



10063644335

CAXTON EMPLOYEES CREDIT UNION

PROSPECTUS

-relating to-

the Offer of Debt Securities by the Caxton Employees Credit Union

Caxton Employees Credit Union

having offices at: Fletcher Avenue, Kawerau.
Ph. 07 323 6326
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E-mail: office@caxtoncu.co.nz

DIRECTORY

CAXTON EMPLOYEES CREDIT UNION

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("MBIE")
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PROSPECTUS OF CAXTON EMPLOYEES CREDIT UNION

This Prospectus is dated 16 March 2016. This Prospectus is registered under the Securities Act 1978.

The following index is provided pursuant to Regulation 16 of the Securities Regulations 2009. Clause references are to those clauses in Schedule 2 of the Securities Regulations 2009:

Clause	INDEX	Page
	Directory	2
	Key Information	4
1	Main Terms of Offer	6
7	Description of Activities of the Credit Union	6
3	Details of Registration	9
4	Guarantee	10
5	Names, Addresses, and Other Information	10
6	Restrictions on Directors' Powers	11
10	Material Contracts	11
11	Pending Proceedings	11
13	Ranking of Securities	11
14	Provisions of Trust Deed and Other Restrictions on the Credit Union	12
15	Other Terms of Offer and Securities	14
19	Places of Inspection of Documents	17
20	Other Material Matters	17
9	Acquisition of Business or Subsidiary	18
21	Directors Statement	20
8	Summary of Financial Statements	First Schedule
22	Auditors Report and Consent	Second Schedule
16-17	Financial Statements	Third Schedule
1	Share Accounts	Fourth Schedule
14	Supervisor's Statement	Fifth Schedule
5	Directorate	Sixth Schedule

Clauses 2 and 18 are not applicable to the Credit Union.

In registering this Prospectus, the Credit Union has relied on the exemptions contained in:

1. **The Securities Act (Credit Unions) Exemption Notice 2010**, whereby the Credit Union has been granted an exemption from compliance with sections 37A (1)(d), 51, 52 and 54 of the Securities Act 1978 and clauses 1(3) and 12 of Schedule 2, and Regulation 40 of the Securities Regulations 2009 in so far as that regulation deems clauses 1(2) and 3 of Schedule 15 of the Securities Regulations 2009 to be contained in the trust deed; and
21. **The Non-Bank Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2016**, whereby the Credit Union has been granted an exemption from the requirement to have a credit rating pursuant to the Non-bank Deposit Takers Act 2013 ("NBDT Act"). More details regarding the exemption are set out on page 16.

All legislation referred to in this Prospectus may be viewed, free of charge, at www.legislation.govt.nz.

The creditworthiness of the Credit Union is not rated by a rating agency approved by the Reserve Bank of New Zealand under the NBDT Act.

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 co-operative. This means it only provides services to the members of the co-operative. To be a member, you must meet the criteria for eligibility and fall within the common bond of membership.

Members of the Credit Union are its owners and they elect their board of directors. Members invest in the Credit Union by making deposits, which are called shares in the Credit Union in accordance with the Friendly Societies and Credit Unions Act 1982 ("the Act").

The assets of the Credit Union are legally owned by the trustees, who are elected by the members of the Credit Union. 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 Services Limited ("Supervisor") to act as statutory trustee for all the members' shares, in accordance with the Securities Act 1978. For more information concerning the role of the Supervisor refer to Paragraph 9 (*Details of Trust Deed and Other Restrictions on the Credit Union*).

Offer Terms

- This Prospectus provides important information concerning an offer of shares in the Credit Union.
- Shares are issued at \$1.00 and must be paid in cash.
- Shareholders of the Credit Union are termed 'members'.
- Shares are not transferrable. For more information concerning what happens to the shares on a member's death, and as to shares generally, see section paragraph 1 (*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 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 with the Credit Union.

Benefits

- The rate of return on shares depends 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 the Fourth Schedule 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

- **Competition and Market:** under the Act the Credit Union is restricted as to the persons it may accept as members. As the Credit Union is competing with banks, other Credit Unions and companies operating in the savings and loans market, restrictions on membership may affect the Credit Union's profitability and the returns payable to members.

- **Common Bond Limitations (Credit Risk):** the Credit Union is an industry-based Credit Union with its common bond centred around the pulp and paper industry. As such, it is vulnerable to any downturn and consequent staff redundancies in this industry.
- **Liquidity Risk:** this is the risk of the Credit Union not having sufficient cash to meet share repayment obligations to members. This risk requires the Credit Union to manage the maturity of loans and balance this with the anticipated need to repay members' shares.
- **Regulatory / Political Risk:** as the Credit Union is a statutory entity, any changes to the Act or related regulations will have an impact on the Credit Union, and certain changes may have an impact on the availability of the Credit Union to repay its members or provide returns on investment.
- **Unrated Offeror:** the Credit Union is not rated because it is operating under an exemption from the Reverse Bank of New Zealand Act 1989 not to have a credit rating. The Credit Union is exempt because the Credit Union has liabilities of less than 20 million. Not being rated means that there is no rating agency who has performed an in depth analysis of the Credit Union and is monitoring the performance of the Credit Union.
- **Interest Rate Margin Risk:** the rate of return on members' shares depends on annual surpluses being earned through the ongoing profitability of the Credit Union. 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.
- **Lending Risk (Credit Risk):** this is the risk that members to whom the Credit Union has lent money do not repay their loans or make interest payments on time.
- **Operational Risk:** this is the risk relating to the number of key personnel in the Credit Union and the separation of duties between staff. Due to the small size of the Credit Union there is a risk relating to the degree of checks and balances in the Credit Union. The Credit Union relies on the Board and committees of the Board to oversee the operations of the Credit Union.

Costs

- You must pay for your shares in the Credit Union. You will receive one share for every \$1.00 paid by you.
- You must hold at least one share in the Credit Union.
- In addition to the cost of shares, you may be required to pay account and membership fees and charges. The types of fees and charges that may be payable by you to the Credit Union at the date of this Prospectus are set out in the current Rules of the Credit Union and account fees and charges are set out in the Fourth Schedule.

1. MAIN TERMS OF OFFER

1.1 Name and Address of the Credit Union

Name of Credit Union: Caxton Employees Credit Union (the "Credit Union").
Registered Office: Fletcher Avenue, Kawerau
Ordinary Office Hours: Tuesday/ Wednesday/ Thursday/Friday.
12 noon to 4.30 p.m.

Branch Offices and Service

Locations: Fletcher Avenue, Kawerau
Agencies: Asaleo Care (formerly SCA Hygiene Australasia) will deduct members' contributions directly from salary on request.

1.2 Description of the Activities of the Credit Union

The Credit Union

The Credit Union is a not-for-profit financial co-operative registered as a Credit Union under the Friendly Societies and Credit Unions Act 1982 ("the Act"). What this means in general terms is that the loans that are made to members come from the pooled funds of the members who have invested. The objects of the Credit Union are essentially the promotion of thrift amongst its members by the accumulation of their savings, the use and control of the members' savings for their mutual benefit and the training and education of the members in the wise use of money and in the management of their financial affairs. The Credit Union's primary activity over the past five (5) years preceding the date this Prospectus was delivered to the Registrar of Financial Service Providers for registration, has been to provide a co-operative saving facility for members to form a loan fund.

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

The Offer

This Prospectus includes a secured offer of \$1.00 fully paid-up shares in the Credit Union. This offer is made to a section of the public, being:

- (a) Any person living or working in a 50 kilometer radius of the Caxton Employees Credit Union Office and their immediate family (including children under the age of 16 years);
- (b) Employees or former employees of the pulp and paper mills located in Kawerau;
- (c) Any person who is a member of the same household or who is a relative of any person who has been admitted to membership and continues to qualify for membership of the Credit Union under paragraph (b) hereof; and
- (d) In paragraph (c) of this rule, the term "relative", in relation to any person, means:
 - (i) The spouse of that person, including any former spouse or de facto spouse;
 - (ii) Any lineal ancestor, lineal descendant, brother, sister, uncle, aunt, nephew, niece, or first cousin of that person or person's spouse; or
 - (iii) The spouse (including any former spouse or de facto spouse) of any relative specified in sub-paragraph (ii) hereof.

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

Shareholders in the Credit Union are termed members. The repayment of moneys owing on members' shares is principally secured, to the extent permitted by law, by a security interest over the whole of the Credit Union's present and future undertaking, property, assets and revenues, including the proceeds received for the subscription of shares and unpaid share capital (if any). This security interest has been registered pursuant to the Personal Property Securities Act 1999 ("PPSA") and has been granted in favour of the Supervisor subject to any prior charges agreed by the Supervisor (see paragraph 8 for further details).

The Credit Union has appointed the Supervisor as statutory trustee of the offer under this Prospectus, for the purposes of the Securities Act 1978. The Supervisor's appointment, the grant of the security interest and the parties' respective rights and obligations are recorded in the trust deed entered into by the parties, dated 03 April 2001 as amended and restated in the Deed of Amendment and Restatement dated 28 November 2013 (the "Trust Deed") and registered with the Registrar of Companies. Please refer to paragraph 9 for further details of the Trust Deed, Deeds of Modification and Deeds of Amendment.

Shares

Members contribute to the Credit Union by way of shares that make up the capital of the Credit Union. Each member must hold a minimum of \$1.00 in fully paid-up share(s). The rules of the Credit Union provide that subject to the Act and the Trust Deed the Board may fix the maximum amount of shares which may be held by any member. As at the date of this Prospectus the Board of the Credit Union has set the maximum at \$250,000. Management may make an exception but any such exception shall be reported to the Board.

Non-qualifying members must not exceed 10% of total membership. Non-qualifying members are entitled to shares and loans but loans must not exceed their total paid up shareholding in the Credit Union.

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

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

Shares in the Credit Union are not transferable except where a member has nominated in writing that a person is to receive the member's shareholding in the Credit Union on the member's death, or any monies payable by the Credit Union to the member, at that time. However, any such nomination can only provide that a person receive that part of the member's shareholding, or monies payable by the Credit Union, up to a maximum of \$2000. Furthermore, to be legally enforceable, any such nomination must be signed by the member and delivered or sent to the registered office of the Credit Union, or made in the register of members kept at the Credit Union's registered office. Please refer to paragraph 2.3, for a further explanation of the register of members.

Membership

Applications to subscribe for shares must be made on the Credit Union's standard application form which is available on request at the offices of the Credit Union. Payment of the subscription detailed in the application form will be payable in the manner required by the Credit Union, and may include, payment in cash or by way of personal or bank cheque, or as otherwise agreed in writing by the Credit Union. The application form together with the full amount of the subscription payable may be delivered or posted to the Credit Union. ~~The Credit Union's contact details are included in the Directory. The Credit Union will only accept applications from those members of the public who meet the membership criteria described under "The Offer" above. The Credit Union reserves the right to accept or decline any application without giving any reason for its decision.~~

The Credit Union is not entitled at law, to issue share certificates to members. However, all deposits and withdrawals from a member's share account will be entered in the member's records. In addition, the Credit Union will on request, and every three (3) months during the period of membership, forward a statement of account to each member of their shareholding in the Credit Union. Members may use ATM enquiry, Accesstxt, Internet Banking and Mobile Banking to check the balances of their accounts.

On every matter determined by a vote of members of the Credit Union, each member is entitled to vote. However, each member has one vote only, irrespective of the number of shares held by that member or as to whether the shares are held jointly with any other person(s).

Share Accounts

A member's shareholding must be held in one or more of the share accounts operated by the Credit Union and nominated by the member in writing. Applications to subscribe for shares must be made on the Credit Union's standard application form which is available on request at the offices of the Credit Union. The Credit Union's contact details are included in the Directory. Each share account may offer differing terms and conditions as to

dividend or interest return, the minimum amount of shares required to be purchased and the timing of repayment.

The rate of return on shares is dependent on the type of share account in which members shares are placed, the terms of the account and the duration of the term.

Details of the share accounts currently operated by the Credit Union including the conditions of each account, the rate of dividend or interest return (or how that rate may be calculated), the minimum amount of shares required to be purchased, the term of the investment and the timing of repayment are set out in the Fourth Schedule to this Prospectus. The Board of the Credit Union may vary the rate of return, the terms and conditions of the account, or the timing of repayments. Any such variation shall be notified to members forthwith by notice displayed at the Credit Union's office.

Term Share Accounts

Shares in a Term Share Account will earn interest at the rate specified in the account application form. Please refer to the Fourth Schedule for details of the conditions, rates and terms of Term Share Accounts offered by the Credit Union.

On Call and Notice of Withdrawal Accounts

It is the Credit Union's intention that shares in selected On Call accounts and Notice of Withdrawal Accounts will, subject to the Credit Union's absolute discretion to vary the rate of return, receive an annual dividend from the profits of the Credit Union.

The maintenance of the rate of dividend paid on member accounts is largely dependent on the annual surpluses earned by the ongoing profitability of the Credit Union.

The method of calculating the rate of return on all of the Credit Union's On Call and Notice of Withdrawal accounts, together with the terms and conditions of these accounts is set out in the Fourth Schedule of this Prospectus. To meet the minimum shareholding requirements a member must, at all times, have a minimum of \$1.00 in an On Call or Notice of Withdrawal Account offered by the Credit Union.

Payment of Returns

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

Fees and Charges

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

Withdrawals

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

Generally withdrawals would not be available where such withdrawal of shares would reduce a member's paid-up share holding in the Credit Union to less than the member's total liability (including any contingent liability) to the Credit Union. The Credit Union is not entitled at law, to consent to any withdrawals where the Credit Union is unable to meet its debts as they fall due.

Maturity

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

Early Repayment

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

Taxation

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

- (a) a member omits to notify the Credit Union of their IRD number, the Credit Union is required by law, to deduct RWT at 33% (or such other amount as required by law);
- (b) a member has notified the Credit Union of their IRD number, but omits to nominate at which RWT rate they wish RWT to be deducted, RWT will be deducted at 33%(or such other amount as required by law).

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

Loans

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

Loans to members will only be made in accordance with the Credit Union's Rules, which may from time to time specify the maximum amount which may be loaned to any member, the maximum term of loans or the lending to assets ratios to be observed by the Credit Union. For details of the conditions existing under the Credit Union's Rules and the Act at the date of application, please contact the Credit Union. In any event the indebtedness of a member shall not exceed 10% of the value of the assets of the Credit Union in the case of a secured loan; or 5% in the case of an unsecured loan. The maximum, period within which a loan must be repaid shall be fixed by the Board but in any event shall not exceed 30 years in the case of a secured loan .

The Credit Union reserves the right to decline any application for a loan without giving any reason.

2. DETAILS OF REGISTRATION OF THE CREDIT UNION

2.1 Registration

The Credit Union was registered on 8 October 1974 as a specially authorised society under the provisions of the Act. ~~The Credit Union's registered number is 1802855. Section 160(2) of the Act deems the Credit Union to be registered under Part III of the Act.~~

The Credit Union is also registered on the Financial Service Providers Register with registration number FSP11721.

2.2 Rules of Operation of the Credit Union

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

2.3 Register of Members

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

2.4 Other Statutory Information

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

3. GUARANTEE

Neither the trustees, Supervisor, directors, nor any other person guarantees the repayment of shares offered by the Credit Union, and payment of any returns thereon.

4. NAMES, ADDRESSES AND OTHER INFORMATION

4.1 Directors and Officers

The directors of the Credit Union serve voluntarily, and are required to be members of the Credit Union. The directors are elected by members at the annual general meeting of members and report to the members annually.

The directors serve a term of 2 years, retire by rotation, and are eligible for re-election.

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

The directors elect from the Directorate the following officers: Chairperson, Vice-Chairperson, Secretary, and the Treasurer is either elected or appointed by the directors. The current Treasurer is Jacqueline MacPherson.

A list of the current directors of the Credit Union is included in the Sixth Schedule. Of these, Z M Robinson (Loan Officer) is an employee of the Credit Union. The manager of the Credit Union is responsible for the day to day management of the Credit Union and is involved in the preparation of this Prospectus.

4.2 Particulars of Trustees

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

4.3 Supervisory Committee

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

Colleen Mayo

Hayley Whyte

4.4 Auditors

The Credit Union has appointed BDO Wellington as the Credit Union's auditors. The auditor is a licensed auditor pursuant to the Auditor Regulation Act 2011 and received its licence on 28 February 2014. Other than in their capacity as auditors, they have no relationship with, or interests in, the Credit Union.

A copy of the auditor's report together with their consent to the report appearing in this Prospectus, is attached to the Second Schedule.

4.5 Solicitors

The Credit Union's solicitors with regard to the preparation of this Prospectus are Stace Hammond. Stace Hammond's contact details are included in the Directory.

4.6 Supervisor

The Supervisor's contact details are included in the Directory. The Supervisor has been granted a licence under Financial Markets Supervisors Act 2011 to act as a trustee in respect of debt securities for a term expiring 27 March 2017 and is subject to reporting conditions. A copy of the Supervisor's licence is publicly available from the Financial Market Authorities website (<http://fma.govt.nz/compliance/role/supervisors/>).

Neither the Supervisor, trustees, directors nor any other party guarantees the repayment of any shares, or the payment of any interest of dividends in respect to any shares held in the Credit Union.

4.7 Bankers

At the date of this Prospectus, the Credit Union's bankers are the Co-op Money Central Fund Facility (this is not a registered bank) and Bank of New Zealand. These parties are not involved in the preparation of this Prospectus.

5. RESTRICTIONS ON DIRECTORS' POWERS

The Credit Union's Rules provide (at rule 30) details of the duties required of the board of directors of the Credit Union. While the list is permissive and non-exhaustive, some of the duties expected of the directors come with their own restrictions set out by the Act. Full details may be found in the Rules of the Credit Union, but the restrictions set out by the Act are more fully described at paragraph 9.9 of this Prospectus.

6. MATERIAL CONTRACTS

The following material contracts were entered into by the Credit Union in the three years preceding the date this Prospectus was presented for registration:

Deed of Variation of Trust Deed dated 28 October 2014

The Credit Union entered into a Deed of Variation of the Trust Deed with the Supervisor dated 28 October 2014. The Deed of Variation amended the Trust Deed between the Supervisor and the Credit Union to incorporate a new clause to ensure that the Credit Union's Liquidity Coverage Ratio does not fall below 1.5 at any time. A copy of the Deed has been filed with the Registrar.

Deed of Amendment and Restatement dated 28 November 2013

A Deed of Amendment and Restatement of the Trust Deed was entered into on 28 November 2013 between the Credit Union and the Supervisor. This deed altered the provisions of the Trust Deed as more particularly referred to in clause 9 of this Prospectus. A copy of the Deed has been filed with the Registrar.

Deed of Retirement and Appointment dated 18 April 2013

A Deed of Retirement and Appointment was entered into on 18 April 2013 between the Trustees of the Credit Union, Trustees Executors Limited, and Covenant Trustee Services Limited (formerly Corporate Trust Limited trading as Foundation Corporate Trust) to provide for the retirement of Trustees Executors Limited from the position of Supervisor in respect of the Credit Union, and the appointment of Covenant Trustee Services Limited as Supervisor. A copy of the Deed has been filed with the Registrar.

Deed of Modification dated 18 April 2013

A Deed of Modification to the Trust Deed was entered into on 18 April 2013 between the trustees of the Credit Union and Corporate Trust Limited (in its capacity as Supervisor at the time) in order to modify the Trust Deed to include certain matters authorised by an extraordinary resolution passed at a meeting of members pursuant to the Trust Deed. Those modifications related to the terms of the remuneration of the Supervisor, the addition of a power to remove the Supervisor and alterations to the provisions regarding appointment of a new Supervisor (described further on paragraph 9 of this Prospectus). A copy of the Deed has been filed with the Registrar.

No Other Material Contracts

There are no other material contracts that have been entered into by the Credit Union in the three year period up to the date this Prospectus was delivered to the Registrar for registration, other than contracts entered into in the ordinary course of the Credit Union's business.

7. PENDING PROCEEDINGS

There are no legal proceedings or arbitrations pending at the date of this Prospectus that may materially affect in an adverse manner, the Credit Union.

8. 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.

The aggregate amount of securities, being the shares issued by the Credit Union to its existing members, that ranked in point of security equally with the shares offered by the Credit Union to potential and existing

members pursuant to this prospectus was \$2,490,063 as at 30 September 2015 (\$2,658,955 as at 30 September 2014).

The repayment of monies owing on members' shares is principally secured to the extent permitted by law by a first ranking security interest over the whole of the Credit Union's present and future undertaking, property, assets and revenues, including the proceeds received for the subscription of shares and unpaid share capital (if any). The security interest has been granted in favour of the Supervisor under the Trust Deed which has been registered with the Registrar of Companies. Please refer to paragraph 9 for further details of the Trust Deed.

A claim by a member who had given notice of withdrawal of the shares prior to liquidation of the Credit Union would rank ahead of claims of any other creditors. However, if, at the time of the Credit Union being placed in liquidation, a member had not made a claim for withdrawal of the member's shares and the Supervisor had not exercised its powers under the Trust Deed to accelerate the repayment of the monies owing in respect of the shares then the member would be treated as a shareholder in the liquidation and would rank behind secured and unsecured creditors (if any). With the prior written consent of the Supervisor the Credit Union may grant a security interest over or affecting all or any part of its assets, and any such security interest may take priority to the member's claims for withdrawal secured by the Trust Deed.

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

9.1 Trust Deed

The Credit Union has appointed the Supervisor the statutory trustee of the offer of shares detailed in this Prospectus for the purposes of the Securities Act 1978. The Supervisor's appointment and the parties' respective rights and obligations are recorded in the Trust Deed as modified by the Deeds of Modification dated 22 October 2002, 19 November 2010 and 18 April 2013, Deed of Amendment dated 05 October 2012, Deed of Amendment and Restatement dated 28 November 2013, and Deed of Variation dated 28 October 2014.

Covenant Trustee Services Limited (formerly Corporate Trust Limited trading as Foundation Corporate Trust) was appointed as the Supervisor by a Deed of Retirement and Appointment dated 18 April 2013. On 28 November 2013 the Credit Union and the Supervisor entered into a Deed of Amendment and Restatement of the Trust Deed. The original Trust Deed as subsequently modified and restated is called the "Trust Deed". A full copy of the Trust Deed can be obtained from the Credit Union or the Companies Office (refer to the paragraph 11 headed "*Places of Inspection of Documents*").

The Credit Union's grant of a security interest in all its present and after-acquired personal property, including the Credit Union's present and future accounts receivable and all the Credit Union's present and future right in relation to all accounts receivable, to the Supervisor is recorded in the Deed of Amendment and Restatement dated 28 November 2013. Please refer to paragraph 8 for further information about the security interest in the Credit Union's personal property.

9.2 Other Charges and Financial Ratios

Under the Trust Deed the Credit Union has covenanted that it will not grant any charge or other security interest in priority to or ranking equally with security interest granted in favour of the Supervisor, without the Supervisor's written consent. The Credit Union has further covenanted, subject to the terms and conditions contained in the Trust Deed (and as defined in the Trust Deed):

- (a) to ensure that its Liquidity Coverage Ratio does not fall below 1.5 at any time;
- (b) to ensure that it has sufficient assets at all times to discharge all debts as they fall due;
- (c) ensure that at all times its capital ratio is not less than 10% if it does not have a credit rating. The capital ratio is calculated in accordance with the provisions of the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2012;
- (d) ensure that at all times the aggregate exposure to related parties does not exceed a maximum of 15% of capital. This ratio is calculated in accordance with the provisions of the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010;
- (e) at all times comply with a risk management programme that meets the requirements of the NBDT Act
- (f) not to allow any borrowings from Co-op Money to exceed 10% of total tangible assets at any time; and

9.3 Further Covenants

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

has given are:

- To pay the principal and interest payable to members by the Credit Union in relation to the shares when due;
- Not to borrow or lend money other than as permitted by the Trust Deed and the Credit Union rules;
- Not to permit its creditor liabilities (for amounts other than that payable to members on the shares) to exceed 10% of total liabilities;
- To operate its business in accordance with lending and investment policies adopted by the Credit Union and not to materially alter those policies without the prior approval of the Supervisor;
- To notify the Supervisor of any legal proceedings that could materially adversely affect the interest of the members and of any breach or possible breach of the Trust Deed or of the terms of issue of the shares and steps that the Credit Union has taken or intends to take in light of the breach or possible breach; and
- Not to amalgamate or alter its legal status without the approval of the Supervisor and a special resolution of members.

9.4 Supervisor's Obligations

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

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

The Supervisor must do all the things that it is empowered to do to cause any breach of the terms of the Trust Deed to be remedied (except if it is satisfied that the breach will not materially prejudice its security, or the interests of members).

9.5 Removal of Supervisor

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

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

9.6 Appointment of New Supervisor

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

9.7 Supervisor's Statement

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

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

9.8 Event of Review

The Supervisor may declare an Event of Review if:

- An Event of Default has occurred; or
- An event has occurred that, in the reasonable opinion of the Supervisor, is likely to have a material adverse effect on the Credit Union's ability to perform its obligations under the Trust Deed or the credit union legislation; or
- The Supervisor reasonably considers that such a declaration is necessary to protect the financial stability of the Credit Union.

At any time after the Supervisor declares an Event of Review, it may appoint an observer at meetings of the Committee of Management. The Supervisor will allow the Committee of Management up to 20 business days to explain to the Supervisor what will be done to rectify the matters giving rise to the Event or Review and if the Supervisor is not satisfied with the Credit Union's explanation the Supervisor may, having regard to the interests of the Members:

- Refer the matter to the registrar for the exercise of his or her powers; or
- Give directions to the Credit Union relating to its management, administration and the conduct of its business and also require the Credit Union to take steps to negotiate a transfer of its engagements or prohibit the Credit Union from certain matters specified in the trust deed; or
- Remove the existing directors and appoint new directors.

9.9 Events of Default

The Credit Union will be considered to have committed an Event of Default if, amongst other things:

- The Credit Union fails to repay when due an amount to a member in respect of shares that have been withdrawn (unless such failure is outside of the Credit Union's control); or
- The Credit Union is unable to pay its debts as they fall due (unless such inability to pay debts is outside of the Credit Union's control); or
- Any of the Credit Union's covenants are breached and, in the case of a breach that is capable of remedy, remains un-remedied for a period of 15 business days; or
- The Credit Union fails to perform or comply with any of its other material obligations under the Trust Deed and, in the case of a failure that is capable of remedy, that failure remains un-remedied for a period of 20 business days; or
- Where necessary governmental or regulatory consents are not granted, revoked or otherwise ceases to be in full force and effect without the position being rectified to the satisfaction of the Supervisor within 10 business days of the Supervisor giving the Credit Union notice to do so; or
- A reporting certificate indicates that the Credit Union is reasonably likely to be unable to satisfy amounts owing in respect of withdrawn shares or any interest during the next six months; or
- An auditor's report contains a statement which indicates that the interests of members may be materially prejudiced in the next six months.

At any time following an Event of Default, the Supervisor can appoint a receiver to the Credit Union and itself exercise the powers conferred on a receiver by the Trust Deed.

9.10 Alterations to the Trust Deed

The Supervisor and the Credit Union may make alterations to the Trust Deed, including:

- To correct a manifest error or which is of a formal or technical nature;
- For administrative reasons or to enhance members' interests, provided the amendments are not adverse to the general interests of members;
- If the change is required by law;
- If the change is approved by members by special resolution; and
- If the Supervisor believes that the amendment is not adverse to the interests of members.

9.11 Other Restrictions on the Credit Union

Certain sections of the Act provide restrictions on the Credit Union that are not set out anywhere else in this prospectus. Section 101(2) of the Act provides that a credit union may take no action or do anything which is not directly pursuant to or incidental to its objects or in furtherance of them or is in contravention of the Rules or the Act. The objects of the Credit Union are set out in paragraph 1.2 of this prospectus under the heading "*The Credit Union*".

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

Section 113 provides that the Credit Union may if permitted by its rules hold an interest in land or buildings in accordance with and as authorised by its rules and the Trust Deed. The Credit Union's rules and Trust Deed permit the Credit Union to hold an interest in land or buildings.

Under section 117 the Credit Union may invest its surplus funds only in accordance with its rules and the Trust Deed or with Co-op Money or a bank carrying on business in New Zealand.

10. OTHER TERMS OF OFFER AND SECURITIES

Some provisions of the Act make an investment in a Credit Union unique. In addition to those sections listed under "Other Restrictions on the Credit Union" at 9.9 above, the following should also be noted:

Section 114 of the Act requires the officers of a Credit Union to give security for the proper performance of their duties. This may be done by having one or more people stand surety for their obligations or by including the security in the insurance policy offered under section 133 of the Act (see below) or by a specially authorised friendly society, association of Credit Unions or by an insurance company. The Credit Union is also required to be insured against fraud or dishonesty. The Credit Union has an insurance policy with VERO Liability Insurance Ltd in compliance with its obligations under the Act.

10.1 Risks

Risk, in terms of your investment with the Credit Union, relates to the chance of you not getting some or all of your investment back, or receiving a lower return than you expected. All investments have some level of risk.

The main risk of you not getting your principal money back from the Credit Union is where the Credit Union becomes insolvent. The principal risks that may affect the solvency of the Credit Union, and consequently any investment with the Credit Union are set out below.

The main risk of you receiving a lower return than expected is where the Credit Union does not make enough money to be able to pay the returns you may have expected. The principal risks that may affect the profitability of the Credit Union are also set out below.

1. Competition and Market

Under the Act the Credit Union is restricted as to the persons it may accept as members.

This restriction is called the Credit Union's Common Bond, and it is specified in the Credit Union's Rules (also in this Prospectus under the heading "The Offer"). As the Credit Union is competing with banks, other Credit Unions and companies operating in the savings and loans market, restrictions on membership provided by the Common Bond may affect the Credit Union's profitability and the returns payable to members as it can only borrow from, and lend to its members. The membership restrictions also limit the size of the Credit Union, and in the savings and loans market size and scale allows an entity to effectively compete with major trading banks and obtain a lower cost of funds. While this risk is inherent in a credit union by its nature and cannot be mitigated, it also provides a credit union with a point of difference which the Credit Union attempts to leverage in the market. The Credit Union has statutory "social" objectives and provides a different form of service to its members than that of a trading bank or finance company.

2. Common Bond Limitations (Credit Risk)

Because of Common Bond Limitations, in the Credit Union's case being those associated with a geographic area and also a particular industrial employer, the Credit Union is vulnerable to any economic downturn in the industry or region reflected in its Common Bond. The Credit Union is also likely to be vulnerable to any natural disasters or other regional phenomena that occur in the area associated with the Credit Union's Common Bond. This creates a general industrial and geographic credit risk that is inherent in the nature of a credit union with what is called an industrial common bond. These limitations provide both a geographic concentration of credit risk and operational risk, meaning the Credit Union's solvency and profitability may be affected should an adverse event impact the area of geographic concentration or specific industry. This could also affect the Credit Union's ability to physically operate its business. To balance the credit risk, the Credit Union has a lending policy that results in high numbers of small sized loans, with minimal concentration of credit risk to a single individual member. To balance the operational risk, the Credit Union has put in place disaster recovery plans and has information technology and system back ups.

3. Interest Rate Margin Risk

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

union borrows from its members (through member deposits) to lend to its members, any interest rate risk will affect the ability of the Credit Union to provide the returns payable to members.

4. **Liquidity Risk**

The Credit Union faces Liquidity Risk where a significant number of members wish to withdraw their funds and the Credit Union does not have a sufficient cash on hand to meet such requirements. This risk is dealt with by the Act, which allows the Credit Union to require not less than 60 days notice of withdrawal of funds. Loans made by the Credit Union are also repayable on demand which allows liquidity to be maintained, to the extent that borrowers are able to repay their loans. General liquidity risk is managed through the monitoring of actual and forecast cashflows; and monitoring maturity dates of assets and liabilities (ie the timing of when loans and deposits or other investments are due to be repaid).

5. **Regulatory / Political Risk**

At its most general level the Credit Union is subject to the risk of legislation being enacted that affects the Credit Union in a materially adverse way. As the Credit Union itself is a statutory entity, any changes to the Act or related regulations will have an impact on the Credit Union, and certain changes may have an impact on the availability of the Credit Union to repay its members or provide returns on investment. Because of its size, the direct cost implications of compliance with regulatory regimes such as the NBDT Act and associated regulations, Anti-Money Laundering and Countering Financing of Terrorism regulations and the Financial Advisors Act 2008 (to name a few) reduce the profitability of the Credit Union. The Credit Union cannot mitigate these general risks, but through its membership with Co-op Money carries out compliance programmes to stay current with any proposed legislation and carry out the necessary implementation to minimise the cost impact on the Credit Union.

In particular, the Credit Union is subject to compliance with the Non-Bank Deposit Takers ("NBDT") requirements. Failure to comply with the NBDT requirements could result in the Credit Union being required to cease trading. The NBDT requirements currently applicable to the Credit Union are:

- *Risk Management:* We are required to have a risk management programme that outlines how the Credit Union identifies and manages its key risks. This programme is to be submitted to, and approved by, the Supervisor.

- *Capital:* We are required to maintain a minimum capital adequacy ratio of 10%. As at 30 September 2015 our capital adequacy ratio was 22.59%

- *Related Party Exposure Limits:* Related party restrictions place a limit on our aggregate credit exposures to all related parties as defined in our Trust Deed. Our related party exposures should not exceed a maximum limit of 15% of capital. As at 30 September 2015 our related party exposure was 11.64%

- *Liquidity:* Liquidity regulations require every NBDT and its Supervisor to ensure that the NBDT's trust deed include one or more quantitative liquidity requirements that are appropriate to the characteristics of the NBDT's business, and that take into account the liquidity of the NBDT. Under the Trust Deed, the Credit Union must ensure that the Liquidity Coverage Ratio does not fall below 1.5 at any time. As at 30 September 2015 our liquidity coverage ratio was 2.65.

- *NBDT Licensing:* The NBDT Act introduced new measures covering licensing of NBDTs, suitability assessments for directors and senior officers, restrictions on changes of ownership and new powers for the Reserve Bank of New Zealand ("the Reserve Bank") to manage instances of distress and failure of the NBDTs. There is a risk that failure by us to comply with the NBDT requirements could result in us losing our NBDT license and being ordered to cease trading, or receiving a license subject to certain conditions.

6. **Unrated Offeror**

The Credit Union is not rated because it is operating under an exemption from the NBDT Act to have a credit rating. The exemption is set out in the Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2009 and Deposit Takers (Extension of Terms) Exemption Notice 2012 and requires the Credit Union to state prominently that the creditworthiness of the Credit Union is not rated by an approved rating agency. The exemption applies because the Credit Union has and maintains a capital ratio of no less than 10%, and has liabilities of less than \$20 million over a specified 12 month period, making it unduly onerous and burdensome to comply with the requirement under the NBDT Act to

have a credit rating. Not being rated means there is no rating agency who has performed an in depth analysis of the Credit Union and is monitoring the performance of the Credit Union, thereby giving investors an independent view of the Credit Union's creditworthiness.

7. Lending Risk (Credit Risk)

Lending risk is the credit risk inherently involved in lending money to people where they may not repay the loan amount, or make interest payments, and the lender (in this case the Credit Union) is unable to realise the value of the loan through enforcement (against the borrower and also by realising any security taken as part of the loan). Lending risk incorporates factors such as the value of the security provided by the borrower, the nature of the security, and the ability of the borrower to service and repay the loan. The Credit Union has a risk policy for loans to deal with this credit risk. The policy involves credit assessment of the borrower and the security available; setting exposure limits for borrowers; monitoring and reviewing any arrears; setting debt recovery reviews and maintaining internal audit of compliance with the lending policy.

8. Operational Risk

Due to the size of the Credit Union there is an operational risk associated with the fact that there is limited segregation of duties among Credit Union personnel. In the Credit Union's case almost all operational matters are conducted by only a couple of people. This in turn leads to potential risks in respect to checks and balances, and oversight of work carried out. There may also be 'key personnel' risk which is inherent in an entity where heavy reliance is placed on a limited number of people. The Credit Union has specific committees such as the Supervisory Committee to monitor internal and financial compliance, and regular board reporting for management to ensure continuity of operational information.

9. Insolvency

While the various risk factors addressed above may relate to the solvency of the Credit Union, should the Credit Union actually become insolvent then this will affect the returns payable to members and the ability of members to receive some or all of their money back.

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

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

11. PLACES OF INSPECTION OF DOCUMENTS

11.1 Credit Union

Each member and prospective member is entitled to obtain on request and free of charge, the most recent copies of:

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

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

11.2 Companies Office

Copies of:

- (a) the Credit Union's Rules;
- (b) this Prospectus, the Deeds of Modification, any material contracts, or, the Trust Deed;
- (c) the Credit Union's audited financial statements; and
- (d) all other documents related to the registration of the Credit Union,

are also filed on a public register at the Companies Office, and are available for inspection through the Companies Office website www.companies.govt.nz [under "Search Other Registers" organisation number AZH-120655-26-16-V1:AZH

1802855]. Copies may also be obtained by telephoning the MBIE Business Service Centre on (0508) 266726. A fee may be payable.

12. OTHER MATERIAL MATTERS

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

The Credit Union manages liquidity risk on the basis of expected maturity dates of its financial assets and liabilities. The maturity profile set out at Note 18 to the Third Schedule shows contractual maturities with regard to Credit Union loans. The Credit Union considers that there is no material difference between those contractual maturities and expected maturity dates for the purposes of the analysis in the maturity profile.

Non-Bank Deposit Takers (Credit Rating Minimum Threshold) Exemption Notice 2016

This notice came into force on 15 February 2016 and replaces the previous Deposit Takers (Credit Rating Minimum Threshold) Exemption Notice 2009 which expired on 1 March 2016. Credit union directors are required to re-submit their director's statements in accordance with the requirements under the new Exemption Notice by 29 February 2016. The Credit Union has submitted new director's statements to the Reserve Bank on 23 February 2016.

Financial Markets Conduct Act 2013

The Financial Markets Conduct Act 2013 ("FMCA") is the new law that will govern how financial products are created, promoted and sold. It also sets out the responsibilities of those who offer, deal in and trade financial products. The FMCA was passed into law in September 2013 and comes into force in phases. The first phase began on 1 April 2014 and the second phase commenced 1 December 2014.

Under the second phase, new governance and disclosure requirements will begin applying on a transitional basis to all issuers. Under the transitional period an existing issuer, such as Credit Union, can choose the date on which it will opt in to the FMCA regime. This transitional period expires on 30 November 2016, by which time all issuers must have opted in to the FMCA regime.

To opt in to the FMCA regime, the Credit Union will need to:

- a) amend its current Trust Deed to comply with the new legislative requirements
- b) give the Financial Markets Authority 20 working days' notice of its intention to opt in to the FMCA regime:
- c) publish a product disclosure statement for all new offers of financial products:
- d) ensure there is a licensed supervisor designated as the trustee under the Trust Deed: and
- e) make periodic disclosures on an online register as and when required.

NBDT Licensing

The NBDT Act came into force on 1 May 2014. From this date, all NBDTs need to be licensed. A one-year transition period enabled existing NBDTs to meet the new licensing rules. As part of the licensing process, the Reserve Bank assessed the applicant's ability to comply with the requirements of the NBDT Act. The bank also assessed the suitability of directors and senior officers of the applicant.

The Credit Union received its NBDT licence on 08 December 2014 subject to section 18 of the NBDT Act. Licensing information for the Credit Union can be found on the public register of licensed NBDTs kept by the Reserve Bank: <http://www.rbnz.govt.nz>.

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

13. SUMMARY FINANCIAL STATEMENTS

The most recent financial statements of the Credit Union for the five (5) years ended 30 September 2015 as required by clause 8 of Schedule 2 of the Securities Regulations 2009, where applicable, are set out in the First Schedule.

14. FINANCIAL STATEMENTS

The audited financial statements of the Credit Union for the twelve months ending 30 September 2015 have been registered under the Financial Reporting Act 2013 on 21 December 2015.. A copy of the financial statements is attached as the Third Schedule.

15. ACQUISITION OF BUSINESS OR SUBSIDIARY


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

16. DIRECTORS' STATEMENT

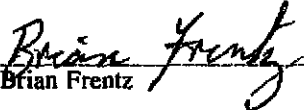
The Credit Unions directors after due enquiry in relation to the period between the date of the latest financial statements and the date of registration of this Prospectus, are of the opinion that no circumstances have arisen that materially adversely affect:

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


SIGNED BY the directors of the CAXTON EMPLOYEES Credit Union.



Vivien Rush



Brian Frenz



Wendy Jane Robinson



Tamizan Nanji



Zyla Mary Robinson

**CAXTON EMPLOYEES CREDIT UNION
FIRST SCHEDULE - SUMMARY OF FINANCIAL INFORMATION**

	Audited For Year Ended 30-Sep 2015 NZ IFRS	Audited For Year Ended 30-Sep 2014 NZ IFRS	Audited For Year Ended 30-Sep 2013 NZ IFRS	Audited For Year Ended 30-Sep 2012 NZ IFRS	Audited For Year Ended 30-Sep 2011 NZ IFRS
	\$	\$	\$	\$	\$
STATEMENT OF COMPREHENSIVE INCOME					
Total Operating Revenue	298,640	310,045	291,400	306,363	313,596
Finance Costs	43,303	46,048	45,463	61,935	45,753
Other Expenses	254,606	263,703	245,757	253,854	266,151
Profit from Operating Activities	731	294	180	574	1,692
Income Tax Expense	0	0	0	0	0
Total Comprehensive Income	731	294	180	574	1,692
STATEMENT OF CHANGES IN EQUITY					
Retained Earnings Brought Forward	933,516	933,222	568,532	567,958	566,266
Total Comprehensive Income	731	294	180	574	1,692
Transfer from General Reserve	0	0	364,510	0	0
Retained Earnings	934,247	933,516	933,222	568,532	567,958
General Reserve	0	0	0	364,510	364,510
TOTAL EQUITY	934,247	933,516	933,222	933,042	932,468
FINANCIAL POSITION					
Cash & Bank	191,195	338,862	105,324	206,239	129,747
Deposits at NZACU/ Bank	1,931,388	1,779,407	1,778,428	1,786,485	1,579,274
Trade and other receivables	4,469	5,072	5,585	4,269	4,696
Loans to members	1,181,540	1,357,685	1,443,318	1,380,450	1,560,364
Capital Notes	135,000	135,000	135,000	135,000	135,000
Property, plant & equipment	39,749	47,314	52,726	56,561	58,866
TOTAL ASSETS	3,483,341	3,663,340	3,520,381	3,579,004	3,467,947
Trade and other payables	59,031	70,869	53,693	70,355	65,506
Members' deposits	2,490,063	2,658,955	2,533,466	2,575,607	2,469,973
Total Liabilities	2,549,094	2,729,824	2,587,159	2,645,962	2,535,479
Equity	934,247	933,516	933,222	933,042	932,468
CASHFLOWS					
Net Cashflows from or used in operating activities	891	238,183	(117,753)	291,869	352,757
Net Cashflows from or used in investing activities	(148,658)	(4,645)	18,838	(215,377)	(356,386)
Net (increase)/(decrease) in cash held	(147,667)	233,538	(100,915)	76,492	(3,629)
Cash and cash equivalents at beginning of year	338,862	105,324	206,239	129,747	133,376
Cash and cash equivalents at end of year	191,195	338,862	105,324	206,239	129,747

Notes to the Summary Financial Statements

1. The amounts stated in the summary financial statements are for the entity Caxton Employees Credit Union (Credit Union) and have been extracted from the full audited financial statements for the years ended 30 September 2011 to 30 September 2015.
2. The summary financial statements are presented in New Zealand Dollars and all values are rounded to the nearest dollar.
3. The above summary financial statements were authorised for issue by the Board, on the date of this prospectus.
4. The directors at the relevant times have previously authorised the issue of full financial statements as follows:
 - Year ended 30 September 2013: Authorised by the directors on 27 November 2015
 - Year ended 30 September 2014: Authorised by the directors on 04 December 2014
 - Year ended 30 September 2013: Authorised by the directors on 27 November 2013
 - Year ended 30 September 2012: Authorised by the directors on 29 November 2012
 - Year ended 30 September 2011: Authorised by the directors on 01 December 2011
5. The full financial statements, from which these summary financial statements were extracted, have been prepared in accordance with NZGAAP (New Zealand Generally Accepted Accounting Practice) and comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for public benefit entities for the years ended 30 September 2011 to 30 September 2015.

The Credit Union has made an explicit and unreserved statement of compliance with NZ IFRS in its full financial statements for the years ended 30 September 2011 to 30 September 2015.
6. The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements.
7. For a copy of the full financial statements please refer to pages 1 to 26 of the Third Schedule of this Prospectus.
8. There are no abnormal items that derive from the ordinary activities of the Credit Union.
9. There are no extraordinary items that derive from the ordinary activities of the Credit Union.
10. The equity method of accounting has not been used.
11. The full financial statements in the Third Schedule of this Prospectus have been audited by BDO Wellington.
12. The audit reports for the full financial statements for the years ended 30 September 2011 to 30 September 2015, include unqualified audit opinions.
13. There were no changes in accounting policies affecting the prior period other than the transition to NZ IFRS in 2007 and the application of new accounting standards as they were issued and became effective.
14. The summary financial statements are in compliance with FRS 43.

AUDITORS' REPORT
To the Directors and Members of Caxton Employees Credit Union

We have audited the accompanying financial statements, of Caxton Employees Credit Union ("the Credit Union") set out in the Third Schedule. The financial statements provide information about the past financial performance and cash flows of the Credit Union and its financial position as at 30 September 2015. This information is stated in accordance with the accounting policies set out on pages 9 to 15 of the Third Schedule.

We have also examined the financial summary information of the Credit Union for the years ending 30 September 2011, 2012, 2013, 2014 and 2015 on pages 21 to 22, as required by clause 8 of Schedule 2 of the Securities Regulations 2009.

In addition we have also examined the ranking of securities as at 30 September 2015 on pages 11 to 12 as required by clause 13 of Schedule 2 of the Securities Regulations 2009.

Directors' Responsibilities

The Directors are responsible for the preparation of:

- a) the financial statements of the Credit Union 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 2015 and of the results of its operations and cash flows for the year then ended.
- b) the financial summary information of the Credit Union for the years ending 30 September 2011, 2012, 2013, 2014 and 2015 as required by clause 8 of Schedule 2 of the Securities Regulations 2009.
- c) the ranking of securities as at 30 September 2015 as required by clause 13 of Schedule 2 of the Securities Regulations 2009.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial statements, financial summary information and Ranking of securities as presented by the Directors and report our opinion to you.

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

Basis of Opinion on the Financial Statements

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.

Basis of Opinion on the Financial Summary Information

We have undertaken procedures to provide reasonable assurance that the amounts set out in the financial summary information set out on pages 21 to 22, pursuant to clause 8 of Schedule 2 of the Securities Regulations 2009, have been correctly taken from the audited financial statements of the Credit Union for the years ending 30 September 2011, 2012, 2013, 2014 and 2015.

Basis of Opinion on the Ranking of Securities

We have undertaken procedures to provide reasonable assurance that the amounts set out in the ranking of securities on pages 11 to 12, pursuant to clause 13 of Schedule 2 of the Securities Regulations 2009, have been correctly taken from the audited financial statements of Credit Union as at 30 September 2015.

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, and
- the financial statements that are provided pursuant to Clause 17 of Schedule 2 of the Securities Regulations 2009 and required to be audited, have been drawn up to:
 - a) comply with generally accepted accounting practice in New Zealand, and
 - b) comply with International Financial Reporting Standards
 - c) give a true and fair view of the financial position of the Credit Union as at 30 September 2015 and of the results of its operation and cash flows for the year then ended.
- the amounts or details set out in:
 - a) the financial summary information, on pages 21 to 22 of this prospectus, as required by Clause 8 of Schedule 2 of the Securities Regulations 2009 are correctly taken from audited financial statements, and
 - b) the ranking of securities on pages 11 to 12 of this prospectus as required by Clause 13 of Schedule 2 of the Securities Regulations 2009 are correctly taken from audited financial statements.

Our audit was completed on 16 March 2016 and our unqualified opinion is expressed as at that date.



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Wellington



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PO Box 10 340
Wellington 6143, New Zealand

16 March 2016

The Directors
Caxton Employees Credit Union
Fletcher Avenue
Kawerau

Dear Sirs

In terms of regulation 18(1)(c)(ii) of the Securities Regulations 2009, we hereby give consent to our audit report, issued 27 November 2015 appearing in the registered prospectus in the form in which it appears.

We also confirm that we have not, before delivery of the audit report, withdrawn our written consent to the issue hereof.

Yours sincerely
BDO WELLINGTON

Mark Bewley
Managing Partner
Audit & Assurance Services

Email: mark.bewley@bdo.co.nz
DDI: 04 498 3860

CAXTON EMPLOYEES CREDIT UNION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

CAXTON EMPLOYEES CREDIT UNION

**CONTENTS OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2015**

Directory

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

CAXTON EMPLOYEES CREDIT UNION

DIRECTORY

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Board of Directors

Chairman	V Rush
Vice Chairperson	B Frenz
Secretary	W J Robinson
Director	Z M Robinson
Director	T Nanji
Director (until 28/1/15)	S T Anderson

Trustees

B Frenz	
Z M Robinson	
V Rush	
S T Anderson	(until 28/1/15)

Supervisory Committee

H Whyte
C Mayo

Staff

J MacPherson - Manager | Treasurer
Z Robinson - Loans Officer
G Kerr - Administrator | Member Services Officer

Auditors

BDO Wellington

Bankers

Bank of New Zealand - Kawerau Branch
NZACU - Central Fund

Solicitors

Stace Hammond
Buddle Bentley McCleary

Affiliations

New Zealand Association of Credit Unions(NZACU)
trading as Coop Money NZ

Registered Office

Caxton Employees Credit Union
Asaleocare
Fletcher Avenue
Kawerau

CAXTON EMPLOYEES CREDIT UNION

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Note	2015 \$	2014 \$
Interest Revenue	2	259,772	267,647
Other Income	2	<u>38,868</u>	<u>42,398</u>
TOTAL INCOME		298,640	310,045
EXPENDITURE			
Interest expenditure	2	43,303	46,048
Loan Impairment Expense	2	(484)	3,649
Employee benefits	2	109,575	117,583
Occupancy		2,413	2,581
Depreciation	2	7,565	9,075
Other expenditure	2	<u>135,537</u>	<u>130,820</u>
TOTAL EXPENDITURE		297,809	309,751
Profit for the period attributable to members		731	294
Other Comprehensive Income		-	-
Total Comprehensive Income for the period attributable to members		731	294

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

CAXTON EMPLOYEES CREDIT UNION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Retained Earnings \$	Total Members Funds \$
Balance at 1 Oct 2013	933,222	933,222
Total comprehensive income for the period attributable to members		
Profit for the period attributable to members	<u>294</u>	<u>294</u>
Total comprehensive income for the period attributable to members	294	294
Balance at 30 Sept 2014	<u>933,516</u>	<u>933,516</u>
Balance at 1 Oct 2014	933,516	933,516
Total comprehensive income for the period attributable to members		
Profit for the period attributable to members	<u>731</u>	<u>731</u>
Total comprehensive income for the period attributable to members	731	731
Balance at 30 Sept 2015	<u>934,247</u>	<u>934,247</u>


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

CAXTON EMPLOYEES CREDIT UNION

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

	Note	2015	2014
		\$	\$
MEMBERS' FUNDS			
Retained earnings	4	934,247	933,516
TOTAL MEMBERS FUNDS		<u>934,247</u>	<u>933,516</u>
ASSETS			
Cash and Cash Equivalents	5	2,122,583	2,118,269
Trade and other receivables	6	4,468	5,072
Loans to members	7-8	1,181,540	1,357,685
Property, plant & equipment	9	89,749	47,314
Capital Notes	10	135,000	135,000
TOTAL ASSETS		<u>3,483,341</u>	<u>3,663,340</u>
LIABILITIES			
Trade and other payables	11	59,031	70,889
Members' deposits	12	2,480,963	2,589,855
TOTAL LIABILITIES		<u>2,540,004</u>	<u>2,660,744</u>
NET ASSETS		<u>934,247</u>	<u>933,516</u>

These Financial Statements are authorised for issue by:



Director

27/11/15

Date:



Director

27/11/15

Date:

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

CAXTON EMPLOYEES CREDIT UNION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Note	2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		259,772	287,647
Other income		38,920	42,368
Interest paid		(43,102)	(45,873)
Payments to suppliers and employees		(259,949)	(237,257)
Net movement in members deposits		(167,956)	126,483
Net movement in members' loans		173,306	84,825
Net cash (used in)/provided by operating activities	24	991	238,183
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	(3,664)
Deposits made at NZACU and trading banks		9,266	100,000
Deposits matured at NZACU and trading banks		(157,924)	(100,981)
Net cash used in investing activities		(148,658)	(4,645)
Total net increase/(decrease) in cash and cash equivalents held		(147,667)	233,538
Cash and cash equivalents at the beginning of the period		338,862	105,324
Cash and cash equivalents at the end of the period	5	191,195	338,862

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

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

Reporting Entity

Caxton Employees Credit Union ("The Credit Union") is a registered Credit Union under the Friendly Societies and Credit Unions Act 1962. The Credit Union is an FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013. The Credit Union is a public benefit entity.

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. It operates primarily in the Kaitiaki, Eastern Bay of Plenty area of New Zealand and the Credit Union is domiciled and incorporated in New Zealand. As the Credit Union is providing a community and social benefit, it is designated a public benefit entity.

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

Trust Deed

To meet the requirements of the Financial Markets Conduct Act 2013, a Trust Deed was entered into on the 25 November 2013 between the Trustees of the Credit Union and Foundation Corporate Trust, who as the Prudential Supervisor was appointed to act in the interests of the members of the Credit Union by monitoring the compliance by the Credit Union of its obligations, its rules, the Trust Deed and the Friendly Societies and Credit Unions Act 1962. In addition, the Prudential Supervisor is under duty to monitor reasonable diligence to ascertain whether the Credit Union has:

- complied with any breach of the Trust Deed or any of the conditions of issue of the shares; and
- sufficient assets to meet its obligations to members, as they fall due.

1 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Financial Reporting Act 2013, the Friendly Societies and Credit Unions Act 1962 and the Financial Markets Conduct Act 2013.

These financial statements were authorized for issue by the Directors on 28 November 2015.

These financial statements are prepared to be registered to form the financials current and have been prepared in accordance with New Zealand Generally Accepted Accounting Principles. This complies with the New Zealand standards to International Financial Reporting Standards "NZ IFRS (1997)" and other applicable Financial Reporting Standards as appropriate for Tier 1 public benefit entities.

The financial statements have been prepared on a going concern basis 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 reflects the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

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

(b) Revenue

Loans Interest Revenue

Loan interest is calculated on the daily loan balance outstanding and is charged at each payment date. Loan interest is recognized in profit or loss using the effective interest rate method.

Investment Income

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

Fees & Commission Revenue

Fees on members share accounts and commissions are brought to account on an accrual basis once a right to receive consideration has been obtained.

(c) Interest expense

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

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

(d) Goods & Services Tax

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

(e) 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.

(f) Property, Plant and Equipment ("PPE")

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

Depreciation

The depreciable amount of all property, plant and equipment including buildings (excluding land) is depreciated over their useful lives to the Credit Union, on a straight line basis, commencing from the time the asset is held ready for use.

A summary of the rates used in the current and prior period is:

Buildings	5%
Plant and Equipment	20% - 33%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

(g) Leases

Leases of property, plant and equipment are operating leases if substantial risks and benefits incidental to ownership of the asset are retained by the owner. Lease payments for operating leases are recognised as an expense on a straight line basis over the lease term in profit or loss. Lease incentives under operating leases are recognised as a liability and are amortised on a straight line basis over the life of the lease term.

(h) Impairment Testing of Non Financial Assets

The carrying amounts of the Credit Union's 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 purposes 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 other 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 other 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 asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(i) Employee Benefits

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

(j) 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 transfers its contractual rights to the cash flows from the financial assets or if the Credit Union transfers the financial assets to another party without retaining control or substantially all the 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 or financial liability is measured initially at fair value plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue. Subsequent to initial recognition, financial instruments are measured as described below.

A financial asset or liability is 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.

The Credit Union does not hold any derivative financial instruments.

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

(i) Financial Instruments Recognition (continued)

Cash and cash equivalents

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

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

These are classified as loans and receivables 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, using the effective interest method, less any impairment allowances. Trade and other receivables are of a short term nature and are not discounted. The method for assessing impairment is detailed in note 1(k).

Loans to Members

Loans to members are classified as loans and receivables financial assets. They are subsequently measured at amortised cost, using the effective interest method, less allowances for impairment.

Base 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 recognised in the profit or loss as part of other income when the Capital Union's right to receive payments is established (ie dividend date).

Available-for-sale financial assets are normally carried at fair value in subsequent periods with changes in fair value being recognised in 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 less impairment losses. In line with the accounting standard NZ IAS 39 (Financial Instruments - Recognition and Measurement).

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, the impairment losses on available-for-sale financial assets, the impairment loss is recorded as the difference between the acquisition cost and the current fair value, is recognised in profit or loss.

Members' Shares (Deposits)

Members' deposits are the members' shares in the Credit Union. For the purposes of financial reporting, members' shares are recognised as debt instruments as they are issued by the Credit Union in return for cash. They are recorded initially at fair value plus directly attributable transaction costs and subsequently measured at cost. All payments of dividends on these shares are recorded as loan payments. Members have the right to vote at meetings of the Credit Union, regardless of the number of shares held. Dividend on deposits is brought to account on an accrual basis. Dividend earned at reporting date is shown as accrued deposits.

Trade and Other Payables

Trade and other payables (including employee entitlements) 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 recognised and are usually paid within 30 days of recognition. Trade payables are subsequently measured at amortised cost using the effective interest method. Trade payables of a short term nature are not discounted.

(ii) Impairment - Loans and Receivables

All loans and receivables are subject to regular monitoring in order to assess whether there is any objective evidence that any loan or group of loans is impaired. Impairment loss is recognised 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 expected) discounted at the loan's original effective interest rate, and is recorded in an impairment allowance account.

Individual non-current financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

Loans which are known to be uncollectible are written off as an expense in profit or loss. Such loans are written off after all the necessary procedures have been completed and the director of the loan has taken assignment.

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

The general method for assessment of loans is determined by management and the board. In the first instance individual assessment of loans is made and where specific loans are found to be impaired these are provided for. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

(K) Impairment – Loans and Receivables (continued)

In assessing collective impairment the Credit Union uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends based on prudential standards issued by the NZACU.

Key assumptions in determining the allowance for impairment in the first instance, and where practical, the likely impairment is calculated on an individual basis taking into account the ability of the member to continue making payments and the value of the security. Thereafter, on the balance of loans not assessed individually, the Credit Union makes a collective assessment of impairment using the length of time the loan is in arrears and the historical losses arising in past years. 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.

Period of Impairment	% of Balance
31 days to 60 days	20%
61 days to 180 days	40%
181 days to 270 days	60%
271 days to 360 days	80%
Over 365 days	100%
Unauthorised Overdraft savings	100%
Authorised Overdraft	1%

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

The various components of impaired loans are as follows:

Individually impaired loans are loans and receivables for which there is reasonable doubt that the Credit Union will be able to collect all amounts of principal and interest in accordance with the terms of the agreement and for which an individual assessment of impairment is made.

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

Restructured loans are loans where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties of the member.

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

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

(L) Statement of Cash Flows

The Statement of Cash Flows is prepared using the direct approach.

Definitions of Terms Used in the Statement of Cash Flows:

"Cash and cash equivalents" includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowing such as bank overdrafts, held 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. They include loans to members and repayments of loans by members.

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

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

Netting of Cash flows

Certain cash flows have been netted in order to provide more meaningful disclosures as many of the cash flows are received and disbursed on behalf of members and reflect the activities of the members rather than those of the Credit Union. These include members' loans and borrowings and members deposits (shares).

(M) Critical Estimates, Judgements and Assumptions in Applying the Accounting Policies

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are deemed to be reasonable under the circumstances. This has an impact on the one critical estimate, being the impairment allowance for doubtful loans. The Credit Union makes estimates and assumptions concerning the future when assessing the impairment allowance on loans. Refer note K. Credit Union reviews its loan portfolio to assess impairment in total monthly. The impairment estimate is calculated based on evidence relating to borrower's circumstances including the period that loans are in arrears. The resulting accounting estimate will reflect actual results and may be significantly different from the carrying amount of assets and liabilities within the next financial year. Also the Credit Union has used judgements concerning the future discounted cash flows of the New Zealand Association of Credit Unions Group when assessing whether there is any impairment loss on the New Zealand Association of Credit Unions Capital Notes, and valuing capital notes at fair value. Refer Note 10.

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Accounting standards issued but not yet effective

The Minister of Commerce approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (ERB). Under this Accounting Standards Framework, the Credit Union is classified as a Tier 1 reporting entity and will be required to apply Public Benefit Entity (PBE) Accounting Standards (PAS). The Credit Union will be required to comply with PBE Accounting Standards (PAS) as applicable to Not for Profit Entities for periods beginning on or after 01 April 2016, which for the Credit Union will be 1 October 2016. Management do not expect there to be any impact from the adoption of PAS.

Due to the change in the accounting standards framework for Public Benefit Entities, the ERB has effectively frozen the financial reporting requirements for Public Benefit Entities as until 31 March 2015. All new or amendments to existing NZ IFRS issued after 1 June 2011 will not be applicable to Public Benefit Entities. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

PBE Accounting Standards (PAS) will be based on International Public Sector Accounting Standards (IPAS), modified as appropriate for New Zealand circumstances, together with additional standards as necessary.

2 REVENUE AND EXPENDITURE

REVENUE

Interest Revenue on Loans and Receivables

Interest on Loans

Interest on Investments

Interest Revenue on Available for Sale Financial Assets

Interest on Bank Capital Notes

Total Interest Revenue

Other Income

Cost of Sales/Charges

Commissions

Other charges

Total Other Income

TOTAL INCOME

	2016	2015
Interest Revenue on Loans and Receivables	\$	\$
Interest on Loans	174,817	180,042
Interest on Investments	78,811	70,013
Interest Revenue on Available for Sale Financial Assets		
Interest on Bank Capital Notes	4,844	7,882
Total Interest Revenue	258,472	237,937
Other Income	8015	8014
Cost of Sales/Charges	\$	\$
Commissions	22,817	81,145
Other charges	10,776	14,120
Other charges	178	114
Total Other Income	33,776	95,389
TOTAL INCOME	292,248	333,326

CAXTON EMPLOYEES CREDIT UNION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2015**

EXPENDITURE	2015	2014
<i>Interest Expenditure on Liabilities at amortised cost</i>	\$	\$
Interest on Members Deposits (Call Shares)	92,691	33,183
Interest on Members Deposits (Term Shares)	10,811	12,860
Interest on Overdraft from NZACU	201	176
Total Interest Expenditure	43,303	46,019
<i>Other Expenditure</i>	\$	\$
External Audit of Financial statements	17,419	15,580
Internal Audit	1,788	2,392
Leasing and Rental Costs	1	1
Director's Expenses and Training	1,069	822
Education / Promotion	837	1,284
Accessibility Costs	18,072	18,441
Data Processing & Support	33,882	36,478
Trust Debt	19,833	19,078
Market's Savings & Loan Insurance	7,651	7,551
NZACU Dues	8,448	8,234
Legal Fees	5,241	6,222
Other Expenses	23,816	24,652
Total Other Expenditure	138,257	138,886
<i>Employee Benefits</i>		
Salaries and wages	605,387	514,896
Staff Training	50	222
Employer Contribution to Kiwisaver	8,736	8,257
Total Employee benefits	614,173	523,375
<i>Loan Impairment Expense</i>		
Reversal of Allowance	(484)	
Increase in allowance for impaired loans		3,643
Total Loan Impairment Expenses	(484)	3,159
<i>Depreciation Expenditure</i>		
Buildings	5,414	5,414
Plant and Equipment	2,161	3,082
Total Depreciation Expenditure	7,575	8,496

CAXTON EMPLOYEES CREDIT UNION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2015**

3 INTEREST PAID

Interest is paid to depositing members and relates to the Credit Union's ability to pay the interest. At times during the period the Credit Union may offer depositors special accounts that have a pre-set interest rate. Interest rates applied to members' deposits for the period were:

	2015	2014
Call Shares		
Ordinary, Special Purpose Shares	0.00%	0.00%
Loan Provider Shares and Savings Saver Shares	0.00-3.00%	0.00-3.00%
Christmas Club	2.00%	2.00%
Freedom and Super Saver Shares	0.00-3.00%	0.00-3.00%
Term Shares		
11 Term Deposit (1 month)	2.00-2.00%	1.00-1.40%
13 Term Deposit (3 months)	2.25-2.40%	2.75-3.00%
16 Term Deposit (6 months)	2.75-2.80%	3.00-3.10%
112 Term Deposit (12 months)	2.00-2.70%	2.00-2.70%

4 MEMBERS' FUNDS

Members' Funds at 30 September 2015

	Retained Earnings \$	Total Members' Funds \$
Balance brought forward	920,816	920,816
Profit for the year attributable to members	231	231
Balance carried forward	921,047	921,047
The Reserve is to Total Assets	58.82%	58.82%

Members' Funds at 30 September 2014

	Retained Earnings \$	Total Members' Funds \$
Balance brought forward	923,292	923,292
Profit for the year attributable to members	204	204
Balance carried forward	923,496	923,496
The Reserve is to Total Assets	21.00%	21.00%

Members' Funds

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.

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

5 CASH AND CASH EQUIVALENTS AND SHORT TERM INVESTMENTS

	Interest Rates	2016	2015
Current		\$	\$
Cash & Bank - Current and Call Account	0.50 - 2.75%	140,282	200,065
Bank of New Zealand - Current and Call Account	0.00 - 2.30%	63,953	65,797
Total Cash and Cash Equivalents		<u>194,235</u>	<u>265,862</u>
Deposits at NZ Association of Credit Unions	2.94 - 3.72%	1,707,820	1,482,268
Deposits at Bank of New Zealand	3.35%	220,463	255,141
Total Short Term Investments		<u>1,928,283</u>	<u>1,737,407</u>
Total Cash and Cash Equivalents and Short Term Deposits		<u>2,122,518</u>	<u>2,003,269</u>

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 varying maturities, counter party and concentration of investment risks.

All deposits held with Bank of New Zealand and NZACU are short term investments with maturity between 1 - 3 months. All short term investments are current assets.

6 TRADE AND OTHER RECEIVABLES

	2016	2015
	\$	\$
Sundry Debtors	330	365
Prepayments	4,780	4,987
	<u>5,110</u>	<u>5,352</u>

Trade and other receivables are on 30-day payment terms and are interest free. Trade receivables are of short duration and are not discounted. Trade and other receivables are current assets.

7 LOANS TO MEMBERS

Loans are made in accordance with the lending policy of the Credit Union and are repayable on demand in situations of default. An allowance for impairment has been made at the end of the reporting period. Bad loans are written off against the allowance for impairment. Refer to note 20 (d) for interest rates and loan terms.

(a) Loans to members comprises:

	2016	2015
	\$	\$
Neither Past Due nor Impaired	1,113,450	1,503,153
Past due but not impaired (1-30 days)	49,820	100,708
Past due and impaired		
1-30 days	-	54,882
31-60 days	-	-
61-90 days	-	-
over 90 days	30,404	12,104
Gross Loans	<u>1,193,702</u>	<u>1,670,331</u>
Less:		
Allowance for impairment individually	12,182	12,640
Allowance for impairment collectively	-	-
NET LOANS	<u>1,181,520</u>	<u>1,657,691</u>

CAXTON EMPLOYEES CREDIT UNION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

7 LOANS TO MEMBERS - Continued

(b) Current vs Non Current

	2016	2015
Current	\$ 840,720	\$ 857,720
Non Current	632,072	812,811
Gross Loans	<u>1,472,792</u>	<u>1,670,531</u>

(c) Credit quality - Security dissection

	2016	2015
Secured by first mortgage over real estate	\$	\$
Secured by members shares	351,431	4,686
Unsecured Loans	386,811	323,241
Partially secured by vehicles and other collateral	640,550	699,044
Gross Loans	<u>1,472,792</u>	<u>1,670,531</u>

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. A breakdown of the quality of the security on a portfolio basis is as follows:

	2016	2015
Security held as mortgage against real estate is on the basis of:	\$	\$
- loan to valuation ratio of less than 80%		4,686
- loan to valuation ratio of more than 80% but mortgage insured		
- loan to valuation ratio of more than 80% but not mortgage insured		
TOTAL		<u>4,686</u>

(d) Credit quality - Concentration of loans

(1) Loans to individual or related parties of members which exceed 10% of member funds in aggregate	Nil	Nil
(2) Loans to members are concentrated in individuals and principally within the common bond of the Credit Union which includes anyone living or working in a 20 km radius of the Caxton Employees Credit Union office which is sited on the premises of Fawcett Care Ltd.	100%	100%
(3) Loans to members are concentrated solely in New Zealand and principally within the common bond of the Credit Union.	100%	100%

CAXTON EMPLOYEES CREDIT UNION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

8 IMPAIRMENT OF LOANS AND ADVANCES

(a) Impairment of Loans

Loans Individually Impaired

	Restructured Loans	Other Individually Impaired Loans	Total
	\$	\$	\$
Additions to Class	4,881	88,487	93,368
Written Off	10,180	50,403	60,583
Deletions from Class	(4,881)	(88,487)	(93,368)
Carrying Amount at 30 September 2015	<u>10,180</u>	<u>50,403</u>	<u>60,583</u>
Individual Impairment Allowances			
Impairment at 1 October 2014	-	12,848	12,848
Additions to Class	-	12,782	12,782
Written Off	-	-	-
Deletions from Class	-	(12,848)	(12,848)
Impairment at 30 September 2015	<u>-</u>	<u>12,782</u>	<u>12,782</u>
Net Loans at 30 September 2015	<u>10,180</u>	<u>63,185</u>	<u>73,365</u>
Loans Individually Impaired			
Carrying Amount at 1 October 2013	11,727	18,792	30,519
Additions to Class	-	88,487	88,487
Written Off	-	-	-
Deletions from Class	(8,846)	(1,826)	(10,672)
Carrying Amount at 30 September 2014	<u>4,881</u>	<u>86,666</u>	<u>91,547</u>
Individual Impairment Allowances			
Impairment at 1 October 2013	-	8,238	8,238
Additions to Class	-	4,407	4,407
Written Off	-	-	-
Deletions from Class	-	-	-
Impairment at 30 September 2014	<u>-</u>	<u>12,645</u>	<u>12,645</u>
Net Loans at 30 September 2014	<u>4,881</u>	<u>99,311</u>	<u>104,192</u>

Loans with no indicators of impairment or losses total \$51,163,288 (2014:\$1,298,903). There are no indicators to suggest a collective impairment allowance is required.

CAXTON EMPLOYEES CREDIT UNION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2015**

8 IMPAIRMENT OF LOANS AND ADVANCES (continued)

	2015	2014
	\$	\$
<i>(b) Fair value of assets acquired through enforcement of Security</i>		
Assets acquired through the enforcement of security	<u>-</u>	<u>-</u>
The policy is to sell the assets via auction at the earliest opportunity after measures to assist the Member		
<i>(c) Interest and Other Revenue recognized and forgone</i>		
Gross interest revenue	82	829
Interest forgoes	<u>(82)</u>	<u>(829)</u>

9 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Buildings	Plant & Equipment	TOTAL
	\$	\$	\$
2015			
Cost			
Balance at Beginning of Period	71,853	34,825	107,178
Acquisitions	-	-	-
Disposals	-	-	-
Balance at End of Period	<u>71,853</u>	<u>34,825</u>	<u>107,178</u>
Accumulated Depreciation			
Balance at Beginning of Period	48,967	27,797	76,764
Depreciation	3,414	2,151	5,565
Disposals	-	-	-
Balance at End of Period	<u>52,381</u>	<u>29,948</u>	<u>82,329</u>
Carrying Amount 2015	<u>19,472</u>	<u>4,877</u>	<u>24,349</u>
2014			
Cost			
Balance at beginning of Period	71,853	31,891	103,844
Acquisitions	-	3,934	3,934
Disposals	-	-	-
Balance at end of period	<u>71,853</u>	<u>35,825</u>	<u>107,678</u>
Accumulated Depreciation			
Balance at Beginning of Period	28,858	34,135	62,993
Depreciation	3,414	2,642	6,056
Disposals	-	-	-
Balance at End of Period	<u>32,272</u>	<u>27,797</u>	<u>60,069</u>
Carrying Amount - 2014 - End of Period	<u>39,581</u>	<u>8,028</u>	<u>47,609</u>
Carrying Amount 2014 - Beginning of Period	<u>42,800</u>	<u>2,773</u>	<u>45,573</u>

(b) Impairment Losses

There was no impairment loss in respect of property, plant and equipment.

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

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.

There is no active market for these securities which have no guarantee of rate of return. The Credit Union has measured capital notes at cost under the exemption in NZ IAS 39: Financial Instruments: Recognition & Measurement.

Dividends are payable on a six monthly basis subject to the profitability of the NZACU Business Services Division Trust.

The Credit Union's investment in these Base Capital Notes enables the New Zealand Association of Credit Unions to provide the Credit Union with essential services such as the core banking system, a central bank and "treasury" function, debit card facilities and insurance products.

Capital Notes are non current assets.

	2015	2014
Capital Notes at Amortised Cost	\$ 135,000	\$ 135,000
Less Impairment	-	-
	<u>135,000</u>	<u>135,000</u>

The Directors do not consider the capital notes to be impaired as there are no objective signs of impairment.

11 TRADE AND OTHER PAYABLES

	2015	2014
Trade Payables	\$ 14,004	\$ 13,051
Reserve for Banking Tax	8,000	8,402
Sundry Charges and Accrued Expenses	10,170	20,387
Employee Obligations	10,105	11,425
ACCESSCARD Settlement	6,100	6,324
	<u>48,379</u>	<u>59,589</u>

Trade and other payables generally have terms of 30 days and are interest free. Trade and other payables are of a short duration and are not discounted. Trade and other payables are current liabilities.

12 MEMBERS' DEPOSITS

	2015	2014
Call Shares	\$ -	\$ -
Savings Accounts	1,072,650	1,207,047
Christmas Club	60,000	116,320
Loan Provider Account	1,000,730	874,117
Total Call Shares	<u>2,133,380</u>	<u>2,207,484</u>
Term Shares:		
Original Maturity Terms:		
0-3 months	10,121	65,179
6 months	10,000	60,061
12 months	147,208	252,505
Greater than 12 months	-	-
Total Term Shares	<u>167,329</u>	<u>377,745</u>
Total Members' Deposits	<u>2,300,709</u>	<u>2,585,229</u>

Refer to Note 5 for interest rates on members shares. All members shares are current liabilities.

Members' shares are secured by a first ranking equitable mortgage by way of security over the whole of the Credit Union's present and future undertaking, property, assets and revenues, including the proceeds received for the subscription shares and unpaid capital of any. The equitable mortgage by way of security was granted in favour of Foundation Corporate Trust, the Prudential Supervisor of the Credit Union, under the deed of Assignment and Reassignment of the Trust Deed dated 28 November 2013, which has been registered with the Registrar of Companies.

The Credit Union has also granted to Foundation Corporate Trust a security interest in all its present and after-acquired personal property as additional security for the members' shares. Foundation Corporate Trust has registered a Financing Statement under the Personal Property Securities Act 1999 in respect of the same. The grant of this security interest was recorded in a Deed of Modification to Trust Deed dated 28 November 2013, which has been registered with the Registrar of Companies.

CAXTON EMPLOYEES CREDIT UNION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2015**

13 COMMITMENTS

(a) Future Capital Commitments

The Credit Union has not entered into any capital commitments at 30 September 2015. (2014, nil)

(b) Operating Lease Commitments

The Credit Union has entered into a lease agreement from 04 September 2001 to lease land at \$1 per year from Aselec Care (formerly BOA Hygiene Australia) on which to site its office. (2014, \$1)

(c) Outstanding Loan Commitments

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

	2015 \$	2014 \$
Loans approved but not funded	0	5,919
Undrawn Line of Credit	21,041	469,169
	<u>21,041</u>	<u>475,088</u>

14 STANDBY BORROWING FACILITIES

The Credit Union has a gross borrowing facility with NZACU of:

	Approved Facility \$	Current Borrowing \$	Net Available \$
2015			
Overdraft Facility	30,000	-	30,000
Stand by Facility	-	-	-
	<u>30,000</u>	<u>-</u>	<u>30,000</u>
2014			
Overdraft Facility	30,000	-	30,000
Stand by Facility	-	-	-
	<u>30,000</u>	<u>0</u>	<u>30,000</u>

Currently the unused overdraft facility is for \$30,000 (2014 \$30,000). The interest rate is 8.80% p.a (2014: 8.88%) and the penalty rate is 8.80% p.a (2014: 8.80%). There are no material terms of use.

15 CONTINGENT LIABILITIES

There are no contingent liabilities at reporting date. (2014, Nil)

16 EVENTS OCCURRING AFTER REPORTING DATE

There are no known events that have occurred subsequent to reporting date which would materially affect these financial statements. (2014, Nil)

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

- Credit Risk and Credit Policy management
- Liquidity management
- Interest rate 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.

CAXTON EMPLOYEES CREDIT UNION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2015**

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The practice of the Credit Union to manage the risk is to maintain a balanced "on book" strategy by ensuring the net interest rate gaps between members loans and members shares are not excessive. The measured gap in each 3 month period to be maintained is between 10-12% of the difference between loans and members deposits. The gap is measured monthly to identify any large exposures in the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposits liabilities to rectify the imbalance to within acceptable levels. The practice of the Credit Union is not to undertake derivatives to match the interest rate risks. The Credit Union's exposure to interest rate risk is set out in Note 19 which details the contractual interest change profile.

The following tables summarise the sensitivity of the cash flows of the Credit Union's assets and financial liabilities to 1% movements in interest (the risk of the Credit Union's financial position and results (assuming all other variables remain constant). The Board and Management consider that given the relatively stable nature of New Zealand's financial environment, a 1% movement in interest rate risk is within prudent guidelines.

	2015 - Interest Rate Risk			2014 - Interest Rate Risk		
	Carrying Amount	-1% Profit & Equity	+1% Profit & Equity	Carrying Amount	-1% Profit & Equity	+1% Profit & Equity
Financial Assets						
NEZAGU and Bank deposits	1,091,089	(20,418)	20,218	1,770,407	(17,794)	17,794
Loan receivables	(1,043,702)	(11,000)	11,000	1,370,321	(10,703)	10,703
		<u>(31,418)</u>	<u>22,218</u>		<u>(28,497)</u>	<u>28,497</u>
Financial Liabilities						
Member deposits	2,480,063	(24,650)	24,650	2,053,958	(20,557)	20,557
Total Increase / (Decrease)		<u>1,992</u>	<u>4,468</u>		<u>(1,000)</u>	<u>4,994</u>

The effect on the net profit as above and the effect on equity would be the same.

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 balance of the interest receipts between the members' loans and members' deposits for the next 12 months. In doing the calculation the assumptions applied were that:

- The interest rate changes would be applied equally over to the loan products and term deposits
- The rate change would be in at the beginning of the 12 month period and no other rate changes would be effective during the period
- The term deposits would all mature 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 current contractual repayment terms
- The value and risk of call savings to term deposits will be unchanged
- The value and risk 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.

Sensitivity analysis is not calculated on trade and other receivables and trade and other payables due to their short term nature.

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 a concentration of credit risk with respect to loans and receivables as the Credit Union has a large number of members within the employment of Asnicore Care. 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 management and security requirements
- Limits of exposure over the value of individual borrowers, non mortgage secured loans, and concentrations to geographic and industry groups considered at high risk of default
- Reassessing and review of the credit exposures on loans and facilities
- Establishing appropriate provisions to mitigate the impact/risk 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.

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Credit Union has a concentration in retail lending for members who comprise employees and family in the paper industry. This concentration is considered acceptable on the basis that the Credit Union was formed to service these members, and the employment concentration is not exclusive. Should members leave the industry the loans continue and other employment opportunities are available to the Members to facilitate the repayment of the loans. The Credit Union has a concentration of credit exposure in the paper industry in the Bay of Plenty region.

Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days if not recalled. For loans where repayments are doubtful, external consultants are engaged to continue and support recovery action initiated by the Credit Union. The exposures to losses arise predominantly in the non secure personal loans and facilities.

The significant accounting judgments are related to the determination of the provision for impairment of loans are set out in Note 8.

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 in NZACU and are short term.

The risk arising from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration are only.

The basic policy is to maintain the majority of its investments in NZACU, an association set up to support the member Credit Unions. The association has a credit rating of BB with a stable outlook issued by Standard and Poors but it invests primarily in bank deposits and money market securities with investment grade credit rating or better.

Bank of New Zealand has a credit rating of AA- with a stable outlook issued by Standard and Poors.

Credit Risk - Equity Investments

The Credit Union does not have investments in equity investments.

Liquidity Risk

There is a risk that the Credit Union may encounter difficulties relating to cash requirements associated with financial instruments, e.g. borrowing requirements. In the interests of the Members and the Credit Union maintains adequate cash reserves and committed credit facilities so as to meet the Member financial demands when requested.

The Credit Union manages liquidity risk based on expected contractual dates:

- Continuously monitored forecast and actual daily cash flows
- Monitoring liquidity position of financial assets and liabilities
- Monitoring liquidity reserves, liquidity covered facilities and reserve borrowing facilities
- Regularly monitoring loan performance and committed financial cash flows

The Credit Union has a standby borrowing facility with NZACU to provide support to the Credit Union if necessary at short notice.

The Credit Union's policy is to maintain at least 6% of total assets as liquid assets capable of being converted to cash within 7 days. The ratio is checked daily. Should the ratio fall below the limit, the management and board are to address the matter and ensure that the liquid assets are satisfied with their 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.

CAXTON EMPLOYEES CREDIT UNION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital Management

The Credit Union is regulated under the Friendly Societies and Credit Union Act 1992. There is no longer a statutory requirement over the minimum reserves required to be maintained. In addition the Credit Union operates under a trust deed which requires the minimum reserves to be held by the Credit Union to be 10% of total assets. The Credit Union reserves as the end of the reporting period is stated in note 4.

The Credit Union's capital is determined as follows:

	2015	2014
Tier 1	\$	\$
Retained earnings & other reserves	884,347	933,518
Total reserves	884,347	933,518

To manage the Credit Union's capital, which can be affected by extensive growth and by changes in total assets, the Credit Union reviews the capital adequacy ratio monthly and makes major movements in the need levels. It is the practice of the Board and Trustees to review Key Performance Indicators and ensure the capital ratio does not fall below 10%. Further, an annual capital budget projection of the capital level is maintained annually to ensure how strategic decisions or trends may impact on the capital level.

18 MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Financial 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 financial assets and liabilities held by the Credit Union are eligible for recognition or withdrawal. In the case of loans, the table shows the period over which the principal repayments will be received based on the remaining period to the contractual date assuming contractual repayments are maintained. For some loans the terms of the contract may be subject to contractual conditions or other loan terms stated in the contract and is subject to change in the event that contractual repayments are varied. Future Interest Receivable and Future Interest Payable represent the expected future interest amounts arising from the contractual obligations of the underlying financial assets and liabilities respectively.

2015	On Call	Within 1 Month	1-3 Months	3-6 Months	6-12 Months	1-2 years	2-3 years	Over 3 years	No Maturity	Total
Financial Assets Receivable										
Cash and cash equivalents	181,185	-	-	-	-	-	-	-	-	181,185
Deposits at NZDFU and savings banks	-	811,348	1,320,000	-	-	-	-	-	-	1,881,348
Trade & other receivables	-	333	-	-	-	-	-	-	-	333
Loans to members	-	49,308	82,444	141,147	207,800	484,891	108,078	-	-	1,193,702
Capital notes	-	-	-	-	-	-	-	-	138,000	138,000
Future Interest Receivable	-	16,454	30,467	33,214	93,800	68,165	11,895	-	-	204,071
Total Financial Assets Receivable	181,185	877,461	1,442,911	174,461	310,660	614,046	208,773	-	138,000	2,655,658
2015	On Call	Within 1 Month	1-3 Months	3-6 Months	6-12 Months	1-2 years	2-3 years	Over 3 years	No Maturity	Total
Financial Liabilities Payable										
Trade and other payables	-	40,823	-	-	-	-	-	-	-	40,823
Members Deposits	2,194,444	198,548	20,890	33,036	42,138	-	-	-	-	2,400,062
Future Interest Payable	-	3,131	158	782	1,885	-	-	-	-	7,286
Total Financial Liabilities Payable	2,194,444	248,299	21,082	33,820	45,485	-	-	-	-	2,638,070
Net Dep	(2,003,249)	432,172	1,421,899	140,641	267,277	614,046	208,773	-	138,000	1,117,618

CAXTON EMPLOYEES CREDIT UNION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2015**

18 MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES (continued)

2014	On Call	Under 1 Month	1-3 Months	3-6 Months	6-12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
Financial Assets										
Cash and cash equivalents	338,962	-	-	-	-	-	-	-	-	338,962
Deposits at AS&C/1 and other banks	-	844,810	834,497	-	-	-	-	-	-	1,779,307
Term deposits	-	305	-	-	-	482,746	329,644	-	-	812,695
Loans to members	-	63,789	96,775	144,910	260,365	482,746	329,644	-	-	1,370,829
Other assets	-	-	-	-	-	-	-	-	138,000	138,000
Other financial assets	-	19,322	24,298	28,485	65,437	81,590	23,568	-	-	242,975
Total Financial Assets	338,962	937,226	955,470	173,395	325,802	966,982	682,856	-	138,000	2,551,413
2014										
Financial Liabilities										
Accounts Payable	-	28,443	-	-	-	-	-	-	-	28,443
Members Deposits	2,281,400	291,365	91,768	12,638	81,608	-	-	-	-	2,758,719
Other financial liabilities	-	4,300	2,044	461	2,368	-	-	-	-	7,173
Total Financial Liabilities	2,281,400	324,108	94,812	13,101	84,036	-	-	-	-	2,763,457
Net Gap	(1,902,028)	613,118	972,658	171,179	241,766	966,982	682,856	-	138,000	1,188,779

CAXTON EMPLOYEES CREDIT UNION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2015**

19 INTEREST RATE RISK

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

Reporting period to 30 September 2015																							
Floating interest rate		Fixed Interest Rate Maturity etc												Non-interest sensitive		Set at monthly in arrears		Total/Across		Weighted average effective interest rate*			
		0 to 3 months		3 to 6 months		6 to 12 months		1 to 2 years		2 to 5 years		Over 5 years											
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Monetary Assets																							
Cash & cash equivalents	181	338																181	338	3.18%	2.48%		
Deposits at NZACU/Bank			1,331	1,779														1,531	1,779	3.68%	3.64%		
Trade & other receivables																		0	0	nil	nil		
Loans to members			141	153	141	144	258	250	458	483	198	330	0	0				1,188	1,370	13.59%	13.44%		
Capital Notes																		135	135	6.63%	5.39%		
Total Monetary Assets	181	338	2,072	1,532	141	144	258	250	458	483	198	330	0	0	0	0	135	135	3,450	3,623			
Monetary Liabilities																							
Deposits - Call	2,194	2,291																	2,134	2,291	1.46%	1.48%	
Deposits - Term			79	293	79	13	148	91											296	367	3.77%	3.47%	
Other payables																		41	59	nil	nil		
Total Monetary Liabilities	2,194	2,291	79	293	79	13	148	91	0	0	0	0	0	0	0	0	0	41	59	2,531	2,717		

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

(a) Capital notes do not have any pre determined rate of interest. Interest is payable on a set monthly basis in arrears subject to the profitability of the NZACU Business Services Division Trust. Interest payment for 12 month period ending 30 September 2015 was 6.63% (2014 - 7.17%) per annum.

The profile is based on the earlier of contractual repricing or maturity date of the financial instrument

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

20 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 Statement of Financial Position.

(b) Concentrations of Credit Risk

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

(c) Large Counterparties

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

	Number of Counterparties	
	2015	2014
Greater than 100% of assets	1 (N.Z. Association of Credit Unions)	1 (N.Z. Association of Credit Unions)
Between 50% and 100% of assets	-	-
Between 20% and 50% of assets	-	-
Between 10% and 20% of assets	-	-
Between 5% and 10% of assets	-	-
Between 1% and 5% of assets	-	-
Between 0% and 1% of assets	1 (Bank of New Zealand)	1 (Bank of New Zealand)
Between 0% and 0% of assets	-	-

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

(d) Loans to Members

Loans can only be made to Credit Union members. Loan interest rates range from 11% to 12% p.a. (2014 11.5% to 12% p.a.) The Credit Union has a lending policy that requires various levels and types of security for loans and includes that a portion of loans may be secured over the borrowing members shares. The Friendly Societies and Credit Unions Act 1982 limits the risk of any one member and provides, along with the loan agreement that any part of shares might be used to offset an individual loan to the limit of their liability. Under section 110 of the Act, the maximum indebtedness and repayment terms of a member shall not, without the prior consent of the Registrar, exceed the following limits:

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

The Registrar of Friendly Societies and Credit Unions has approved an extension of the secured loan term from 10 to 20 Years.

	2015	2014
The proportion of loans with repayments in arrears in excess of three months is: Other than loans, there are no other monetary assets in arrears.	2.55%	0.86%
The monthly repayments on the loans for the past period represent an average loan of: Loans are for varying terms but the standard loan contract includes an "on demand" clause.	12.76 months	12.60 months
The proportion of loans over 90 days in arrears by the debtors who owe the six largest amounts is:	18.88%	19.01%
There are no other monetary asset concentrations that exceed the highest value of items six largest loans. The Credit Union does not offer an overdraft facility.		

21 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's funding is almost exclusively from individuals working in the Bay of Plenty region for Assco Care Ltd. The funding from members is recorded as Members' Deposits in the Statement of Financial Position.

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

22 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

	30 Sept 2018	30 Sept 2018	30 Sept 2017	30 Sept 2017
	Carrying Value	Fair Value	Carrying Value	Fair Value
LOANS & RECEIVABLES				
Cash & Cash Equivalents	\$ 161,165	\$ 161,165	\$ 236,862	\$ 236,862
Deposits at NZACU and Trading Banks	\$ 1,821,388	\$ 1,821,388	\$ 1,776,407	\$ 1,776,407
Trade and Other Receivables	\$ 333	\$ 333	\$ 385	\$ 385
Loans to Members	\$ 1,183,702	\$ 1,183,702	\$ 1,579,331	\$ 1,579,331
FINANCIAL LIABILITIES AT AMORTISED COST				
Trade and Other Payables	\$ 40,833	\$ 40,833	\$ 59,444	\$ 59,444
Members Deposits	\$ 2,496,083	\$ 2,496,083	\$ 2,868,254	\$ 2,868,254
AVAILABLE FOR SALE				
Capital Notes	\$ 135,000	\$ 135,000	\$ 516,000	\$ 516,000

23 DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

a. Remuneration of Key Management Personnel (KMP)

Key management personnel 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 or not 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 personnel (KMP) has been taken to comprise the Directors and one member of the executive management responsible for the day to day financial and operational management of the Credit Union.

Connected parties are defined as the immediate relatives of Directors and the Manager.

The aggregate compensation of key management persons during the year comprising amounts paid or payable or provided for was as follows:

	2018 Directors	2018 Other KMP	2017 Directors	2017 Other KMP
(a) short-term employee benefits	\$ -	\$ 63,900	\$ -	\$ 62,210
(b) post-employment benefits - superannuation contributions	-	2,101	-	2,432
(c) other long-term benefits - net increase in long service leave provision	-	-	-	-
(d) termination benefits	-	-	-	-
(e) share-based payment	-	-	-	-
TOTAL	-	67,061	-	64,602

In the above table, remuneration shown as short term benefits means (where applicable) wages, salaries, paid annual leave and sick leave, profit-sharing and bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

The Directors received no fees or honoraria for their services.

The Credit Union deals with Directors and Trustees on the same terms and conditions applied to all members.

CAXTON EMPLOYEES CREDIT UNION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2015**

22 DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL (continued)

Directors/KMP and Connected Parties holdings at reporting date are:

2014	Owing to (Shares) \$	Owing from (Loans) \$	Interest paid (Shares) \$	Interest received (Loans) \$
Owing to Directors/KMP	18,882	31,847	131	8,762
Connected Parties	47,818	40,897	488	7,824
	<u>66,700</u>	<u>72,744</u>	<u>619</u>	<u>16,586</u>

2014	Owing to (Shares) \$	Owing from (Loans) \$	Interest paid (Shares) \$	Interest received (Loans) \$
Owing to Directors/KMP	31,782	57,637	767	11,063
Connected Parties	46,784	46,784	1,406	2,828
	<u>78,566</u>	<u>104,421</u>	<u>2,173</u>	<u>13,891</u>

There are no shares from directors/KMP exceeding 12 months and all directors/KMP loans are repayable upon demand.

Other than the following the only transactions which took place during the year were deposits and withdrawals undertaken in the normal way on savings accounts.

Loans disbursed to Directors and KMP was \$0000 (2014: \$28,884) and total loans repaid was \$0000 (2014: \$85,854).

Patrols provided as Staff Deposit by Directors/KMP was Nil (2014: Nil)

All loans from Directors/KMP are repaid on demand (being upon demand). There are no shares from Directors and other Key Management Personnel exceeding 12 months and all other Directors/KMP loans are repayable on demand.

24 RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES WITH OPERATING PROFIT

	2015	2014
Profit for the period	731	384
Non Cash Items		
Depreciation	7,330	6,278
Allowance for Loan Impairment	(483)	3,249
	<u>7,078</u>	<u>9,911</u>
Changes in working capital		
Net increase in receivables	903	813
Net increase in payables	(12,774)	2,961
Net increase in other receivables	(197,288)	182,401
Net decrease in other payables	173,800	21,838
	<u>8,919</u>	<u>37,523</u>
Net Operating Cashflow	<u>15,997</u>	<u>47,434</u>

25 CREDIT RATING

From 1 March 2010, the Reserve Bank of New Zealand Act 1992 required every deposit taker (unless otherwise exempted), including Credit Unions to have a credit rating of at least 'well supervised' given by an approved rating agency. The Credit Union is not required to obtain a credit rating as a licensee under the supervision contained in the Deposit Takers (Credit Rating Minimum Threshold) Exemption Order 2010. The Credit Union is not required to obtain a credit rating as a licensee under the supervision contained in the Deposit Takers (Credit Rating Minimum Threshold) Exemption Order 2010. The Credit Union is not required to obtain a credit rating as a licensee under the supervision contained in the Deposit Takers (Credit Rating Minimum Threshold) Exemption Order 2010.

26 FINANCIAL ADVISERS ACT

On 29 November 2010 the Credit Union was registered as a Financial Service Provider.

As required by the Financial Service Providers (Registration and Dispute Resolution) Act 2008 the Credit Union is a member of an approved dispute resolution scheme - Financial Services Complaints Ltd (FSCL).



BDO WELLINGTON

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CAXTON EMPLOYEES CREDIT UNION**

Report on the Financial Statements

We have audited the financial statements of Caxton Employees Credit Union on pages 1 to 25, which comprise the statement of financial position as at 30 September 2015, and the statement of changes in equity, statement of comprehensive income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the credit union's members, as a body, in accordance with section 124(b) of the Friendly Societies and Credit Unions Act 1982. Our audit has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the credit union and the credit union's members as a body, for our audit work, for this report, or for the opinion we have formed.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors' are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice (GAAP) and New Zealand Equivalents to International Financial Reporting Standards 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, Caxton Employees Credit Union.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Caxton Employees Credit Union as at 30 September 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

BDO Wellington
27 November 2015
Wellington
New Zealand

**FOURTH SCHEDULE
SHARE ACCOUNTS**

Call Accounts

Name:	Primary Share Accounts.	S1
	Automatic Payment Account	S3
	Insurance Account	S7
	Special Purpose Account	S10

The accounts listed above have the following terms and conditions.

Interest Rate:	Nil
Fees and Charges:	\$5.00 Entrance fee per member on the opening of the primary share account. See schedule of maximum fees and charges as set out below. These accounts are referred to in the prospectus as "Other Accounts".
Method Of Withdrawal	Counter Withdrawals, Accessdebit (allowing telephone and internet purchases), Accesscard Accesstxt, Electronic Funds Transfer, Direct debit, Automatic Payment, Telephone requests, Internet and Mobile Banking,

Name:	Freedom Account	S5
Interest Rate:	Tiered interest rate 0 – 3.0% pa calculated on the minimum monthly balance.	
Fees and Charges:	Nil.	
Terms and Conditions:	Members 13 years & over are eligible for this account.	
Method Of Withdrawal	Counter Withdrawals, Electronic Funds Transfer, Telephone requests,	

Name:	Super Saver Account	S8
Interest Rate:	Tiered interest rate 0 – 3.0% pa calculated on the minimum monthly balance.	
Fees and Charges:	Nil.	
Terms and Conditions:	Children 0 to 12 years are eligible for this account	
Method Of Withdrawal	Counter Withdrawals, Electronic Funds Transfer, Telephone requests,	

Name:	Serious Saver Account	S9
Interest Rate:	Tiered Interest rate 0 – 3.0%, calculated on minimum monthly balance	
Method Of Withdrawal	Counter Withdrawals, Accessdebit (allowing telephone and internet purchases), , Accesstxt, Electronic Funds Transfer, Telephone requests, Internet Banking	
Fees and Charges:	. See schedule of maximum fees and charges as set out below.	

Notice of Withdrawal Share Accounts

Name:	Loan Provider Share Account.	S6
Interest Rate:	Tiered Interest rate 0 – 3.0%, calculated on minimum monthly balance.	
Method Of Withdrawal	Counter Withdrawals,, Electronic Funds Transfer, Telephone requests,	
Fees and Charges:	. See schedule of maximum fees and charges as set out below	
Terms and Conditions:	Holders of this account receive priority for loans. Where not used as security for any loans, funds held in this account are available on 14 days notice of withdrawal, or sooner with prior approval from Management of the Credit Union.	

Name:	Christmas Club Share Account.	S2
Interest Rate:	Tiered Interest rate 0 - 2% calculated on the minimum monthly balance, credited to account on 31 October each year	
Fees and Charges:	Nil.	
Terms and Conditions:	The principal with interest added thereto will be paid to the shareholder from 01 November through to 31 January Withdrawals from this account at any other time are not permitted (other than in exceptional circumstances as determined by the Credit Union Management)	
Method Of Withdrawal	Counter Withdrawals,, Electronic Funds Transfer, Telephone requests,	

Term Share Accounts

Name:	Term Share Accounts.
Term:	1 month up to 12 months maximum.
Interest Rate:	Various depending on amount and term as dictated by the "market"
Minimum Shareholding:	Minimum \$5000 and up to \$250,000 maximum.
Fees and Charges:	Nil.
Terms and Conditions:	Early redemption – if deposit has been on for less than 30 days no interest shall be payable.

In all other circumstances the rate of return shall be determined by the Board at the time the account is offered.

Minimum Shareholding

Members must have a minimum of \$1.00 in any one of their call or notice of withdrawal Accounts

Interest rate

All Accounts – Interest paid is subject to change at the Credit Unions discretion. Interest on all On Call and Notice of Withdrawal accounts is credited to those accounts as at 30 September each year. Bonus interest may be paid dependant on available profits as at 30 September each year.

SCHEDULE OF MAXIMUM FEES AND CHARGES

		Maximum Fee or Charge
		\$
ACCESSCARD FEES – NEW ZEALAND		
Debit Card or ACCESSCARD – ATM	Per transaction (value / non value)	1.50
Debit Card or ACCESSCARD – EFTPOS	Per transaction (value / non value)	0.50
Debit Card or ACCESSCARD issue	Per card	12.00
Debit Card or ACCESSCARD replacement	Per card	12.00
Debit Card or ACCESSCARD monthly charge	Per card per month	2.00
ACCESSCARD FEES – OVERSEAS (fees in addition to transaction fees detailed above.)		
Debit Card or ACCESSCARD – ATM	Per transaction (value / non value)	10.00
Debit Card or ACCESSCARD – EFTPOS	Per transaction (value / non value)	2.00
<i>All overseas transactions include a multi currency conversion fee of 1.10% This is applied by Mastercard International as a loading on the current buy-rate on foreign transactions.</i>		
ACCESSTEXT		
Text Balance / Transfer	Per Text	2.00
AUTOMATIC & DIRECT CREDIT PAYMENTS		
Payment set-up	Per new loading	5.00
Payment alteration / deferral / cancellation	Per transaction	5.00
Payment to 3rd party	Per payment	5.00
Transitional Fee (deposit and withdrawal to 3 rd party same day.)	Per payment	10.00
Rejected Payment to 3rd party	Per rejection	5.00
Dishonoured Bank Inward Payments	Per dishonour	10.00
DIRECT DEBITS		
Direct Debit Loading/ Alteration/Cancellation Fee	Per direct debit	10.00
Dishonoured Direct Debits	Per dishonour	30.00
CHEQUE & SAVINGS ACCOUNTS		
Personal Cheque Book	Per cheque, on issue of book	.05
Personal Cheque Clearance Fee	Per cheque presented	.30
Special Answer on Cheque Clearance	Per cheque	25.00
Stop cheque	Per stopped cheque	25.00
Cash cheque withdrawals in excess of \$1000	Per \$100 withdrawn (or part thereof)	.50
Savings Withdrawals	Per withdrawal	2.00
INTERNET BANKING		
	Application fee	5.00
	Monthly Fee	5.00
MOBILE BANKING		
	Application Fee	5.00
	Monthly Fee	5.00
OVERDRAFT		
Overdraft Application	Per application	50.00
Overdraft Administration Fee	Per month	30.00
Honour Fee (balance exceeds approved limit)	Per item	30.00

Unauthorised Overdraft Fee	Per overdrawn transaction	15.00
LENDING		
Mortgage Processing Fee	Up to	500.00
Personal loan application	Per application	100.00
Loan Variations/ top ups	Per transaction	100.00
Line of Credit	Per application	100.00
Line of Credit	Per draw down	5.00
Registration and discharge of securities	Per registration / discharge	25.00
COLLECTION/ DEBT RECOVERY FEES		
Default Fee		25.00
Delinquent loan letter	Per letter	20.00
Debt recovery visit	Per visit	30.00
Debt Filing Notices	Per notice	30.00
Issuance of legal recovery Instructions Fee		50.00
Pre – Possession Notice	Per Notice	30.00
FOREIGN CURRENCY		
Foreign currency transactions	Per transaction	25.00 +1% of trans.
Cash Passport	Per card	25.00 + 1% of trans
MISCELLANEOUS		
Administration Fee	Time Based – per hour	50.00
Service fee	Per month	3.00
Dormant savings accounts	Per account per 12 months	30.00
Inter Credit Union transactions	Per transaction	10.00
Entrance fee	Per new member	10.00
Photocopying	Per copy	0.20
Statement Printout Fee	Per page (does not apply to routine issue of statements)	2.00
Transaction Search	Per hour	50.00

OTHER CHARGES

Where Caxton Employees Credit Union incurs a charge from another organization or internally while acting on a member's behalf , Caxton Employees Credit Union will pass those costs onto the member. These costs may include credit checks, legal and collection costs and disbursements or costs associated with the registration / discharge of securities.

Not all of the fees and charges set out above will be applicable to members, but the Schedule provides the maximum amounts that may be charged. The amount of fees and charges may be amended from time to time by the Directors of the Credit Union. Any changes to these amounts will be notified to members.



16 March 2016

The Directors
Caxton Employees Credit Union
Fletcher Avenue
Kawerau

DEBENTURE TRUST DEED DATED 28th NOVEMBER 2013 AND 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 Caxton Employees Credit Union set out in this Prospectus complies with any relevant provisions of the Trust Deed. These provisions are those which:

- (i) entitle Caxton Employees 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 Caxton Employees 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.

Richard Spong
General Manager
COVENANT TRUSTEE SERVICES LTD

Level 6, 191 Queen Street, Auckland, New Zealand
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Enjoy the benefits of our experience

**SIXTH SCHEDULE
DIRECTORATE
[Paragraph 4.1]**

<u>Full Name and Address</u>	<u>Title</u>	<u>Qualification</u>	<u>Experience</u>
Zyta Mary Robinson 15 McKenzie Street Kawerau	Director Trustee Office Clerk	Completed Credit Union Modules 1 & 2	18 years as Credit Union Director
Vivien Rush 26 Mawake Road Kawerau	Director Chairperson Trustee	Completed Credit Union Module (1) and Advanced Module National certificate Level 2,3 Tissue Converting	9 years as Credit Union Director EBOP Hospice – Board of Trustees 6 yrs BOP Marching Assoc – Treasurer – 6 yrs Rotary Club Kawerau – President 2015-current
Brian Frenz 36 Domett Street Kawerau	Director Vice-Chairperson	Advance Trade cert Fitter/ Turner. NZACU Certificate in Credit Union Governance.	30 years as Credit Union Director
Wendy Jane Robinson 36 Mimiha Road R.D.4 Whakatane	Director Secretary	B Bursary	4 years as Credit Union Director Accounting Clerk, 19 years in chartered accountant industry Trainee Junior Manager
Tamizan Nanji Unit 15/5 WestEnd Road Ohope Beach 3121	Director	Certified Management Accountant Bachelor of Business Administration, Finance CMA Outstanding team Achievement Award MS Office Specialist Training Cert	1 year as Credit Union Director Board member (Alberta 55+ Games) Board treasurer (Calgary Multicultural Centre) Intermediate Accountant – (Crown Metal Packaging) Financial Analyst (Winsport Canada) Finance Manager (Thule Group, Calgary) Operations Analyst