treasurer

10/Platt
 Trustee or Board Member

24th January 2006
 Date

GUIDANCE NOTES FOR COMPLETING AN ANNUAL RETURN FOR A CREDIT UNION

An annual return form is enclosed. This form is used for Credit Unions, registered under Part III of the Friendly Societies and Credit Unions Act 1982 ("the Act").

Section 127 of the Act requires you to file one copy of the annual return, duly completed, together with a copy of your audited financial statements, within **three months** of the end of the financial year of your credit union.

The annual return form has been amended slightly from May 2005. Old forms must not be used. The current forms have 5/05 at the bottom of the final page.

Notes to assist completion of the Return

In most respects the annual return form should be self-explanatory. However, there are a few areas where some credit unions have experience difficulty:

- Please round all monetary figures to the nearest dollar.
- In section C, "Other administration costs" should include regular items such as data processing costs, audit fees, AGM expenses, fidelity insurance, education and promotion, etc. Please do not include these items as "Other Expenditure".
- Please ensure that the statement of financial performance in section C adds through, i.e. *Income less Administration Costs less Cost of Funds less/plus Transfers to/from Reserves plus Retained Earnings* at beginning of year *equals* Retained Earnings at end of year.
- Two signatures are required at the end of the annual return. Please ensure that two separate persons sign the form, and that they both take responsibility for the information provided. The Return should also be dated.
- The financial statements must comply with all relevant financial reporting standards and show:
 - a) A statement of financial performance (also known as "Income Statement").
 - b) A statement of financial position (also known as "Balance Sheet").
 - c) A statement of movements in equity.
 - d) A statement of cash flows.
 - e) A statement of accounting policies and such explanatory notes as are necessary to understand the financial statements.
 - f) An auditor's report.
- The auditor's report must be that which relates to the published financial statements enclosed with the annual return.
- The financial statements must be signed and dated by 2 directors.

- Please do not file the annual return without a copy of your audited financial statements (or vice-versa).

Fees

The basic fee for filing an annual return under section 127 of the Act is ~~\$100.00~~.

There are further fees payable under section 18 of the Financial Reporting Act 1993. The basic fee is \$100.00. A further sum is payable where the certified audited financial statements are not delivered to the Registrar within the prescribed time (i.e. 3 months after the balance date):

- a. \$25.00 where the documents are delivered not later than 25 working days after the prescribed time; or
- b. \$100.00 where the documents are delivered more than 25 working days after the prescribed time.

In other words, for any credit union filing its annual return and audited financial statements within 3 months after balance date (as required by the Act), the total fee is ~~\$400.00~~. Please include the total fees in one cheque, payable to the "Registrar of Friendly Societies and Credit Unions".

\$100 already paid

The above fees cover the cost of most of the regular tasks undertaken by the Registrar (examining annual returns, financial statements and reports, examining amendments to registered rules, registering changes of trustees, changes of registered office, changes of names of organisations, follow-up of delinquent organisations etc), as well as special investigations, prosecutions, and maintenance of the public register. These fees are inclusive of GST.

Please **do not** file the annual return without a copy of your financial statements, including auditor's report, as required by section 127 of the Act.

Please send the documents to the:

Registrar of Friendly Societies and Credit Unions
Private Bag 92061
Auckland Mail Centre
AUCKLAND

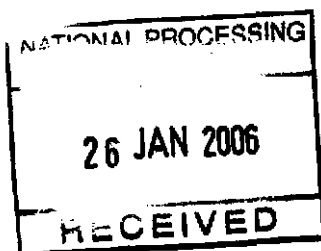
NOTES:

(1) The use of correction fluid and / or correction tape is not permitted on the annual return form. Errors should be corrected by neatly deleting the incorrect details and entering the correct details with the correction(s) being initialled by an authorised officer.

(2) A change of trustees, change of name and amendments to registered rules should be notified using the relevant form(s). Please contact 0508 COMPANIES (0508 266 726) for further assistance.



SIXTY THIRD
ANNUAL REPORT
TO 30 SEPTEMBER 2005
(9 MONTHS)



Board of Directors 2005

Mark Wilson	Chairman
Rex Oliver	Deputy Chairman
TBA	Treasurer
John Fitzgerald	Trustee
Phil Platt	Trustee
Alex Robinson	Trustee

Credit Union Staff

Alex Robinson	Acting Secretary / Manager
Loans / Estate Executive	Yvette Cousins
Administrator	Rukhi Dahya
Accountant	Angela Tidey

CHAIRMAN'S REPORT

Members,

Since the split of the Credit Union and the Auckland District, there have been many challenges facing the Directors, the main one being how to grow the Credit Union.

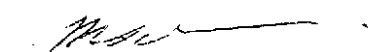
A Secretary Manager with Credit Union experience but from outside Manchester Unity was appointed which led to new ideas and a slight change in direction. Sadly this situation changed when the Secretary Manager resigned twelve months ago. Consequently, we have had difficulty in filling this position and a decision was made to leave the position vacant until a decision is made on the direction of the Credit Union. At the present time Alex Robinson is filling in as temporary, part time Secretary with help from the other two Trustees. This is by no means ideal, but it was decided by the Board that the cost and associated difficulties that may arise with the appointment of a full time Secretary Manager before a decision is made on the direction of the Credit Union, did not warrant pursuing the matter. Further, the Board felt that their time could be better spent on the Credit Union's future direction.

At this time I would personally like to thank Alex, John and Phil for the large amount of time and effort they have put into the running of the Credit Union and to the office staff for their dedication to the Credit Union and its members. They are one of the greatest assets the Credit Union could have.

Since our last AGM we have also been short of one Board member and this position was advertised through the Lodges with no response from members. It is important that we have a full complement of Board members. That there was no response to the position could be perceived as a lack of interest in the Credit Union by its members. If any one knows of a person that may be interested in joining the Board and helping to manage the Credit Union, please let us know.

The Board is still looking at two options for the future of the Credit Union and foremost in the minds of the Directors are the members' funds, growth in the Credit Union and returns to members. Deciding on the future direction of the Credit Union is a very painstaking business and all the options need to be carefully looked at and evaluated. Progress is being made, although at a slower rate than we would like.

The Credit Union has substantial funds available to lend to members. The more money lent out, the greater the return to you, its members. More money lent out at competitive rates means a better dividend at the end of the year. Keep this in mind when you or your family need to borrow or invest money. Growth in the Credit Union means better returns to you – the owners of the Auckland District Manchester Unity Credit Union.



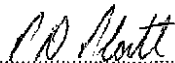
Mark Wilson
CHAIRMAN

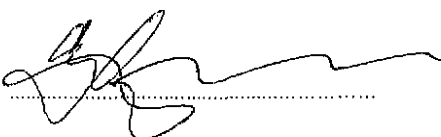
AUCKLAND DISTRICT MANCHESTER UNITY CREDIT UNION

STATEMENT OF FINANCIAL POSITION
As at 30 SEPTEMBER 2005

	Notes	30 September 2005 (9 mths)	31 December 2004 (9 mths)
Reserves			
Undistributed Reserve	2	34,723	13,745
General Reserve	3	637,847	637,847
Total Reserves		672,570	651,592
Current Liabilities			
Sundry Creditors		12,544	2,272
Provision for Holiday Pay		10,757	10,555
Resident Withholding Tax Payable		56,103	55,558
Members' Shares - Unsecured		7,808,031	8,539,276
Total Current Liabilities		7,887,435	8,607,661
TOTAL RESERVES AND LIABILITIES		\$ 8,560,005	\$ 9,259,253
Current Assets			
Cash at Bank		2,252,455	407,193
Bank Term Deposits		-	1,650,000
Sundry Debtors & Prepayments		27,996	14,762
Loans to Members		482,975	533,106
Total Current Assets		2,763,426	2,605,062
Non Current Assets			
Loans to Members		5,165,634	5,819,057
Provision for Doubtful Debts		(30,000)	(30,000)
Investments	4	644,000	844,000
Property, Plant & Equipment	5	16,945	21,133
Total Current Assets		5,796,579	6,654,191
TOTAL ASSETS		\$ 8,560,005	\$ 9,259,253

For and on behalf of the Board of Directors:


 Trustee 29th November 05 Date


 Secretary 29th November 05 Date

The accompanying notes form part of these Financial Statements

AUCKLAND DISTRICT MANCHESTER UNITY CREDIT UNION

STATEMENT OF FINANCIAL PERFORMANCE

For the nine months ended 30 September 2005

	Notes	30 September 2005 (9 mths)	31 December 2004 (9 mths)
Income			
Interest - Loans to Members		360,416	392,248
Interest - Bank Term Deposits		94,661	53,330
Interest - Bank		11,937	3,210
Interest - Investments		44,948	60,575
Bad Debts Recovered		463	338
Administration Fees & Other Income		12,153	12,222
Total Operating Income		524,578	521,922
Expenses			
Audit Fees		5,119	3,462
Accounting & Other Fees Paid to Auditor		-	973
Bad Debts		22,371	5,976
Doubtful Debts		-	15,000
Depreciation		4,795	4,967
Legal Expenses		2,002	2,964
Life Savings & Debt Protection Insurance		13,298	13,841
Office Administration & General		48,781	75,758
Salaries		104,254	124,084
Rent		18,483	16,911
Dividend Paid on Members' Shares		284,497	284,927
Total Operating Expenses		503,600	548,862
NET SURPLUS/(LOSS)		\$ 20,978	\$ (26,940)

STATEMENT OF MOVEMENT IN RESERVES

For the nine months ended 30 September 2005

	30 September 2005 (9 mths)	31 December 2004 (9 mths)
Opening Reserves	651,592	678,532
Net Surplus/(Loss)	20,978	(26,940)
TOTAL RESERVES	\$ 672,570	\$ 651,592

The accompanying notes form part of these Financial Statements

AUCKLAND DISTRICT MANCHESTER UNITY CREDIT UNION

STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2005

	Notes	30 September 2005 (9 mths)	31 December 2004 (9 mths)
Cash Flow from Operating Activities			
<u>Cash was Provided from:</u>			
Interest Received - Loans to Members		360,416	392,248
Interest Received - Bank Term Deposits		94,661	53,330
Interest Received - Bank		11,937	3,210
Interest Received - Investments		43,059	72,535
Bad Debts Recovered		463	338
Sundry Income & Administration Fees		12,153	12,222
Total Cash Provided		522,689	533,883
<u>Cash was Applied to:</u>			
Payment to Suppliers & Employees		221,454	265,680
Withholding Tax Paid to IRD		54,266	74,914
Total Cash Applied		275,720	340,594
NET CASH FLOW FROM OPERATING ACTIVITIES	6	\$ 246,969	\$ 193,289
<hr/>			
Cash Flow from Investing Activities			
<u>Cash was Provided from:</u>			
Net Decrease in Loans		703,555	388,118
Bank Term Deposits Returned		1,650,000	-
Powerco Ltd		-	200,000
Total Cash Provided		2,353,555	588,118
<u>Cash was Applied to:</u>			
Net Increase in Loans		-	-
Bank Term Deposits Invested		-	650,000
Purchase Fixed Assets		604	550
Fletcher Challenge		-	-
Fernz Corporation		-	-
Watercare Services		(200,000)	-
Tower Finance		-	-
Fonterra Capital		-	-
Total Cash Applied		(199,396)	650,550
NET CASHFLOW FROM / (USED IN) INVESTING ACTIVITIES		\$ 2,552,951	\$ (62,432)
<hr/>			
Cash Flow from Financing Activities			
<u>Cash was Provided from:</u>			
Net Increase in Members' Shares		2,029,814	3,001,796
Total Cash Provided		2,029,814	3,001,796
<u>Cash was Applied to:</u>			
Net Decrease in Members' Shares		2,984,472	3,298,791
Total Cash Applied		2,984,472	3,298,791
NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES		\$ (954,658)	\$ (296,995)
<hr/>			
Cash Summary			
Opening Cash		407,193	573,331
Net Increase / (Decrease) in Cash Held		1,845,262	(166,138)
CASH CARRIED FORWARD		\$ 2,252,455	\$ 407,193

The accompanying notes form part of these Financial Statements

AUCKLAND DISTRICT MANCHESTER UNITY CREDIT UNION
Notes To and Forming Part Of the Financial Statements
For the nine months ended 30 September 2005

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The Auckland District Manchester Unity Credit Union is registered under the Friendly Societies and Credit Unions Act 1982. The Credit Union is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements of the Credit Union have been prepared in accordance with the Securities Regulations 1983 (as amended) as if they were required to be contained or referred to in a registered prospectus.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis are followed by the Credit Union.

Specific Accounting Policies

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

Sundry Debtors

Sundry Debtors are stated at estimated realisable value.

Property, Plant & Equipment

All assets are recorded at cost, less accumulated depreciation.

Depreciation

Depreciation is provided on a Straight Line basis for Electronic & Office Equipment, and on a Diminishing Value basis for Office Furniture. All fixed assets are calculated at rates that allocate the asset's cost or valuation less estimated residual value, over their estimated useful lives.

Depreciation Rates:

Electronic and Office Equipment	15.5% - 48%	(Straight Line Depreciation)
Office Furniture	7.5% - 22%	(Diminishing Value Depreciation)

Income Tax

No amounts have been provided for or credited by way of taxation as the Credit Union is exempt under Section CB 4 (1) (a) of the Income Tax Act 1994.

Dividend on Members' Shares

The amount provided for dividend on members' shares is credited to members' share accounts as at 30 September and is available for withdrawal by the members at any time in the same manner as any share subscription.

Commission

No commission is payable in respect of the Credit Union's shares.

Investments

Investments are recorded at the expected redemption value on maturity.

Deposits

Deposits are stated at the lower of cost and net realisable value.

Where in the opinion of the Board of Directors there has been a permanent diminution in value of deposits, this is recognised in the current period.

General Reserve

A general reserve is maintained to cover the risk of non recovery inherent in the loan portfolio. This reserve is set at the greater of the amount required by the Friendly Societies and Credit Unions Act 1982, or an amount decided upon by the Statutory Trustee based on the size of the portfolio, their assessment of the risk of loss, and past loss experience.

Loans

Loans are stated at the lower of cost and net realisable value. A provision is made against individual loans where recovery is considered to be in doubt. Individual debts are written off each year when recovery is considered to be no longer cost effective and there is no reasonable expectation of recovery.

Members' Shares

Members' shares represent amounts deposited by members with the Credit Union, and are stated at the nominal value of the amounts deposited by members.

Interest Revenue and Expense

Interest revenues and expenses are recognised on an accrual basis.

Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

AUCKLAND DISTRICT MANCHESTER UNITY CREDIT UNION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the nine months ended 30 September 2005

	30 September 2005 (9 mths)	31 December 2004 (9 mths)
Reserves		
2. UNDISTRIBUTED RESERVE		
Opening Balance	13,745	40,685
Net Surplus/(Loss) for Period	20,978	(26,940)
Transfer to General Reserve	-	-
Total Undistributed Funds	\$ 34,723	\$ 13,745
3. GENERAL RESERVE		
Opening Balance	637,847	637,847
Transfer from Undistributed Funds	-	-
Total General Reserve	\$ 637,847	\$ 637,847
TOTAL RESERVES	\$ 672,570	\$ 651,592
4. INVESTMENTS		
Fletcher Building	44,000	44,000
Fernz Corporation	200,000	200,000
Watercare Services	-	200,000
Tower Finance	200,000	200,000
Fonterra	200,000	200,000
Total Investments	\$ 644,000	\$ 844,000

5. **PROPERTY, PLANT & EQUIPMENT**

For the nine months ended 30 September 2005

	Cost	Accumulated Depreciation	Book Value
Computer and Office Equipment	15,955	13,144	2,811
Office Furniture	20,012	5,878	14,134
Total Depreciable Assets	\$ 35,967	\$ 19,022	\$ 16,945

For the nine months ended 31 December 2004

	Cost	Accumulated Depreciation	Book Value
Computer and Office Equipment	15,675	9,909	5,766
Office Furniture	19,713	4,342	15,370
Total Depreciable Assets	\$ 35,388	\$ 14,251	\$ 21,137

6. **RECONCILIATION OF NET SURPLUS/(LOSS) WITH CASH FLOWS FROM OPERATING ACTIVITIES**

	30 September 2005 (9 mths)	31 December 2004 (9 mths)
Reported Surplus/(Loss)	20,978	(26,940)
Add / (Less) Non-Cash Items		
Depreciation	4,792	4,967
Mortgage Loss Provision	-	15,000
Holiday Pay Provision	202	(2,636)
Dividend Credited to Members' Accounts	223,412	225,194
Add / (Less) Items Classified as Financing Activities		
Add / (Less) Movements in Working Capital Items		
Sundry Debtors & Prepayments	(13,234)	11,961
Sundry Creditors & Resident Withholding Tax	10,819	(34,257)
NET CASH INFLOW FROM OPERATING ACTIVITIES	\$ 246,969	\$ 193,289

Certain cash flows in the statement of cash flows have been netted in order to provide more meaningful disclosure as many of the cashflows are received from and disbursed to members and reflect the activities of the members rather than the entity. These include loans to members and members' shares.

AUCKLAND DISTRICT MANCHESTER UNITY CREDIT UNION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
AUCKLAND DISTRICT MANCHESTER UNITY CREDIT UNION

7. FINANCE RECEIVABLES

	30 September 2005 (9 mths)	31 December 2004 (12 mths)
Balance at Beginning of Year	6,322,164	6,725,282
Value of New Finance Receivable Contracts Written	1,300,735	1,808,060
Receipts from Borrowers	1,952,383	2,190,540
Less Bad Debts Written Off - Net of Recoveries	21,907	5,638
Finance Receivables Due	5,648,609	6,337,164
Less:		
Unearned Interest	-	-
Specific Provision for Doubtful Debts	-	-
General Provision for Doubtful Debts	-	15,000
Balance at End of Year	\$ 5,648,609	\$ 6,322,164
Due for Receipt		
Within 1 Year	482,975	533,106
Over 1 Year	5,165,634	5,789,058
Total Finance Receivables Due	\$ 5,648,609	\$ 6,322,164
Provision for Doubtful Debts		
Balance at Beginning of Year	30,000	15,000
Specific Doubtful Debts during year	-	-
General Doubtful Debts during year	-	15,000
Balance at End of Year	\$ 30,000	\$ 30,000

The provision for doubtful debts consists of a specific provision of \$0 and a general provision of \$30,000. The specific provision is based on a line by line assessment of advances for which repayments are in default. In view of the uncertainty surrounding the amount which can be collected from the overdue loans and from realisation of the related securities, the Directors have also created a general provision. The general provision represents 0.53% (31 December 2004 0.47%) of the net advances on which the specific provision has not been calculated on.

8. Past Due Assets

Past due assets are defined as those assets where instalments are 3 months or more overdue.

	30 September 2005 (9 mths)	31 December 2004 (12 mths)
Balance at Beginning of Year	37,128	22,000
Additions to Past Due Assets	988	15,128
Deletions to Past Due Assets	22,464	-
Balance at End of Year	\$ 15,652	\$ 37,128

The company has none of the following on hand at balance date:

- (a) Non-Accrual assets;
- (b) Restructured assets;
- (c) Real estate assets acquired through the enforcement of security;
- (d) Other assets acquired through the enforcement of security.

AUCKLAND DISTRICT MANCHESTER UNITY CREDIT UNION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the nine months ended 30 September 2005

9. FINANCIAL INSTRUMENTS LIQUIDITY RISK

The basis of the following schedule is the liquidity profile.

Liquidity Risk is the risk that the Credit Union will encounter difficulty in raising funds at short notice to meet commitments associated with financial instruments. The Credit Union maintains sufficient funds to meet its commitments based on historical and forecasted cash flow requirements. Liquidity Risk and exposure is reviewed on an ongoing basis.

	<u>Maturity Profile 30 September 2005</u>				Total
	0-6 Mths	6-12 Mths	12-24 Mths	24-60 Mths	
Assets					
Cash at Bank	2,252,455	-	-	-	2,252,455
Funds on Deposit	-	-	-	-	-
Sundry Debtors & Prepayments	27,996	-	-	-	27,996
Investments Held to Maturity	-	-	244,000	400,000	644,000
Loans less Provision for Doubtful Debts	222,554	260,421	605,045	4,560,589	5,648,609
Property, Plant & Equipment	-	-	-	18,945	18,945
Total Financial Assets	2,503,005	260,421	849,045	4,977,534	8,590,005
Liabilities					
Bank Overdraft	-	-	-	-	-
Sundry Creditors, RWT & Holiday Pay	79,404	-	-	-	79,404
Members' Shares	7,808,031	-	-	-	7,808,031
Total Financial Liabilities	7,887,435	-	-	-	7,887,435
NET FINANCIAL ASSETS	\$ (5,384,430)	\$ 260,421	\$ 849,045	\$ 4,977,534	\$ 702,570

Available facilities and support arrangements:

Overdraft facility \$Nil

	<u>Maturity Profile 31 December 2004</u>				Total
	0-6 Mths	6-12 Mths	12-24 Mths	24-60 Mths	
Assets					
Cash at Bank	407,193	-	-	-	407,193
Funds on Deposit	1,650,000	-	-	-	1,650,000
Sundry Debtors & Prepayments	14,762	-	-	-	14,762
Investments Held to Maturity	-	200,000	-	644,000	844,000
Loans less Provision for Doubtful Debts	285,186	247,920	473,550	5,315,508	6,322,164
Property, Plant & Equipment	-	-	-	21,133	21,133
Total Financial Assets	2,357,142	447,920	473,550	5,980,641	9,259,253
Liabilities					
Bank Overdraft	-	-	-	-	-
Sundry Creditors, RWT & Holiday Pay	68,385	-	-	-	68,385
Members' Shares	8,539,276	-	-	-	8,539,276
Total Financial Liabilities	8,607,661	-	-	-	8,607,661
NET FINANCIAL ASSETS	\$ (6,250,519)	\$ 447,920	\$ 473,550	\$ 5,980,641	\$ 661,592

Available facilities and support arrangements:

Overdraft facility \$Nil

AUCKLAND DISTRICT MANCHESTER UNITY CREDIT UNION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the nine months ended 30 September 2005

10. FINANCIAL INSTRUMENTS LIQUIDITY RISK - continued

Interest Rate Risk

The basis of the following schedule is Interest/Dividend Rate Risk.

Interest Rate Risk is the risk of loss to the Credit Union arising from adverse fluctuations in interest rates. The Credit Union is exposed to interest rate risk in respect of the following activities: borrowing from and lending to members, trading and investing in money market instruments such as government stock.

Exposure to Interest Rate Risk is measured primarily through monthly review of interest rates offered by banks in comparison to interest rates on loans to members and yearly review of dividend rates on members' shares. Interest rates on loans are adjusted during the year when considered necessary to compare with other financial institutions. Changes in interest rates apply to new loans and on the anniversary date of mortgage loans.

<u>Repricing/Maturity Profile 30 September 2005</u>							
	Weighted Average Int Rate %	0-6 Mths	6-12 Mths	12-24 Mths	24-60 Mths	Non-Interest	Total Bearing
Assets							
Cash at Bank	4.50	2,252,455	-	-	-	-	2,252,455
Funds on Deposit	0.00	-	-	-	-	-	-
Sundry Debtors & Prepayments		-	-	-	-	27,996	27,996
Investments Held for Maturity	8.34	-	-	244,000	400,000	-	644,000
Loans less Provision for Doubtful Debts	8.13	222,554	260,421	605,045	4,560,589	-	5,648,609
Property, Plant & Equipment		-	-	-	-	16,945	16,945
Total Financial Assets		2,475,008	260,421	849,045	4,960,589	44,942	8,590,005
Liabilities							
Bank Overdraft		-	-	-	-	-	-
Sundry Creditors, RWT & Holiday Pay		-	-	-	-	79,404	79,404
Members' Shares	4.75	7,808,031	-	-	-	-	7,808,031
Total Financial Liabilities		7,808,031	-	-	-	79,404	7,887,435
NET FINANCIAL ASSETS		\$ (6,333,022)	\$ 260,421	\$ 849,045	\$ 4,960,589	\$ (34,462)	\$ 702,571

Available facilities and support arrangements:

Overdraft facility \$Nil

<u>Repricing/Maturity Profile 31 December 2004</u>							
	Weighted Average Int Rate %	0-6 Mths	6-12 Mths	12-24 Mths	24-60 Mths	Non-Interest	Total Bearing
Assets							
Cash at Bank	4.25	407,193	-	-	-	-	407,193
Funds on Deposit	6.49	1,650,000	-	-	-	-	1,650,000
Sundry Debtors & Prepayments		-	-	-	-	14,762	14,762
Investments Held for Maturity	8.26	-	200,000	-	644,000	-	844,000
Loans less Provision for Doubtful Debts	8.13	285,186	247,920	473,550	5,315,508	-	6,322,165
Property, Plant & Equipment		-	-	-	-	21,133	21,133
Total Financial Assets		2,342,379	447,920	473,550	5,959,508	35,896	9,259,253
Liabilities							
Bank Overdraft		-	-	-	-	-	-
Sundry Creditors, RWT & Holiday Pay		-	-	-	-	68,385	68,385
Members' Shares	4.50	8,539,276	-	-	-	-	8,539,276
Total Financial Liabilities		8,539,276	-	-	-	68,385	8,607,661
NET FINANCIAL ASSETS		\$ (6,196,897)	\$ 447,920	\$ 473,550	\$ 5,959,508	\$ (32,489)	\$ 651,592

Available facilities and support arrangements:

Overdraft facility \$Nil

Credit Risk

Credit risk is the risk of loss arising from the counterparty to a contract failing to discharge its obligations under that contract. Credit risk arises when funds are extended, committed, invested or otherwise exposed through contractual agreements, and encompasses both on and off statement of financial position instruments.

Recognised financial assets which potentially subject the credit union to credit risk principally consist of: cash at bank; funds on deposit; investments held to maturity; sundry debtors; and loans. The maximum possible credit loss on these recognised financial assets is their carrying value as shown on the statement of financial position.

Members and Geographical Industry Concentrations

The majority of Auckland District Manchester Unity Credit Union's members are employed in the Northern North Island of New Zealand. There are no specific concentrations.

Credit Risk Management Policies

Credit risk is controlled through a combination of approvals, limits, reviews and monitoring procedures which are carried out on a regular basis, the frequency of which is dependent on the level of risk. The Directors are fully aware that the six largest debtors owe 24.25% of funds currently on loan, and these funds are all secured by first mortgages over properties (31 December 2004 23.20%).

The Credit Union takes collateral on most loans. The Credit Union performs credit evaluations on all members requiring credit. The collateral taken varies, but includes mortgages and financial covenants. Residential properties are taken as collateral security for the Credit Union's mortgage lending.

Concentrations of Exposure to Individual Counterparties

Number of individual counterparties or groups of closely related counterparties as at:

Percentage of Members' Equity	30 Sep 2005	31 Dec 2004
10 - 19	16	21
20 - 29	10	8
30 - 39	5	0
40 - 49	0	0

Concentrations of Funding

Auckland District Manchester Unity Credit Union's funding is sourced solely from members' shares. Members mainly reside in the Northern North Island of New Zealand. There are no specific industry concentrations.

Other Information

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

30 Sep 2005	31 Dec 2004
0.28%	0.59%

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

30 Sep 2005	31 Dec 2004
24.25%	23.20%

Fair Values

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash, Funds on Deposit, Sundry Debtors, Sundry Creditors, Loans, Members' Shares.

The carrying amount is the fair value for each of these classes of financial instrument.

Investments Held to Maturity

The fair value of these classes of financial instrument is based on their maturity value. The fair value is the same as the carrying value.

11. TRANSACTIONS WITH RELATED PARTIES

The Credit Union charged a Management Fee of \$ 9,000 (31 December 2004 \$9,000) for administration services provided to the Auckland District Manchester Unity Friendly Society.

The value of related party debts written off or forgiven as at 30 September 2005 amounted to \$0 (31 December 2004 \$0).

Shares held by the Board of Directors or their dependents as at 30 September 2005 amounted to \$114,571 (31 December 2004 \$113,801).

Loans to the Board of Directors or their dependents as at 30 September 2005 amounted to \$29,368 (31 December 2004 \$254,266).

Interest rates and repayment terms on loans for related parties are the same as those for all other members.

12. SEGMENT INFORMATION

The Credit Union operates in the financial services industry, with all operations carried out solely within New Zealand.

13. CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

There were no capital commitments or contingent liabilities at 30 September 2005 (31 December 2004 \$0).

14. OPERATING LEASE COMMITMENTS

The Credit Union executed a new lease agreement for premises in Royal Oak, Auckland in March 2005. The lease is for one year with two rights of renewal and will expire in March 2008.

Expected lease commitments under the non-cancelable operating lease are:

	30 Sep 2005	31 Dec 2004
Payable next twelve months	\$ 12,035	\$ 5,637
Payable after twelve months	\$ -	\$ -
	<u>\$ 12,035</u>	<u>\$ 5,637</u>

**AUDIT REPORT
TO THE MEMBERS OF
AUCKLAND DISTRICT MANCHESTER UNITY CREDIT UNION**

We are appointed in accordance with section 122 of the Friendly Societies and Credit Unions Act 1982 to act as auditor of the Auckland District Manchester Unity Credit Union. We are qualified in accordance with section 123 of that Act to act as auditor.

We have audited the financial statements on pages 2 to 10. The financial statements provide information about the past financial performance of the Credit Union and its financial position as at 30 September 2005. This information is stated in accordance with the accounting policies set out on page 5.

Director's Responsibilities

The Board of Directors is responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the Credit Union as at 30 September 2005 and of its financial performance and cash flows for the nine months ended on that date.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Board of Directors and report our opinion to you.

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; and
- whether the accounting policies are appropriate to the Credit Union's circumstances, consistently applied and adequately disclosed.

We 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 which 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 error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by the Credit Union as far as appears from our examination of those records;
- the financial statements on pages 2 to 10 that are required by clauses 16 to 31 of the Second Schedule to the Securities Regulations 1983, and that are required to be audited:
 - comply with the Securities Regulations 1983; and
 - subject to the regulations, comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the financial position of the Credit Union as at 30 September 2005 and its financial performance and cash flows for the nine months ended on that date.

Our audit was completed on 29 November 2005 and our unqualified opinion is expressed as at that date.



**CHARTERED ACCOUNTANTS
AUCKLAND, NEW ZEALAND**

TRUSTEES REPORT

Fellow Members,

During the 9 months to September 2005 the Credit Union made steady progress. Some items in the accounts worthy of comment are:

- Member's shares (deposits) declined from \$8,539,276 to \$7,808,031, a significant fall and attributed to our aging membership and equally to the effect of funds held by our Credit Union on behalf of members for the eventual payments of MCF and PSB. This was a 9.36% withdrawal on a membership basis.
- As at 30 September, our total loans to members totalled \$5,648,609 a fall in keeping with the reduction in funds held. Your money is still working on our members behalf, and not sitting on fixed deposit.
- Our reserves are adequate and bad debts moderate.
- The dividend rate is increased to 4.5% and 5.0%
- Our management expenses are modest when compared with other credit unions and our finances are in good order, although the falling deposits are of concern.

As mentioned during our last annual meeting, we have struggled to find a solution to the falling deposits and demand for our services. The resignation of our Secretary/Manager was the catalyst for the Board to reconsider the role, and exhaustive advertising and research failed to produce a replacement with a promotional/sales background that was within our budget and would have empathy with our target market.

The result of this saw the Trustees act as "caretaker managers" while all alternatives were investigated. These alternatives include finding a way of introducing the long awaited card on a basis that the Credit Union can afford, possibly our only alternative to a gradual slide to an amalgamation with Regional.

We would like to express our heart-felt thanks to the staff for performing exceptionally under trying circumstances, (putting up with us in the office) and to Angela, Yvette and Rukhi we say many thanks, reflecting also the high regards they are held in by all members.


John Fitzgerald
Trustee


Phil Platt
Trustee


Alex Robinson
Trustee

Auditors

O'Halloran & Co
PO Box 6004
Wellesley Street
Auckland

Solicitors

Greg Dunning & Associates
PO Box 31-264
Milford
Auckland

Securities Registrar

The Acting Secretary of the Credit Union:
Alexander Francis Robinson

Trustees of the Securities

Perpetual Trust Limited
111 – 115 Customhouse Quay
Wellington
("the Trustee")

Bankers

National Bank of New Zealand Limited
Epsom North Branch
PO Box 9691
Newmarket
Auckland

**Auckland District Manchester Unity
Credit Union
5 Campbell Road
Royal Oak, Auckland
PO Box 24318, Royal Oak
Telephone: 09 624 1474
Fax: 09 624 1475**