



10058927363

CREDIT UNION TARANAKI
(the "Credit Union")

MEMORANDUM OF AMENDMENT TO REGISTERED PROSPECTUS
[Pursuant to Section 43 Securities Act 1978]

DATED the 31st day of January, 2010

1. The Credit Union as the issuer of a registered Prospectus dated 19 February 2009, extended through a Director's Certificate dated 19 May 2009, and registered pursuant to Section 37A(1A) of the Securities Act 1978 ("the Prospectus"), seeks to amend the Prospectus in the following manner:
 - (i) By the removal of page 11 and the insertion of a new page 11 in its place as annexed hereto and marked with the letter "A".
2. The amendment relates to a recent special resolution of members resolving to transfer the engagements of the Credit Union, pursuant to section 135 of the Friendly Societies and Credit Unions Act 1982, to Credit Union Baywide.

Signed by the Directors of the Credit Union:

Graham Clark CLOUSTON

Leora CHANCELLOR

Peter William HEWETT

Maureen Emma Louise BERENTSON

Steven Leslie TANNER

Sandra JULIAN

NPC# 14

- 9 FEB 2010

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

10. OTHER MATERIAL MATTERS

At a Special General Meeting, held on 15 December 2009, a special resolution of members was passed resolving to transfer the engagements of the Credit Union to Credit Union Baywide in accordance with section 135 of the Act. A copy of the resolution was registered with the Registrar of Friendly Societies and Credit Unions on 5 January 2010 and the statutory objection period is due to pass on 15 February 2010. From that date, assuming there are no objections upheld by the Registrar of Friendly Societies and Credit Unions, all of the Credit Union's assets and undertakings will be transferred to Credit Union Baywide on 28 February 2010.

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

11. SUMMARY OF FINANCIAL STATEMENTS

The summary of the financial statements of the Credit Union for the five years ended to 31st August 2008, as required by Clause 7 of the Second Schedule of the Securities Regulations 1983, where applicable, are set out in the First Schedule to this Prospectus.

12. FINANCIAL STATEMENTS

The most recent audited financial statements of the Credit Union for the year ended 31st August 2008 have been registered under the Financial Reporting Act 1993. The registered financial statements include the information required by Clauses 16 to 31 (inclusive) of the Second Schedule of the Securities Regulations 1983. A copy of the registered financial statements is attached as the Fourth Schedule to this Prospectus.

13. ACQUISITION OF BUSINESS OR SUBSIDIARY

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

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CREDIT UNION TARANAKI

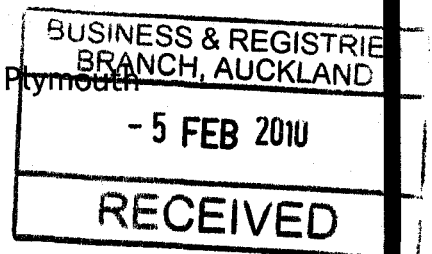
(Trading as "NZCU Taranaki")

PROSPECTUS

- RELATING TO -

THE OFFER OF DEBT SECURITIES
BY THE CREDIT UNION

Offices at: 190-192 Devon Street East, New Plymouth
205A High Street, Hawera
32 Queen Street, Waitara



succeeding together

DIRECTORY

	<u>Telephone</u>	<u>Facsimile</u>	<u>E-mail</u>
<u>CREDIT UNION TARANAKI</u> 190-192 Devon Street East PO Box 644 New Plymouth	(06) 758-7348	(06) 758-0931	enquiries@nzcutaranaki.co.nz
<u>SOLICITORS to Credit Union Taranaki</u> Young & Carrington Lawyers 68 Vivian Street P.O. Box 845 New Plymouth	(06) 758-9484	(06) 758-9485	pfcarrington@extra.co.nz
With regard to this Prospectus: Stace Hammond Barristers and Solicitors Level 7, 45 Queen Street P.O. Box 106 376 Auckland	(09) 307-7909	(09) 307-7908	
<u>PRUDENTIAL SUPERVISOR</u> Trustees Executors Limited. Level 12, 45 Queen Street P.O. Box 4197 Auckland	(09) 308-7100	(09) 308-7101	
<u>AUDITORS</u> BDO Spicers, Chartered Accountants 1 st Floor, Hugh Monckton Trust Building Cnr. Harwood & Rostrevor Streets P.O. Box 187 Hamilton	(07) 839 2106	(07) 839 0509	Bernard.Lamusse@ham.bdospicers.com
<u>BANKERS</u> Westpac Banking Corporation 196 Devon Street East New Plymouth	(06) 758 5295	(06) 758 4252	
New Zealand Association of Credit Unions Level 4, Credit Union House 272 Parnell Road P.O. Box 37 590 Parnell, Auckland	(09) 309 9551	(09) 309 9571	nzacu@nzacu.org.nz
<u>COMPANIES OFFICE</u> Companies Office, Level 18, ASB Centre 135 Albert Street Private Bag 92061 Auckland	(0508) 266 726	(09) 912 7787	www.companies.govt.nz
<u>Registrar of Friendly Societies & Credit Unions</u> Companies Office (see details above)			

This Prospectus is dated 19 February, 2009.

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

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

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

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

1. MAIN TERMS OF OFFER

1.1 Name and address of Issuer

Name of Credit Union:

Credit Union Taranaki, trading as NZCU Taranaki (hereinafter referred to as "the Credit Union").

Registered Office:

190-192 Devon Street East, New Plymouth.

Ordinary Office Hours:

Registered office open: Monday - Friday, 9.00am to 4.30pm.

Branch Offices and Service Locations:

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

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

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

Agencies:

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

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

1.2 Description of the Activities of the Credit Union

The Credit Union

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

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

The principal fixed assets of the Credit Union are computers, office equipment, building improvements and a motor vehicle. The fixed assets of the Credit Union are used solely for furthering its objects described above.

The Offer

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

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

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

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

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

Shares

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

First Schedule, the minimum shareholding described above must be held in a "Minimum Shareholding Account" (for further details see the Second Schedule).

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

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

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

Membership

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

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

The Credit Union is not entitled at law, to issue share certificates to members. However, all deposits and withdrawals against a member's share account(s) will be entered in the member's accounts. In addition, the Credit Union will on request, and every six (6) months during the period of membership, forward a statement of account(s) to each member, via post to their last known address, of their shareholding in the Credit Union.

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

Share Accounts

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

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

Details of the share accounts currently operated by the Credit Union, including the conditions of each account, the dividend or interest return (or how the rate may be calculated), the minimum amount of shares required to be purchased, the term of the investment and the timing of repayment are set out in the Second Schedule to this Prospectus.

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

Term Share Accounts

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

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

On-Call & Notice-of-Withdrawal Accounts

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

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

The amount of the surplus available for distribution to members is also subject to the statutory obligation of the Credit Union to maintain a General Reserve. The current obligation in this regard is an annual transfer from profits of up to 5% of the gross income from the Credit Union's interest (and rent) receipts, to maintain a General Reserve of at least 5% of the Credit Union's total assets. The Credit Union also has an obligation under the Trust Deed to maintain a Prudential Reserve, which is described under the heading "Prudential Reserve" at paragraph 7.1. The General Reserve and

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Prudential Reserve can not be utilised for payment of interest or dividends without the consent of the Registrar of Friendly Societies and Credit Unions or Prudential Supervisor respectively. The method of calculating the rate of return on all Credit Union's On-Call and Notice-of-Withdrawal accounts, together with the terms and conditions of these accounts is set out in the Second Schedule to this Prospectus.

Special Share Accounts

Shares in a Special Share Account may either earn interest or entitle the member to receive a dividend from the profits of the Credit Union. The method of calculating the rate of return on all Credit Union's Special Share accounts, together with the terms and conditions of these accounts is set out in the Second Schedule to this Prospectus.

Payment of Returns

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

Fees and Charges

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

Withdrawals

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

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

Maturity

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

Early Repayment

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

Taxation

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

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

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

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

Loans

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

Loans to members will only be made in accordance with the Rules of the Credit Union and the provisions of the Act, which may from time-to-time specify the maximum amount which may be loaned to any member, the maximum term of loans or the lending to assets ratios to be observed by the Credit Union. For details of the conditions existing under the

Rules of the Credit Union and the Act at the date of application, please contact the Credit Union. The Credit Union reserves the right to decline any application for a loan without giving any reason.

2. DETAILS OF REGISTRATION OF THE CREDIT UNION

2.1 Registration

Credit Union Taranaki, initially registered as the New Plymouth Waterfront Credit Union, was formed on 12 August 1971 and registered on 27 August 1971 as a specially authorised society under the provisions of the Friendly Societies Act 1909 with registration number 1802851.

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

2.2 Rules of Operation of the Credit Union

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

2.3 Register of Members

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

2.4 Other Statutory Information

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

3. DIRECTORATE AND ADVISERS

3.1 Directors and Officers

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

The Directors serve a term of two (2) years, retire by rotation, and are eligible for re-election.

The members elect a minimum of three (3) Directors to be Trustees of the Credit Union.

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

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

3.2 Particulars of Trustees

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

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

3.3 Auditors

The Credit Union has appointed:

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

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

3.4 Solicitors

The Credit Union's solicitors are:

Young & Carrington
Lawyers

With regard to this Prospectus:

Stace Hammond
Barristers and Solicitors

Their contact details are included in the Directory.

3.5 Prudential Supervisor

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

3.6 Bankers

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

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

Their contact details are included in the Directory.

4. MATERIAL CONTRACTS

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

5. PENDING PROCEEDINGS

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

6. RANKING

The aggregate amount of securities, being the shares issued by the Credit Union to its existing members, that ranked in point of security equally with the shares offered by the Credit Union to potential and existing members pursuant to this Prospectus, was \$6,485,820 as at 31st August 2008 (\$5,263,682 as at 31st August 2007). There were nil prior ranking securities as at 31st August 2008 (Nil as at 31 August 2007).

The repayment of monies owing on members' shares is principally secured to the extent permitted by law by a first-ranking equitable assignment by way of security over the whole of the Credit Union's present and future undertaking, property, assets & revenues, including the proceeds received for the subscription of shares and unpaid share capital (if any). The equitable assignment by way of security has been granted in favour of the Prudential Supervisor under the Trust Deed, which has been registered with the Registrar of Companies. Please refer to Section 7 for further details of the Trust Deed.

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

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

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

7.1 Trust Deed

The Credit Union has appointed the Prudential Supervisor the statutory trustee of the offer of shares detailed in this Prospectus for the purposes of the Securities Act 1978. The Prudential Supervisor's appointment and the parties' respective rights and obligations are recorded in the Trust Deed dated 7 December 2001 as modified by the Deed of Modification dated 22 October 2002.

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

Prudential Reserve

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

Other Charges & Financial Ratios

Under the Trust Deed, the Credit Union has covenanted that it will not grant any charge or other security interest in priority to or ranking equally with the deed of assignment by way of security granted in favour of the Prudential Supervisor, without the Prudential Supervisor's written consent. The Credit Union has further covenanted, subject to the terms & conditions contained in the Trust Deed, not to:

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

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permit its secured liabilities to exceed 1% of its total tangible assets;
 permit its liquid assets to be less than 8% of its total tangible assets;
 permit the total amount of interest or dividends paid in cash over a six (6)-month period or more, to exceed cash actually received during the same period;
 fail to ensure that it has sufficient assets at times to discharge all debts as they fall due;
 permit the aggregate of its secured investments, unsecured investments and listed securities, to exceed 15% of its total tangible assets;
 permit the aggregate of its unsecured investments to exceed 1% of its total tangible assets.

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

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

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

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

Prudential Supervisor's Waivers

The Prudential Supervisor has agreed that, in calculating the amount under Clause 7.1(g) above, the amount of \$299,233 represented by subordinated Capital Notes issued by the Association (on terms further set out in Note 11 to the financial statements in the Fourth Schedule to this prospectus) may be disregarded.

On 28 July 2006 the Prudential Supervisor agreed to a waiver of clause 5.2(f) of the Trust Deed thereby allowing the Credit Union to issue loans to Associated Persons without having to give 10 business days notice to the Prudential Supervisor provided each loan is for an amount of \$20,000.00 or less and:

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

On 25 November 2008 the Prudential Supervisor gave permission, under clause 5.5 of the Trust Deed, for the Credit Union to:

- (a) deduct from its Assets any loan made to a Member secured by Shares held by the Member;
- (b) deduct from its Liabilities the amount of any Obligation owed to the Member in respect of the Shares securing the Loan to the Member; and
- (c) that the Credit Union may continue to issue securities until either the permission is no longer required or 30 November 2009, whichever happens sooner.

In addition, the Prudential Supervisor noted that dividends had been paid in excess of the surplus earned for the financial year ended 31 August 2008, without the prior written consent of the Prudential Supervisor. This was a breach

DJW-127926-8-3-V1:DJW

of clause 5.3(c) of the Trust Deed. Pursuant to clause 5.2(b) the Prudential Supervisor consented to the Credit Union continuing to issue shares to members.

Prudential Supervisor's Obligations

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

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

7.2 Prudential Supervisor's Statement

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

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

7.3 Other Restrictions on the Credit Union

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

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

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

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

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

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

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

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

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

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

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

8. OTHER TERMS OF OFFER AND SECURITIES

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

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

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

Risks

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

1. Competition

Under the Act the Credit Union is restricted as to the persons it may accept as members. This restriction is called the Credit Union's Common Bond, and it is specified in the Credit Union's Rules. As the Credit Union is competing with

banks, other Credit Unions and companies operating in the savings and loans market, restrictions on membership provided by the Common Bond may affect the Credit Union's profitability and the returns payable to members.

2. Common Bond Limitations

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

3. Interest Rate Margin Risk

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

4. Liquidity Risk

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

5. Regulatory Risk

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

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

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

9. PLACES OF INSPECTION OF DOCUMENTS

9.1 Credit Union

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

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

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

9.2 Companies Office

Copies of:

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

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

10. OTHER MATERIAL MATTERS

At a Special General Meeting, held on 15 December 2009, a special resolution of members was passed resolving to transfer the engagements of the Credit Union to Credit Union Baywide in accordance with section 135 of the Act. A copy of the resolution was registered with the Registrar of Friendly Societies and Credit Unions on 5 January 2010 and the statutory objection period is due to pass on 15 February 2010. From that date, assuming there are no objections upheld by the Registrar of Friendly Societies and Credit Unions, all of the Credit Union's assets and undertakings will be transferred to Credit Union Baywide on 28 February 2010.

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

11. SUMMARY OF FINANCIAL STATEMENTS

The summary of the financial statements of the Credit Union for the five years ended to 31st August 2008, as required by Clause 7 of the Second Schedule of the Securities Regulations 1983, where applicable, are set out in the First Schedule to this Prospectus.

12. FINANCIAL STATEMENTS

The most recent audited financial statements of the Credit Union for the year ended 31st August 2008 have been registered under the Financial Reporting Act 1993. The registered financial statements include the information required by Clauses 16 to 31 (inclusive) of the Second Schedule of the Securities Regulations 1983. A copy of the registered financial statements is attached as the Fourth Schedule to this Prospectus.

13. ACQUISITION OF BUSINESS OR SUBSIDIARY

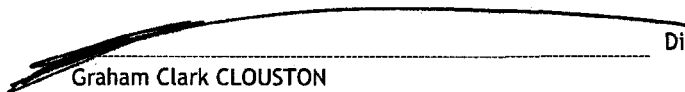
The Credit Union has not acquired a business, nor did any body corporate become a subsidiary of the Credit Union, in the two (2) years preceding the date this Prospectus was delivered to the Registrar of Companies for registration.


14. DIRECTORS' STATEMENT

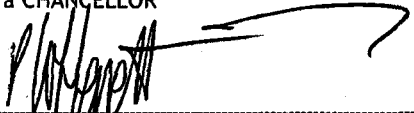
The Directors, after due enquiry in relation to the period between the date of the latest balance sheet as at 31st August 2008 (as attached to the Fourth Schedule) and the date of registration of this Prospectus, are of the opinion, that no circumstances have arisen that materially adversely affect:

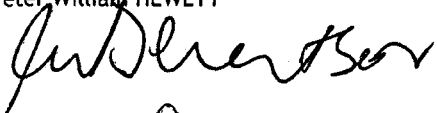
- (a) the trading or profitability of the Credit Union;
- (b) the value of the assets of the Credit Union; or
- (c) the ability of the Credit Union to pay its liabilities due within the next twelve (12) months.

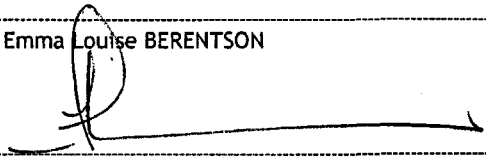
SIGNED BY the Directors of Credit Union Taranaki.

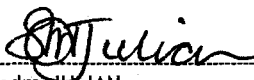

Graham Clark CLOUSTON Director/Chairperson


Leora CHANCELLOR Director/Secretary


Peter William HEWETT Director/Deputy Chairperson/Trustee


Maureen Emma Louise BERENTSON Director/Trustee


Steven Leslie TANNER Director/Trustee


Sandra JULIAN Director

FIRST SCHEDULE - SUMMARY OF FINANCIAL STATEMENTS

INCOME STATEMENT (in \$000):

<u>For the Financial Year Ended:</u>	<u>31-Aug-08</u> NZIFRS	<u>31-Aug-07</u> NZIFRS	<u>31-Aug-07</u> Previous GAAP	<u>31-Aug-06</u> Previous GAAP	<u>31-Aug-05</u> Previous GAAP	<u>31-Aug-04</u> Previous GAAP
Operating Revenue	1,399	1,258	1,258	1,175	1,125	1,117
Operating Expenses						
Total Dividend/Interest Expenses	309	197	197	140	136	139
Total Other Expenses	1,207	1,012	1,012	915	864	820
Net Trading Surplus/(Deficit)	(117)	49	49	120	125	158
Extraordinary Income	Nil	Nil	Nil	Nil	Nil	Nil
Net Surplus/(Deficit) Before Appropriation	(117)	49	49	120	125	158
Transfer to/(from) General Reserve	Nil	49	49	120	125	158
Net Surplus/(Deficit) After Appropriation	(117)	Nil	Nil	Nil	Nil	Nil

SUMMARY OF BALANCE SHEET (in \$000):

<u>As At:</u>	<u>31-Aug-08</u> NZIFRS	<u>31-Aug-07</u> NZIFRS	<u>31-Aug-07</u> Previous GAAP	<u>31-Aug-06</u> Previous GAAP	<u>31-Aug-05</u> Previous GAAP	<u>31-Aug-04</u> Previous GAAP
Total Assets	7,335	6,194	6,194	5,175	5,000	5,314
Total Tangible Assets	7,335	6,194	6,194	5,175	5,000	5,314
Total Liabilities	6,695	5,437	5,437	4,467	4,412	4,851
Total Equity	640	757	757	708	588	463

Notes to Summary of Financial Statements

- (a) The amounts stated have been taken from audited financial statements, with rounding to thousands.
- (b) There are no abnormal items that derive from the ordinary activities of the Credit Union.
- (c) There have been no extraordinary items that derive from events outside the ordinary activities of the Credit Union.
- (d) The equity method of accounting has not been used.
- (e) For the year 31 August 2008 Credit Union Taranaki has implemented NZIFRS ("New Zealand equivalent of International Reporting Financial Standards").
The figures for August 2007 have also been restated to reflect NZIFRS accounting.
For disclosure purposes, the 2007 figures are provided in both NZIFRS format and Previous GAAP (being "Generally Accepted Accounting Practice" that applied prior to the adoption of NZIFRS).
- (f) Total Dividends/Interest paid for all share classes (being the debt securities issued) for the Years Ended, in cents per share:

<u>Share class</u>	<u>31-Aug-08</u>	<u>31-Aug-07</u>	<u>31-Aug-06</u>	<u>31-Aug-05</u>	<u>31-Aug-04</u>
Jimmy J Junior Saver	2.5	2.5	2.5	2.5	2.5
Bfree	2.5	2.5	2.5	2.5	2.5
Christmas Club	3.5	3.5	3.5	3.5	3.5
Success Saver	2.5	2.5	2.5	2.5	2.5
Term Shares - 1-2 month term	4.5-5.5	4.5-5.5	3.25-4.75	3.0-4.25	3.0-4.0
Term Shares - 3 month term	4.5-5.5	4.5-5.5	4.25-6.75	4.0-6.5	4.0-6.0
Term Shares - 6-10 month term	5.5-8.0	5.5-8.0	4.25-6.75	4.0-6.5	4.0-6.0
Term Shares - 12-24 month term	6.5-8.5	6.5-8.5	5.25-7.25	5.5-7.0	5.0-6.5

SECOND SCHEDULE - SHARE ACCOUNTS

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

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

Deposit Amount ↓ / Term ⇒	30-90 days	>3 - <12 months	12-24 months	> 2 years
\$500 to \$9,999	4.50% p.a.	5.50% p.a.	6.50% p.a.	Amounts and
\$10,000 to \$250,000	5.50% p.a.	8.00% p.a.	8.50% p.a.	Arrangement



BDO Spicers
Chartered Accountants & Advisers

BDO Spicers Hamilton
1st Floor, BDO Building
Cnr Harwood & Rostrevor Streets
PO Box 187, Waikato Mail Centre
Hamilton 3240, New Zealand
Tel: 07 839 2106
Fax: 07 839 0509
office@ham.bdospicers.com
www.bdospicers.com

Reference: CUTA

19 February 2009

The Directors
Credit Union Taranaki
PO Box 644
NEW PLYMOUTH

Dear Directors

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

We have audited the Financial Statements of the Credit Union attached to the Fourth Schedule of the Credit Union's Prospectus. The Financial Statements provide information about the past financial performance and cash flows of the Credit Union and its state of affairs as at 31 August 2008, as required by clauses 16 to 31 (inclusive) of the Second Schedule of the Securities Regulations 1983. The information is stated in accordance with the Accounting Policies set out in the Financial Statements.

Directors Responsibilities

The Directors are responsible for the preparation and presentation of Financial Statements which give a true and fair view of the state of affairs of the Credit Union as at 31 August 2008 and its financial performance and cash flows for the year ended on that date.

Auditors Responsibilities

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

Basis of Opinion

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

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

Hamilton

Independent Member Firms in Bay of Islands ■ Auckland ■ Rotorua ■ Tauranga ■ Napier
Gisborne ■ New Plymouth ■ Palmerston North ■ Wellington ■ Christchurch ■ Invercargill
Member of BDO International

Partners

Bernard Lamusse
Glen Martyn



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Chartered Accountants & Advisers

BDO Spicers Hamilton

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

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

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

Unqualified Opinion

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

In our opinion:

- (a) proper accounting records have been kept by the Credit Union as far as it appears from our examination of the records;
- (b) the Financial Statements that are required by Clauses 16 to 31 (inclusive) of the Second Schedule of the Securities Regulation 1983, and that are required to be audited have been prepared, and:
 - i. comply with the Securities Regulations 1983;
 - ii. subject to the Securities Regulations 1983, comply with Generally Accepted Accounting Practice; and
 - iii. give a true and fair view of the state of affairs of the Credit Union as at 31 August 2008 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 26 November 2008 and our unqualified opinion was expressed as at that date.

Historical Summary of Financial Statements

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



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Chartered Accountants & Advisers

BDO Spicers Hamilton

Directors' Responsibilities

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

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

Auditors Consent

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

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

Yours faithfully

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

BDO Spicers, Hamilton

**BDO SPICERS
HAMILTON**



CREDIT UNION TARANAKI

(Trading as "NZCU Taranaki")

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2008

Offices in: *New Plymouth*
 Hawera
 Patea
 Waitara

CREDIT UNION TARANAKI

INCOME STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2008

		2008	2007
<u>INCOME</u>	Note	\$	\$
Interest revenue	2	827,920	677,523
Other revenue	2	570,953	580,876
TOTAL REVENUE		1,398,873	1,258,399
 <u>EXPENDITURE</u>			
Interest expenditure	2	308,749	197,270
Loan impairment expenses	2	96,136	11,100
Employee benefits		332,902	308,375
Occupancy		62,624	54,236
Depreciation	2	44,768	19,799
Impairment losses		-	-
Other expenditure	2	670,842	618,739
TOTAL EXPENDITURE		1,516,021	1,209,519
Profit/(Loss) for the period attributable to members		(117,148)	48,880

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



CREDIT UNION TARANAKI

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2008

	Retained Earnings \$	Other Reserves \$	Total Reserves \$
Balance at 01 September 2006	-	707,797	707,797
Profit for the period	48,880	-	48,880
Total recognised income and expenses for the year	48,880	-	48,880
Transfers to and from reserves: - general reserve	(48,880)	48,880	-
Retained earnings	-	-	-
Balance at 31 August 2007	-	756,677	756,677
Balance at 01 September 2007	-	756,677	756,677
Profit/(Loss) for the period	(117,148)	-	(117,148)
Total recognised income and expenses for the year	-	-	-
Transfers to and from reserves: - general reserve	-	-	-
Retained earnings	(117,148)	-	(117,148)
Balance at 31 August 2008	(117,148)	756,677	639,529

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



BALANCE SHEET AT:

	Note	31-Aug-2008 \$	31-Aug-2007 \$
<u>MEMBERS' FUNDS</u>			
Retained earnings	4	(117,148)	-
Other reserves	4	<u>756,677</u>	<u>756,677</u>
TOTAL MEMBERS' FUNDS		<u>639,529</u>	<u>756,677</u>
<u>ASSETS</u>			
Cash & Bank	5	360,437	176,613
Deposits at NZACU	5	1,350,000	600,000
Trade and other receivables	6	88,566	90,846
Loans to members	7-8	5,066,676	5,055,569
Derivatives	9	-	-
Property, plant & equipment	10	155,115	76,375
Capital Notes	11	<u>313,800</u>	<u>194,233</u>
TOTAL ASSETS		<u>7,334,594</u>	<u>6,193,636</u>
<u>LIABILITIES</u>			
Trade and other payables	12	209,245	173,277
Short-term borrowings	13	-	-
Members' deposits	14	<u>6,485,820</u>	<u>5,263,682</u>
TOTAL LIABILITIES		<u>6,695,065</u>	<u>5,436,959</u>
NET ASSETS		<u>639,529</u>	<u>756,677</u>

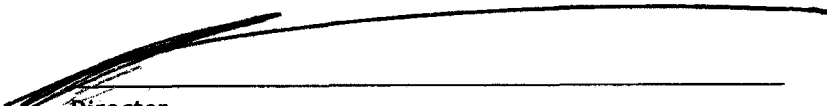
These audited Financial Statements are authorised for issue by:



 Director

18/2/09

 Date



 Director

17/2/09

 Date

CREDIT UNION TARANAKI

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2008

	Note	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		(819,142)	(672,273)
Fees and commissions received		(558,108)	(567,936)
Bad loans recovered		(6,958)	(9,024)
Other income		(5,887)	(3,916)
Interest paid		289,448	185,964
Payments to suppliers, directors & employees		1,038,643	997,055
Net cash provided by/(used in) operating activities	27	<u>(62,004)</u>	<u>(70,130)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net movement in members' loans		107,243	1,027,390
Purchase of property, plant and equipment		123,508	56,692
Proceeds from sale of property, plant and equipment		-	(6,499)
Net movement in short term investments		-	-
Capital notes investment - NZACU		119,567	25,465
Net cash provided by/(used in) investing activities		<u>350,318</u>	<u>1,103,048</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in member deposits		(1,222,138)	(984,389)
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Net cash provided by/(used in) financing activities		<u>(1,222,138)</u>	<u>(984,389)</u>
Total net increase/(decrease) in cash held		933,824	(48,529)
Cash and cash equivalents at the beginning of the period		776,613	825,142
Cash and cash equivalents at the end of the period		<u>1,710,437</u>	<u>776,613</u>

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



CREDIT UNION TARANAKI

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2008

Reporting Entity

The Credit Union is registered under the Friendly Societies and Credit Unions Act 1982. The Credit Union is an issuer for the purposes of the Financial Reporting Act 1993. The financial report is a general purpose financial report which has been prepared in accordance with the Financial Reporting Act 1993, the Friendly Societies and Credit Unions Act 1982 and relevant Securities Regulations.

These financial statements have also been prepared in accordance with New Zealand Generally Accepted Accounting Principles (GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") as appropriate for profit-oriented entities for the benefit of their members. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards (IFRS). The presentation currency is \$NZ.

Nature of Business

The purpose of a Credit Union is to promote savings among its members and to use those savings for their mutual benefit.

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

The Credit Union operates predominantly in one industry, being the investment of its members' funds. All operations are based in New Zealand. Segment information is represented by the amounts disclosed in the income statement, balance sheet and cash flow statement.

Trust Deed

To meet the requirements of The Securities Act 1978 a Trust Deed was entered into on the 29 November 2001 between the Trustees of the Credit Union and Trustees Executors Limited. Trustees Executors Limited, as the Prudential Supervisor was appointed to act in the interests of the members of the Credit Union by monitoring the compliance by the Credit Union of its obligations, its Rules, the Trust Deed and the Friendly Societies and Credit Unions Act 1982. In addition, the Prudential Supervisor is under duty to exercise reasonable diligence to ascertain whether the Credit Union has:

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Adoption of NZ IFRS

First-time adoption of New Zealand Equivalents to International Financial Reporting Standards has been applied by the Credit Union for the financial year ended 31 August 2008.

In accordance with the requirements of NZ IFRS1: First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards, adjustments to financial statements resulting from the introduction of NZ IFRS have been applied retrospectively to 2007 comparative figures. These financial statements are the first financial statements of the Credit Union to be prepared in accordance with NZ IFRS.

Reconciliations of the transition from previous New Zealand GAAP to NZ IFRS have been included in Note 28 to this financial report.

(b) Measurement Base

The financial statements have been prepared on a going concern basis in accordance with the historical concept except for land and buildings and certain financial instruments which are stated at fair value. The presentation currency used in the financial statements is the New Zealand dollar which is the Credit Union's functional currency.

(c) Members' Shares (Deposits)

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

(d) Financial Instruments Recognition

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

A financial asset and a financial liability are offset only when the credit union has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial instruments are initially measured at fair value plus, for financial instruments not at fair value through profit or loss, directly attributable transactions costs. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

The Credit Union has no financial assets at fair value through the income statement as defined in NZ IAS 39.



Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised costs using the effective interest rate method less impairment losses.

Receivables Due from other Financial Institutions

Receivables due from other financial institutions are primarily settlement account balances due from banks, New Zealand Association of Credit Unions (NZACU) and other credit unions. They are brought to account at the gross value of the outstanding balance. Interest is brought to account in the Income statement on the effective interest basis.

Held-to-maturity investments

Capital Notes are defined as held-to-maturity investments. The capital notes are measured at amortised cost, their fair value could not be measured reliably as there is no active market for this investment.

Available for Sale Financial Assets

The Credit Union has no available for sale financial assets.

Financial liabilities

The Credit Union has no financial liabilities at fair value through the income statement as defined in NZ IAS 39.

Cash or cash equivalents

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

(e) Revenue

Loans Interest Revenue

Loan interest is calculated on the daily loan balance outstanding and is charged at each payment date. Loan interest is recognised in the income statement using the effective interest rate method.

Investment Interest Revenue

Investment interest revenue is recognised using the effective interest method.

Fees & Commissions Revenue

Fees and commission are brought to account on an accrual basis once a right to receive consideration has been attained.

Loan Origination Fees Revenue

Loan origination fees, where material, are deferred and amortised as a component of the calculation of the effective interest rate in relation to the original loans.

Where loan origination fees are not material these are taken to revenue when the loan is drawn down. Fees collected represent reimbursement of costs incurred as specified by the Credit Contracts and Consumer Finance Act 2003 (CCCFA).

(f) Impairment - Loans & Advances

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. Impairment loss is measured as the difference between the loan's carrying amount and the value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate.

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

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised in the income statement.

The amount provided for impairment of loans is determined by management and the board. The Prudential Standards issued by NZACU enable the minimum provision to be based on specific percentages of the loan balance, contingent upon the length of time the repayments are in arrears, and the security held. This approach is adopted by the Credit Union. In addition, the board makes an impairment allowance for loans in arrears where the collectability of the debts is considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

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

Bad debts are written off when identified to the allowance for impaired loans.

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

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

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

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



(g) Derivative financial instruments and hedge accounting

Derivatives (Interest Rate Swaps) are not entered into by the Credit Union.

(h) Goods & Services Tax

The Credit Union is not registered for GST.

(i) 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.

(j) Property, plant and equipment ("PPE")

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, adjusted for any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are not owned by the Credit Union.

Plant and Equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets' employment and subsequent disposal. Any decrement in the carrying amount is recognised as an impairment expense in the Income Statement in the reporting period in which the impairment loss occurs. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all property, plant and equipment and capitalised leased assets is depreciated over their useful lives to the Credit Union commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

Plant and equipment is depreciated on a straight-line basis.

A summary of the rates used is:	Computer Equipment, Hardware and Software	33%
	Office Furniture and Equipment	33%
	Leasehold improvements	33%
	Motor Vehicles	25%
	Automated Teller Machines	20%

Assets under \$200 are not capitalised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains & losses are included in the Income Statement.

(K) Impairment Testing of Assets (excluding PP&E and Loans & Advances)

At each reporting date, the Credit Union reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the Income Statement.

(l) Leases

Leases of property, plant and equipment, other than operating leases, where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the Credit Union are classified as operating leases.

Finance leases are capitalised recording an asset and a liability equal to lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives, in the same manner as owned items of Property, Plant and Equipment.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and are amortised on a straight-line basis over the life of the lease term.

(m) Members' Deposits

Members' deposits are brought to account at amortised cost. Interest on deposits is brought to account on an accrual basis. Interest accrued at balance date is shown as a part of other payables.

(n) Employee Benefits

Accruals are made for the liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled



on an undiscounted basis and are expensed as the service is provided by the employee. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made if material.

(o) Comparative figures

Where required as a result of the adoption of NZ IFRS, comparative figures have been adjusted to conform to changes in presentation in the current period.

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

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

"Financing Activities" are those activities relating to changes 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 disclosure as many of the cash flows are received and disbursed on behalf of members and reflect the activities of the members rather than those of the Credit Union. These include members' loans and borrowings and members' shares.

(q) Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires the use of management judgements, estimates and assumptions that affect reported amounts and the application of policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Management have made judgements when applying the Credit Union's accounting policies with respect to the classification of financial instrument recognition.

The details of the critical accounting estimates and assumptions are set out in Note 8 for the impairment allowance for loans.



2. REVENUE AND EXPENDITURE

REVENUE	2008	2007
<i>Interest Revenue</i>	\$	\$
Interest on Loans	755,049	604,941
Interest on Investments	72,871	72,582
Other Interest	-	-
Total Interest Revenue	<u>827,920</u>	<u>677,523</u>
<i>Other Income</i>		
Loan Application Fees	109,699	125,948
Cost Recoveries	404,622	403,104
Bad Debts Recovered	6,958	9,024
Commissions	43,787	39,653
Other Income	5,887	3,147
Total Other Income	<u>570,953</u>	<u>580,876</u>
TOTAL REVENUE	<u>1,398,873</u>	<u>1,258,399</u>
EXPENDITURE	2008	2007
<i>Interest Expenditure</i>	\$	\$
Interest on Members Call Shares	10,233	5,598
Interest on Members Term Shares	298,516	191,672
Interest on Overdraft from NZACU	-	-
Other Interest	-	-
Total Interest Expenditure	<u>308,749</u>	<u>197,270</u>
<i>Other Expenditure</i>		
Auditor's Remuneration:		
External Audit of Financial Statements *	31,078	14,145
Internal Audit	18,284	18,383
Loss on Disposal of Property Plant & Equipment	-	-
Directors' Fees	24,293	19,580
Directors' Expenses and Training	5,749	1,825
Donations Made/Community Support	3,633	5,200
Other Expenses	587,805	559,606
Total Other Expenditure	<u>670,842</u>	<u>618,739</u>

* External audit fees have increased due to the increased costs associated with the conversion to NZ IFRS

<i>Loan Impairment Expenses</i>		
Bad Debts Written Off to Impairment Allowance	81,625	27,127
Movement in Allowance for Impaired Loans	14,511	(16,027)
Total Impairment Expenses	<u>96,136</u>	<u>11,100</u>
<i>Depreciation Expenditure</i>		
Depreciation Recovered, Motor Vehicles	-	(6,499)
Computer Equipment	27,319	19,990
Motor Vehicles	7,554	2,518
Office Furniture and Equipment	5,409	3,790
Leasehold Improvements	4,486	-
Total Depreciation Expenditure	<u>44,768</u>	<u>19,799</u>

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:

	2008	2007
Christmas Saver Shares	3.5%	3.5%
Success Saver, Jimmy J Junior Saver & Bfree Shares	2.5%	2.5%
Term Shares:		
11 Term Deposit (1-month term)	4.5-5.5%	4.5-5.5%
12 Term Deposit (2-month term)	4.5-5.5%	4.5-5.5%
13 Term Deposit (3-month term)	4.5-5.5%	4.5-5.5%
16 Term Deposit (6-month term)	5.5-8.0%	5.5-8.0%
19 Term Deposit (9-month term)	5.5-8.0%	5.5-8.0%
110 Term Deposit (10-month term)	5.5-8.0%	5.5-8.0%
112 Term Deposit (12-month term)	6.5-8.5%	6.5-8.5%
113 Term Deposit (13-month term)	6.5-8.5%	6.5-8.5%
115 Term Deposit (15-month term)	6.5-8.5%	6.5-8.5%
118 Term Deposit (18-month term)	6.5-8.5%	6.5-8.5%
124 Term Deposit (24-month term)	6.5-8.5%	6.5-8.5%



4. RESERVES

Reserves at 31 August 2008:					
	Retained Earnings	General Reserve	Revaluation Reserve	Other Reserves	Total Members' Reserves
Balance brought forward	-	756,677	-	-	756,677
Operating profit/(loss) for the year	(117,148)	-	-	-	(117,148)
Transfer to/from retained earnings	-	-	-	-	-
Adjustment on adoption of NZ IFRS	-	-	-	-	-
Balance carried forward	(117,148)	756,677	-	-	639,529
The Reserve % to Total Assets	(1.9)	10.3	-	-	8.4

Reserves at 31 August 2007:					
	Retained Earnings	General Reserve	Revaluation Reserve	Other Reserves	Total Members' Reserves
Balance brought forward	-	707,797	-	-	707,797
Operating profit/(loss) for the year	48,880	-	-	-	48,880
Transfer to/from retained earnings	(48,880)	48,880	-	-	-
Adjustment on adoption of NZ IFRS	-	-	-	-	-
Balance carried forward	-	756,677	-	-	756,677
The Reserve % to Total Assets	-	12.2	-	-	12.2

Retained Earnings

Reserve arising from retained profits accumulated from operations.

General Reserve

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

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

Revaluation Reserve

A Revaluation Reserve has not been established by the Credit Union.

Total Reserves

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

5. CASH AND CASH EQUIVALENTS

	Interest Rates	2008 \$	2007 \$
Cash & Bank	3.75%	360,436	176,613
Deposits at NZ Association of Credit Unions	8.25-8.65%	1,350,000	600,000
		<u>1,710,436</u>	<u>776,613</u>

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

6. TRADE AND OTHER RECEIVABLES

	2008	2007
Accrued Interest	\$ 25,044	\$ 16,266
Sundry Debtors	-	-
Prepayments	63,522	74,580
Other Receivables (List, if large)	-	-
	<u>88,566</u>	<u>90,846</u>

7. LOANS TO MEMBERS

Loans are made in accordance with the lending policy of the Credit Union and are repayable on demand. An allowance for impairment has been made at the end of the reporting period. Bad loans are written off against the allowance for impairments.

(a) Loans to members comprise:

	2008 \$	2007 \$
Neither Past Due nor Impaired	5,002,622	4,993,441
Past due but not impaired	64,054	62,128
Impaired Individually	14,106	7,908
Impaired collectively	34,361	26,048
Gross Loans	<u>5,115,143</u>	<u>5,089,525</u>
Less:		
Allowance for impairment individually	14,106	7,908
Allowance for impairment collectively	34,361	26,048
Net	<u>5,066,676</u>	<u>5,055,569</u>



(b) Credit quality - Security dissection

	2008	2007
	\$	\$
Secured by mortgage over real estate	1,623,785	1,679,543
Secured by members' shares	996,139	1,043,910
Unsecured, or not secured by mortgage over real estate or members' shares	2,495,219	2,366,072
Gross Loans	5,115,143	5,089,525

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:

	2008	2007
	\$	\$
Security held as mortgage against real estate is on the basis of:		
- loan to valuation ratio of less than 80%	1,623,785	1,679,543
- loan to valuation ratio of more than 80% but mortgage insured	-	-
- loan to valuation ratio of more than 80% but not mortgage insured	-	-
TOTAL	1,623,785	1,679,543

(c) Credit quality - Concentration of loans

(i) Loans to individual or related groups of members which exceed 10% of member funds in aggregate	0%	0%
(ii) Loans to members are concentrated to members only;	100%	100%
(iii) Loans to members are concentrated solely in New Zealand and principally within the common bond of the Credit Union;	100%	100%
(iv) Loans drawn down, by purpose, for financial year ended 31-Aug-08:		
Loans to natural persons		
Residential loans and facilities	168,412	591,103
Personal loans and facilities	2,833,885	3,685,308
Business loans and facilities	171,949	13,300
Loans to Charitable Trusts and Incorporated Societies	-	-
TOTAL	3,174,246	4,289,711

8. IMPAIRMENT OF LOANS AND ADVANCES

	2008	2007
	\$	\$
(a) Allowance for Impairment		
Balance as at 31 August 2007	33,956	49,983
Addition/(reduction) in allowance	14,511	(16,027)
Bad Debts written off to allowance	81,625	27,127
Asset acquired through the enforcement of security	-	-
Other Adjustments	(81,625)	(27,127)
Balance as at 31 August 2008	48,467	33,956
(b) Calculation of Allowance for Impairment		
Allowance per Prudential Standards (impaired collectively)	14,106	7,908
Additional Specific Allowance (impaired individually)	34,361	26,048
Closing balance	48,467	33,956

Key assumptions in determining the allowance for impairment

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

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

Period of Impairment	% of Balance
31 days to 90 days	20%
91 days to 180 days	40%
181 days to 270 days	60%
271 days to 365 days	80%
Over 365 days	100%
Unauthorised Savings overdrafts	100%

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

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

(c) Impairment Expense

	2008	2007
	\$	\$
Allowance for Impairment - change in period	81,625	27,127
Bad loans written off as an expense	81,625	27,127



(d) Impairment of Loans

	2008	2007
Non-accrual Loans (No interest charged)		
Loans with allowance for impairment	50,663	2,336
Allowance for impairment	33,152	2,336
Total non-accrual loans	<u>17,511</u>	<u>-</u>
Past Due Loans, 30 days to 90 days		
Total past due loans	58,490	74,606
Allowance for impairment	4,159	14,921
	<u>54,331</u>	<u>59,685</u>
Past Due Loans, beyond 90 days		
Total past due loans	61,360	12,929
Allowance for impairment	7,156	6,611
	<u>54,204</u>	<u>6,318</u>
Other Impaired Loans		
Total other loans	4,017	-
Allowance for impairment	4,017	-
	<u>-</u>	<u>-</u>
Assets acquired via enforcement of security (excluding loans reported)		
Real estate	-	-
Other	-	-
	<u>-</u>	<u>-</u>

The policy is to sell the assets via auction at the earliest opportunity after measures to assist the member to repay the debts are exhausted.

(e) Interest and Other Revenue recognised and foregone

Interest revenue on non-accrual and restructured loans	-	-
Interest foregone on non-accrual and restructured loans	10,639	1,281
Revenue on real estate acquired	-	-
	<u>10,639</u>	<u>1,281</u>

(f) Fair Value of Assets Acquired

Assets acquired through the enforcement of security	-	-
Assets acquired through the enforcement of security used by the Credit Union in its operations	-	-
	<u>-</u>	<u>-</u>

(g) Loans with repayments past due but not impaired

The total past due loans (which were overdue by 1 day or more) at 31-Aug-2008 was \$215,397 (2007, \$89,870).

9. DERIVATIVES

The Credit Union does not enter into interest rate swap contracts.

Interest rate swap contracts - fair value hedges

2008	2007
\$	\$
<u>N/A</u>	<u>N/A</u>

Derivative instruments used by the Credit Union

The Credit Union does not enter into derivative transactions.

10. PROPERTY, PLANT AND EQUIPMENT

	2008	2007
Leasehold improvements		
At cost	\$ 61,212	\$ 10,552
Accumulated depreciation	15,036	10,550
	<u>46,176</u>	<u>2</u>
Plant & Equipment		
At cost	328,114	255,266
Accumulated depreciation	219,175	178,893
Accumulated impairment losses	-	-
	<u>108,939</u>	<u>76,373</u>
Total Property, Plant & Equipment	<u>155,115</u>	<u>76,375</u>



(a) Movements in Carrying Amounts

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

	Land	Buildings	Plant & Equip.	Leasehold Imp's	Other	Total
	\$	\$	\$	\$	\$	\$
Balance at Beginning of Period	-	-	76,373	2	-	76,375
Additions	-	-	72,848	50,660	-	123,508
Disposals	-	-	-	-	-	-
Depreciation Expense	-	-	(40,282)	(4,486)	-	(44,768)
Impairment write-downs	-	-	-	-	-	-
Carrying amount at Period End	<u>-</u>	<u>-</u>	<u>108,939</u>	<u>46,176</u>	<u>-</u>	<u>155,115</u>

(b) Impairment Losses

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

11. CAPITAL NOTES

NZACU Business Services Division Trust Base Capital Notes (Capital Notes) represent monies invested with the NZACU Business Services Division Trust for an open-ended term. The Capital Notes constitute unsecured obligations of 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 the consent of the NZACU Business Services Division Trust Board of Directors. There is no active market for these securities which have no guaranteed interest rate return.

Dividends are payable on a six-monthly basis subject to the profitability of the NZACU Business Services Division Trust for Base Capital Notes II issue. From forecasts provided by NZACU Business Services Trust and past dividends the directors have accrued a dividend of \$17,400 for the 8 months ending 31 August 2008, (\$19,423, 31 August 2007).

	2008	2007
	\$	\$
NZACU Base Capital Notes II, estimated 12.6% at amortised cost	208,800	194,233
NZACU Base Capital Notes III, estimated 0% at amortised cost	105,000	-
Less impairment	-	-
	<u>313,800</u>	<u>194,233</u>

12. TRADE AND OTHER PAYABLES

	2008	2007
	\$	\$
Trade Payables	-	-
Accrued Interest Payable	65,146	45,845
Resident Withholding Tax	4,958	2,439
Sundry Creditors and Accrued Expenses	81,766	88,381
Employee Entitlements	7,031	6,492
ACCESSCARD Settlement	47,931	30,120
Other Payables	2,413	-
	<u>209,245</u>	<u>173,277</u>

13. SHORT-TERM BORROWINGS

	2008	2007
	\$	\$
Secured Loans	-	-
Unsecured Loans	-	-
	<u>-</u>	<u>-</u>

Refer to Note 16 for details of borrowing facilities.

14. MEMBERS' DEPOSITS

	2008	2007
	\$	\$
Ordinary Shares:		
Savings Accounts	668,356	855,211
Christmas Club	228,936	246,853
Loan Provider Account	996,139	1,043,910
Total Ordinary Shares	<u>1,893,431</u>	<u>2,145,974</u>
Term Shares:		
<i>(Original Maturity Terms)</i>		
0-3 months	112,284	28,382
>3-6 months	247,950	347,395
>6-9 months	362,380	105,642
>9 to <12 months	2,122	-
12 months	556,785	748,664
Greater than 12 months	3,310,868	1,887,625
Total Term Shares	<u>4,592,389</u>	<u>3,117,708</u>
Total Members' Deposits	<u>6,485,820</u>	<u>5,263,682</u>



15. COMMITMENTS

	2008 \$	2007 \$
(a) Future Capital Commitments		
The Credit Union has entered into contracts for the purchase of property, plant and equipment which has not been recognised as a liability and is payable as follows:		
Not longer than 1 year	-	-
Longer than 1 and not longer than 5 years	-	-
Longer than 5 years	-	-
	<u>-</u>	<u>-</u>
(b) Finance Lease Commitments Payable		
Payable:		
Not longer than 1 year	-	-
Longer than 1 and not longer than 5 years	-	-
Longer than 5 years	-	-
	<u>-</u>	<u>-</u>
Minimum Lease Payments	-	-
Less Future Finance Charges	-	-
	<u>-</u>	<u>-</u>
(c) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements, payable:		
Not longer than 1 year	40,412	16,146
Longer than 1 and not longer than 5 years	30,375	8,721
Longer than 5 years	-	-
	<u>70,787</u>	<u>24,867</u>

Property leases are non-cancellable leases with a maximum 3-year term, with rent payable monthly in advance. An option exists to renew the lease at the end of the 3-year term for an additional term of 3 years.

(d) Outstanding Loan Commitments

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

Loans approved but not funded	17,235	28,430
Undrawn overdraft, line-of-credit and Accesscredit	19,550	59,828
	<u>36,785</u>	<u>88,258</u>

16. STANDBY BORROWING FACILITIES

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

	Approved Facility \$	Current Borrowing \$	Net Available \$
<u>2008</u>			
Overdraft	28,000	-	28,000
Standby Facility	-	-	-
	<u>28,000</u>	<u>-</u>	<u>28,000</u>
<u>2007</u>			
Overdraft	28,000	-	28,000
Stand by Facility	-	-	-
	<u>28,000</u>	<u>-</u>	<u>28,000</u>

Currently the unused overdraft facility is for \$28,000 (31-Aug-2007, \$28,000). The interest rate is 10.50% p.a and the penalty rate is 15.75% p.a. There are no material terms of use.

17. CONTINGENT LIABILITIES

There are no contingent liabilities not provided for in the financial statements (31 August 2007, Nil).

18. SEGMENTAL REPORTING

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

19. EVENTS OCCURRING AFTER BALANCE DATE

There are no known events that have occurred subsequent to balance date which would materially affect these financial statements. (31 August 2007, Nil)



20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

Market Risk and Hedging Policy

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

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

The policy of the Credit Union to manage the risk is to maintain a balanced "on book" strategy by ensuring the net interest rate gaps between members loans and members shares are not excessive. The measured gap in each 3-month range to be maintained is between 9 - 11% of the difference between loans and members deposits. The gap is measured monthly to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposits liabilities to rectify the imbalance to within acceptable levels. The policy of the Credit Union is not to undertake derivatives to match the interest rate risks. The Credit Unions exposure to interest rate risk is set out in Note 22 which details the contractual interest change profile.

The following tables summarise the sensitivity of the Credit Union's assets and financial liabilities to 1% movement in interest rate risk on the Credit Union's financial position and results.

	2008 - Interest Rate Risk			2007 - Interest Rate Risk		
	Carrying Amount	-1% Profit & Equity	+1% Profit & Equity	Carrying Amount	-1% Profit & Equity	+1% Profit & Equity
	\$	\$	\$	\$	\$	\$
Financial Assets						
Bank deposits	1,710,437	-12,012	12,012	776,613	-5,390	5,390
Loan receivables	5,066,676	-51,488	51,488	5,055,569	-49,854	49,854
		-63,500	63,500		-55,244	55,244
Financial Liabilities						
Members' deposits	6,485,820	-65,557	65,557	5,263,682	-53,038	53,038
Total Increase / (Decrease)		2,057	-2,057		-2,206	2,206

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

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

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

Credit Risk - Loans

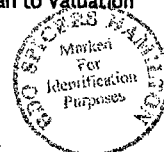
Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the entity. Although the Credit Union has a large number of members dispersed in areas of employment there is a concentration of credit risk in the Taranaki region. The credit policy is that loans & investments are only made to members that are creditworthy.

The credit union has established policies or procedures over the:

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

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

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The board policy is to maintain a maximum of 40% of the loans in well-secured residential mortgages which carry an 80% Loan to Valuation ratio or less.



Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days if not rectified. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loan is over 30 days in arrears. The exposures to losses arise predominantly in the non secure personal loans and facilities. The significant accounting judgements are related to the determination of the allowance 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 to institutions that are creditworthy.

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

The board policy is to maintain investments in the NZACU, an association set up to support member Credit Unions. This association does not have a credit rating. Any other investments must be with New Zealand-registered Banks.

Credit Risk - Equity Investments

The Credit Union does not have investments in equity investments.

Liquidity Risk

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

The Credit Union manages liquidity risk by:

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

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

The Credit Union's policy is to maintain at least 8% of total assets as liquid assets capable of being converted to cash within 7 days. The ratio is checked daily. Should the liquidity ratio fall below this level, the management and board are to address the matter and ensure that the liquid funds are obtained from new deposits or borrowing facilities available.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out specifically in Note 21.

Operational Risk

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

These risks are managed through the implementation of policies and systems to monitor the likelihood of the events and minimise the impact. System of internal control are enhanced through:

- the segregation of duties between employee duties and functions, including approval and processing duties
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour
- implementation of the whistleblowing policies to promote a compliant culture and awareness of the duty to report exceptions
- education of members to review their account statements and report exceptions to the Credit Union promptly
- effective dispute resolution procedures to respond to members complaints
- effective insurance arrangements to reduce the impact of losses
- contingency plans for dealing with the loss of functionality of systems of premises or staff
- regular reviews by the internal auditor

Capital Management

The Credit Union is regulated under the Friendly Societies and Credit Union Act 1982. There is a statutory requirement over the minimum reserves required to be maintained. 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:

	2008	2007
Tier 1		
Retained earnings & other revenue reserves	(117,148)	48,880
General reserve	756,677	707,797
Tier 2		
Asset revaluation reserves	-	-
Other reserves	-	-
Total reserves	639,529	756,677

To manage the Credit Union's capital, which can be affected by excessive growth and by changes in total assets, the Credit Union reviews the capital adequacy ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the board and the trustee if the capital ratio falls below 10%. Further, an annual capital budget projection of the capital level is maintained annually to address how strategic decisions or trends may impact on the capital level.



CREDIT UNION TARANAKI

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2008

21. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term, and in the case of loans, the repayment amount and frequency. The associated table shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained. For term loans the above dissection is based upon contractual conditions of each loan being strictly complied with and is subject to change in the event that current repayment conditions are varied. Future Interest Receivable and Future Interest Payable represent the expected future interest cashflows arising from the contractual obligations of the underlying monetary assets and liabilities respectively.

2008 - Monetary Assets Receivable	On Call	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 2 Years	2 - 5 Years	Over 5 Years	No Maturity	Total
Cash & Bank	360,437	-	-	-	-	-	-	-	-	360,437
NZACU Deposits	750,000	250,000	350,000	-	-	-	-	-	-	1,350,000
Trade & other receivables	88,566	-	-	-	-	-	-	-	-	88,566
Loans to members	-	219,712	337,969	453,601	767,780	1,423,517	848,230	1,015,867	-	5,066,676
Derivatives	-	-	-	-	-	-	-	-	-	-
Capital Notes	-	-	-	-	-	-	-	-	-	-
Future Interest Receivable	-	60,705	175,367	329,430	581,394	905,481	1,327,840	1,935,868	-	5,316,085
	1,199,003	530,417	863,336	783,031	1,349,174	2,328,998	2,176,070	2,951,735	-	12,181,764

2008 - Monetary Liabilities Payable	On Call	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 2 Years	2 - 5 Years	Over 5 Years	No Maturity	Total
Trade & other payables	-	209,245	-	-	-	-	-	-	-	209,245
Members' Deposits	-	678,626	-	515,542	867,870	2,016,895	-	-	-	4,078,933
Short-term borrowings	-	-	-	-	-	-	-	-	-	0
Future Interest Payable	-	2,834	-	11,282	21,743	101,062	-	-	-	136,921
	-	890,705	-	526,824	889,613	2,117,957	-	-	-	4,425,099

2007 - Monetary Assets Receivable	On Call	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 2 Years	2 - 5 Years	Over 5 Years	No Maturity	Total
Cash & Bank	176,613	-	-	-	-	-	-	-	-	176,613
NZACU Deposits	350,000	250,000	-	-	-	-	-	-	-	600,000
Trade & other receivables	90,846	-	-	-	-	-	-	-	-	90,846
Loans to members	-	350,659	340,116	422,969	702,428	1,221,675	942,193	1,075,529	-	5,055,569
Derivatives	-	-	-	-	-	-	-	-	-	0
Capital Notes	-	-	-	-	-	-	-	-	194,233	194,233
Future Interest Receivable	-	3,276	111,971	259,059	501,010	824,032	1,250,291	1,880,835	-	4,830,474
	617,459	603,935	452,087	682,028	1,203,438	2,045,707	2,192,484	2,956,364	194,233	10,947,735

2007 - Monetary Liabilities Payable	On Call	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 2 Years	2 - 5 Years	Over 5 Years	No Maturity	Total
Trade & other payables	-	173,277	-	-	-	-	-	-	-	173,277
Members' Deposits	-	2,288,229	-	290,692	1,166,773	886,239	344,278	-	-	4,976,211
Short-term borrowings	-	-	-	-	-	-	-	-	-	0
Future Interest Payable	-	896	-	10,202	44,081	66,964	-	-	-	122,143
	-	2,462,402	-	300,894	1,210,854	953,203	344,278	-	-	5,271,631



CREDIT UNION TARANAKI

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2008

22. INTEREST RATE RISK

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

	Repricing period at 31 August 2008																				Weighted average effective interest rate*		
	Floating interest rate		Fixed Interest Rate Maturing in:												Non-Interest sensitive		Set six-monthly in arrears		Total				
			0 to 3 months		3 to 6 months		6 to 12 months		1 to 2 years		2 to 5 years		Over 5 years										
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007			
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	2008	2007		
Monetary Assets																							
Cash & Bank	360	177	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360	177	N/A	N/A
Deposits at NZACU	745	350	605	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,350	600	5.0%	7.6%
Trade & other receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	89	91	-	-	-	89	91	N/A	N/A
Loans to members	-	-	557	691	454	423	768	702	1,424	1,222	848	942	1,016	1,076	-	-	-	-	-	5,067	5,056	15.1%	14.0%
Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A	N/A
Base Capital Notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	314	194	-	314	194	12.6%	15.0%
Total Monetary Assets	1,105	527	1,162	941	454	423	768	702	1,424	1,222	848	942	1,016	1,076	89	91	314	194	-	7,180	6,118		
Monetary Liabilities																							
Deposits	-	-	3,086	2,576	516	291	868	1,167	2,017	886	-	344	-	-	-	-	-	-	-	6,486	5,264	5.2%	4.3%
Other payables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	209	173	-	-	-	209	173	N/A	N/A
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A	N/A
Total Monetary Liabilities	0	0	3,086	2,576	516	291	868	1,167	2,017	886	0	344	0	0	209	173	0	0	-	6,695	5,437		

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

(a) Base Capital Notes do not have any pre-determined rate of interest. Interest is payable on a six-monthly basis in arrears subject to the profitability of the NZACU Business Services Division (II) & Group (III) Trusts. The last interest payment was 12.5% per annum. (2007: 15% per annum).



23. OTHER CREDIT RISKS

(a) Maximum Credit Risk Exposure

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

(b) Concentrations of Credit Risk

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

(c) Large Counterparties

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

	Number of Counter-parties	
	Assets	Liabilities
Greater than 100% of equity	-	-
Between 90% and 100% of equity	-	-
Between 80% and 90% of equity	-	-
Between 70% and 80% of equity	-	-
Between 60% and 70% of equity	-	-
Between 50% and 60% of equity	-	-
Between 40% and 50% of equity	-	-
Between 30% and 40% of equity	-	2
Between 20% and 30% of equity	1	4
Between 10% and 20% of equity	7	11

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 9.6% - 24% p.a. (31-Aug-07, 9.2% - 25% p.a.) The Credit Union has a lending policy that requires various levels and types of security for loans and includes that a portion of loans may be secured over the borrowing members shares. The Friendly Societies and Credit Unions Act 1982 limits the risk of any one member and provides, along with the loan agreement that any and all shares might be used to offset an individual loan to the limit of their liability. Under section 110 of the Act, the maximum indebtedness and repayment terms of a member shall not, without the prior consent of the Registrar, exceed the following limits:

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.

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

The proportion of loans with repayments in arrears in excess of three months is:	2008	2007
Other than loans, there are no other monetary assets in arrears.	0.6%	0.4%

The monthly repayments on the loans for the past period represent an average loan of :	2008	2007
	19 months	14 months

The proportion of loans owed in aggregate by the debtors who owe the six largest amounts is:	2008	2007
	13.5%	13.7%

There are no other monetary asset receivables that exceed the individual value of these six largest loans.

The Credit Union offers its members an overdraft facility.

Amount Drawn Down:	2008	2007
	\$55,326	\$2,623

24. CONCENTRATION OF FUNDING

The Credit Union's source of funding is members' deposits. Accordingly, the funding is concentrated in and limited to the area of the 'common bond' and consequently the Credit Union funding is almost exclusively from individuals residing within Taranaki and its satellite towns. The funding from members is recorded as Members' Deposits in the Balance Sheet.

25. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability. Significant assumptions used in the determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts. The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets held are regularly traded by the Credit Union. There is no active market to assess the value of the capital notes.



FINANCIAL ASSETS	2008			2007		
	Fair Value	Book Value	Variance	Fair Value	Book Value	Variance
Cash & Bank	360,437	360,437	-	176,613	176,613	-
Deposits at NZACU	1,350,000	1,350,000	-	600,000	600,000	-
Trade & other receivables	88,566	88,566	-	90,846	90,846	-
Derivatives	-	-	-	-	-	-
Loans to members	5,066,676	5,066,676	-	5,055,569	5,055,569	-
Capital Notes	313,800	313,800	-	194,233	194,233	-
Total Financial Assets	7,179,479	7,179,479	-	6,117,261	6,117,261	-
FINANCIAL LIABILITIES						
Trade & other payables	209,245	209,245	-	173,277	173,277	-
Short-term borrowings	-	-	-	-	-	-
Deposits from members	6,485,820	6,485,820	-	5,263,682	5,263,682	-
Total Financial Liabilities	6,695,065	6,695,065	-	5,436,959	5,436,959	-

The net fair value estimates were determined by the following methodologies and assumptions:

Financial Assets

Loans to Members

As detailed in the accounting policies, loans are carried at amortised cost after providing for impairments. The directors believe that any differences between carrying value and fair value are not material because the loan periods are relatively short and can be changed to "on demand" by the trustees. In addition, interest rate differences between lending dates and balance date are not significant.

Cash and Bank

The reported amount is equal to fair value.

Receivables

The reported amount takes into account the likelihood of collecting the amounts owed. The Directors believe these amounts reflect their fair value due to the short term nature of these investments.

Derivatives

The Credit Union does not enter into derivative transactions.

Investments

Investments are disclosed at fair value.

Financial Liabilities

Deposit from members

Deposits from members are accepted on the basis of a fixed value of \$1 per share. Deposits not in whole dollars are deemed to be advance subscriptions for shares. Dividends not paid in cash, and reinvested by members, are deemed to be subscriptions for shares and add to the members' share balance in the Credit Union. The Directors believe the reported values reflect fair value.

Members' shares are secured by a first ranking equitable assignment by way of security over the whole of the Credit Union's present and future undertaking, property, assets and revenues, including the proceeds received for the subscription shares and unpaid capital (if any). The equitable assignment by way of security was granted in favour of Trustees Executors Limited, the Prudential Supervisor of the Credit Union, under Trust Deed dated 07 December 2001, which has been registered with the Registrar of Companies.

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

Other Liabilities

Accounts Payable are carried at amortised cost but due to the short term nature of these financial liabilities, carrying value is deemed to approximate fair value.

26. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

Remuneration of Key Management Persons (KMP)

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

Key management persons (KMP) has been taken to comprise the directors and the 3 members of the executive management responsible for the day-to-day financial and operational management of the Credit Union.



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

	2008		2007	
	Directors \$	Other KMP \$	Directors \$	Other KMP \$
(a) short-term employee benefits	24,293	173,438	19,580	159,623
(b) post-employment benefits - superannuation contributions	-	-	-	-
(c) other long-term benefits - net increases in long service leave provision	-	-	-	-
(d) termination benefits	-	-	-	-
(e) share-based payment	-	-	-	-
Total	24,293	173,438	19,580	159,623

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.

All remuneration to directors was approved by the members at the previous Annual General Meeting of the Credit Union.

Directors' holdings at balance date are:

	2008 \$	2007 \$
Owing to Directors (Shares)	25,979	38,544
Owing from Directors (Loans)	74,047	53,409

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

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

Total loans disbursed to directors during the year was \$10,000 and total payments repaid was \$8,655.

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

27. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES WITH OPERATING PROFIT

	2008 \$	2007 \$
Profit/(Loss) for the Period	(117,148)	48,880
<u>Non-Cash Items</u>		
Depreciation	44,768	19,799
Bad Debts	-	-
Allowance for Loan Impairment	96,136	11,100
	<u>140,904</u>	<u>30,899</u>
<u>Changes in Assets and Liabilities</u>		
Movements in Accounts Receivable	(1,390,095)	(1,253,149)
Movements in Accounts Payable	1,328,091	1,183,019
Net Cash Provided by/(Used in) Operating Activities	<u>(62,004)</u>	<u>(70,130)</u>



28. NEW STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET ADOPTED

At the date of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

Standard/Interpretation	Effective date	Date issued by ASRB	Date issued by IASB (IFRS)
<u>Omnibus Amendments</u>	<i>Omnibus Amendments (2007-01)</i>	1-Jan-2008	November-07
<u>NZ IAS 1</u>	<i>Presentation of Financial Statements</i>	1-Jan-2009	November-07
<u>NZ IAS 23</u>	<i>Borrowing Costs</i>	1-Jan-2009	July-07
<u>NZ IAS 27</u>	<i>Consolidated and Separate Financial Statements</i>	1-Jul-2008	February-08
<u>NZ IAS 32 and NZ IAS 1</u>	<i>Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation</i>	1-Jan-2009	February-08
<u>NZ IAS 39</u>	<i>Amendment to NZ IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items</i>	1-Jul-2009	August-08

It is not expected that any of the above Standards and Interpretations will have a significant impact on the accounting policies of the Credit Union or the recognition and measurement assets, liabilities, equity, income and expenses of the Credit Union. All relevant Standards and Interpretations will be adopted by the Credit Union on their effective dates.

The adoption of the revised NZ IAS 1 will result in changes being made to the presentation of the Credit Union's financial statements. Management have yet to assess the impact of the adoption of NZ IAS 1 on the financial statement disclosures.



CREDIT UNION TARANAKI

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2008

29. IMPACT OF FIRST-TIME ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS)

<i>Reconciliation of Equity at 31 August 2007</i>	Note	GAAP at 31-Aug-2007	Adjustment	NZIFRS at 31-Aug-2007
ASSETS				
Cash and cash equivalents		776,613		776,613
Trade and other receivables		90,846		90,846
Loans to Members	a,b	5,055,569		5,055,569
Other Financial Assets		-		-
Property, Plant & Equipment		76,375		76,375
Intangible Assets		-		-
Capital Notes		194,233		194,233
TOTAL ASSETS		<u>6,193,636</u>		<u>6,193,636</u>
LIABILITIES				
Trade and other payables		173,277		173,277
Members Deposits		5,263,682		5,263,682
Short-term borrowings		-		-
Provisions		-		-
TOTAL LIABILITIES		<u>5,436,959</u>		<u>5,436,959</u>
NET ASSETS		<u>756,677</u>		<u>756,677</u>
EQUITY				
Retained earnings	a,b	-		-
Reserves		756,677		756,677
TOTAL EQUITY		<u>756,677</u>		<u>756,677</u>

(a) Loans - General Provision

General provision is reallocated to retained earnings in accordance with NZIFRS:

Decrease in Provision for doubtful debts	(33,956)
Increase in Retained Earnings	<u>33,956</u>

The Credit Union is unable to carry a general provision for doubtful debts under NZ IFRS. This provision has been reversed to retained earnings and a new provision for impairments has been calculated. This has had no impact to the income statement.

(b) Loans - Specific Provision for Impairment

Specific Provision has been increased to reflect the provisioning requirements of NZIFRS:

Increase in Provision for Impaired Loans	33,956
Decrease in Retained Earnings	<u>(33,956)</u>

The Credit Union is unable to carry a general provision for doubtful debts under NZ IFRS. This provision has been reversed to retained earnings and a new allowance for impairments has been calculated. This has had no impact to the income statement.



CREDIT UNION TARANAKI

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2008

29. IMPACT OF FIRST-TIME ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS)

<i>Reconciliation of Equity at 31 August 2006</i>	Note	GAAP at 31-Aug-2006	Adjustment	NZIFRS at 31-Aug-2006
ASSETS				
Cash and cash equivalents		825,142		825,142
Trade and other receivables		96,229		96,229
Loans to Members	a,b	4,039,279		4,039,279
Other Financial Assets		-		-
Property, Plant & Equipment		45,981		45,981
Intangible Assets		-		-
Capital Notes		168,768		168,768
TOTAL ASSETS		<u>5,175,399</u>		<u>5,175,399</u>
LIABILITIES				
Trade and other payables		188,309		188,309
Members Deposits		4,279,293		4,279,293
Short-term borrowings		-		-
Provisions		-		-
TOTAL LIABILITIES		<u>4,467,602</u>		<u>4,467,602</u>
NET ASSETS		<u>707,797</u>		<u>707,797</u>
EQUITY				
Retained earnings	a,b	-		-
Reserves		707,797		707,797
TOTAL EQUITY		<u>707,797</u>		<u>707,797</u>

(a) Loans - General Provision

General provision is reallocated to retained earnings in accordance with NZIFRS:

Decrease in Provision for doubtful debts	(49,983)
Increase in Retained Earnings	49,983
	<u>-</u>

The Credit Union is unable to carry a general provision for doubtful debts under NZ IFRS. This provision has been reversed to retained earnings and a new provision for impairments has been calculated. This has had no impact to the income statement.

(b) Loans - Specific Provision for Impairment

Specific Provision has been increased to reflect the provisioning requirements of NZIFRS:

Increase in Provision for Impaired Loans	49,983
Decrease in Retained Earnings	(49,983)
	<u>-</u>

The Credit Union is unable to carry a general provision for doubtful debts under NZ IFRS. This provision has been reversed to retained earnings and a new allowance for impairments has been calculated. This has had no impact to the income statement.



19 February 2009

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

CREDIT UNION TARANAKI

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

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

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

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

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

- (a) set out above; and
- (b) that, subject to the duties imposed on the Trustee by the Fifth Schedule of the Securities Regulations 1983, the Trustee relies on the information supplied to it by Credit Union Taranaki pursuant to the Trust Deed and does not carry out an independent check of the figures supplied to it in that information.

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

Yours sincerely

TRUSTEES EXECUTORS LIMITED



Ray Edwin
CORPORATE BUSINESS MANAGER
CORPORATE TRUST

SIXTH SCHEDULE -DIRECTORATE

DIRECTORS

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

OFFICERS

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

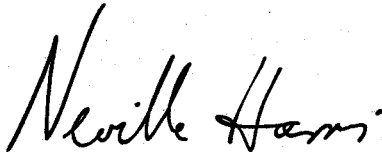
CERTIFICATE OF AMENDMENT OF REGISTERED PROSPECTUS

(Under Section 43(6) of the Securities Act 1978)

CREDIT UNION TARANAKI

1802851

This is to certify that a Memorandum dated the 31st day of January 2010, for the above issuer, containing amendments to a registered prospectus dated the 19th day of February 2009, was registered on the 5th day of february 2010.



Neville Harris
Registrar of Credit Unions and Friendly Societies
9 February 2010

