



MEMORANDUM OF AMENDMENT TO REGISTERED PROSPECTUS

(Pursuant to Section 43 Securities Act 1978)

DATED the 21 day of November 2011

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1. The Credit Union as the issuer of a registered Prospectus dated 21 December 2010, extended by way of a Director's Certificate dated 28 March 2011 ("the Prospectus"), seeks to amend the Prospectus.
 2. Due to a downgrading of the credit rating outlook for the Credit Union the following pages are amended as follows:
 - (a) **Amendment to Page 13** - replacing the following (underlined only) reference to the credit rating:

"The Credit Union has a long term counterparty credit rating of BB/B; Outlook Negative, issued by Standard & Poors (Australia) Pty Limited ("S&P")."

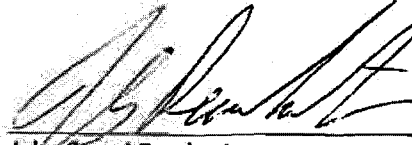
- (b) **Amendment to page 14** - the addition of a new paragraph in clause 11 to read:

"The Directors consider that a material reason for the change in rating is the loss for the 2010/11 year. This loss was largely attributable to a one off provision for redundancy and an increase in provision for impairment of member loans as a result of a change to the provisioning methodology. Also a reduced level of personal loans was a significant factor, affecting income levels. The Directors wish to note that the budgeted result for the coming financial year 2011/12 is a surplus, and as at end of October 2011 the Credit Union had made a surplus that is above the budgeted level."

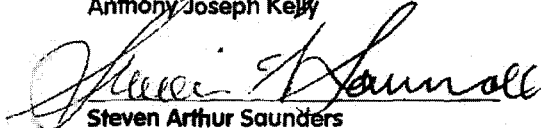
Signed by the Directors of the Credit Union:



Anthony Joseph Kelly



John Stuart Pemberton



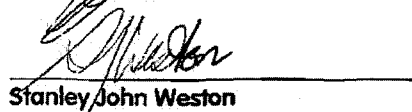
Steven Arthur Saunders



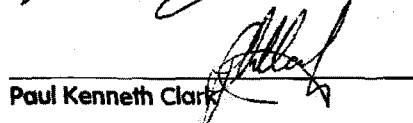
Brian Michael Hancock



John Rowland Harvey



Stanley John Weston



Paul Kenneth Clark

PROSPECTUS OF CREDIT UNION NORTH

This Prospectus is dated 21 December 2010

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

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Clauses 2, 6 and 18 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 2010, whereby the Credit Union has been granted an exemption from compliance with sections 37A(1)(d), 51, 52 and 54 of the Securities Act 1978 and clauses 1(3) and 12 of Schedule 2, and clauses 1(2) and 3 of Schedule 15 of the Securities Regulations 2009.

DIRECTORY

CREDIT UNION NORTH

Registered Office: 33 Totara Street, Mount Maunganui 3116
Postal Address: P O Box 4105, Mount Maunganui 3149
Telephone: (07) 572 7090 Facsimile: (07) 575 0968
E-Mail info@nzcunorth.co.nz

PRUDENTIAL SUPERVISOR

Trustees Executors Limited
Level 12, 45 Queen Street
PO Box 4197
Auckland
Telephone: (09) 308 7100 Facsimile: (09) 308 7101

AUDITOR OF THE CREDIT UNION

PricewaterhouseCoopers
Private Bag 92162
Auckland 1142
Telephone: (09) 355 8119 Facsimile: (09) 355 8026

SOLICITOR TO THE CREDIT UNION

Stace Hammond
Level 17, 34 Shortland Street,
Auckland
Telephone: (09) 307 7909 Facsimile: (09) 307 7908

BANKERS OF THE CREDIT UNION

Westpac- Whakatane Branch,
The Strand, P O Box 359, Whakatane
Telephone: (07) 307 9900 Facsimile: (07) 307 1026

The New Zealand Association of Credit Unions - Central Fund

PO Box 37 590, Parnell, Auckland
Telephone: (09) 309 9551 Facsimile: (09) 309 9571

SECURITIES REGISTRAR

Brian Hancock
CREDIT UNION NORTH - Registered Office: 33 Totara Street, Mount Maunganui 3116
Telephone: (07) 572 7090 Facsimile: (07) 575 0968
E-Mail: info@nzcunorth.co.nz

PLACE WHERE REGISTER KEPT

CREDIT UNION NORTH - Registered Office: 33 Totara Street, Mount Maunganui 3116
Telephone: (07) 572 7090 Facsimile: (07) 575 0968
E-Mail: info@nzcunorth.co.nz

COMPANIES OFFICE

Companies Office
Ministry of Economic Development ("MED")
Level 18, 135 Albert Street,
Private Bag 92061,
Auckland Mail Centre
Telephone (MED Business Service Centre): (0508) 266 726 Facsimile: (09) 912 7787
Email: webmaster@companies.govt.nz
Website: www.companies.govt.nz

1. MAIN TERMS OF OFFER

1.1 Name and Address of Issue

Name of Credit Union: Credit Union North (trading as "NZCU North")
(Hereinafter referred to as "the Credit Union").

Registered Office: 33 Totara Street, Mount Maunganui 3116
P O Box 4105, Mount Maunganui 3149
Telephone: (07) 572 7090 Facsimile: (07) 575 0968

The ordinary office hours of the Credit Union at its registered office are:
9.00am to 4.30pm, Monday to Friday

Office and Service locations:

Branch	Physical Location	Telephone
Bethlehem	Town Centre, Bethlehem, Tauranga	(07) 572 7090
Greerton	1318D Cameron Road, Greerton, Tauranga	(07) 572 7090
Hamilton	800 Victoria Street	(07) 834 1692
Kawerau	Fletcher Ave	(07) 306 2116
Matamata	88 Arawa Street	(07) 888 6560
Mt Maunganui	Cnr Totara & Puriri Streets	(07) 572 7090
Ngaruawahia	15 Jesmond Street	(07) 824 8987
Papamoa	Palm Beach Plaza	(07) 572 7090
Taupo	57 Heu Heu Street	(07) 376 0330
Te Kauwhata	2 Main Street	(07) 826 3142
Te Puke	36 Jellicoe Street	(07) 572 7090
Thames	Shop 18, Goldfield's Shopping Centre Queen Street	(07) 867 9206
Tokoroa	Rosebery Street	(07) 886 7908
Turangi	The Arcade	(07) 376 0334
Waikato Hospital	D8, (Outside Menzies Building) Selwyn Street	(07) 834 1694
Whakatane	144 The Strand	(07) 306 2100

The Treasurer of the Credit Union may be contacted by telephone 021716895, or any Director listed in the Directory of this Prospectus may be contacted for service enquiries.

1.2 A Brief Description of the Credit Union, the Activities of the Credit Union and the Shares Being Offered

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"). All legislation referred to in this Prospectus may be viewed, free of charge, at the website www.legislation.govt.nz. The objectives 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 of the 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 Credit Union's principal assets are its loan receivables generated by lending money to its members. These loans are the principal assets that are charged as security pursuant to the Trust Deed. Other principal assets include premises situated in Whakatane and Mount Maunganui which are used as offices for the provision of savings and loan services to its members.

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:

Any person residing in, or working in, or having lived, or worked in the North Island.

Pursuant to the Act a charitable entity as defined by the Charities Act 2005 and an incorporated society registered under the Incorporated Societies Act 1908 are also able to be members of the Credit Union.

Shareholders in the Credit Union are called members. The repayment of moneys 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 18 October 2000 (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 dated 24 October 2002 which has been registered with the Registrar of Companies. Please refer to paragraph 6 for further information on the ranking of securities. Please refer to paragraph 8 for further details of the Trust Deed and Deeds 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 \$1.00 in fully paid-up share(s) and a member cannot have or claim any interest in shares of the Credit Union exceeding \$250,000.00 (or such other amount as determined by the provisions of the Act or the Trust Deed).

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

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

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

Membership

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

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

The Credit Union is not entitled at law, to issue share certificates to members. However, the Credit Union will on request, and every six (6) months during the period of membership, forward a statement of account to each member 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 that 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) provided that a minor under 16 years shall not be entitled to vote.

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 or verbally. Applications to subscribe for shares must be made on the Credit Unions standard application form which is available on request at the offices of the Credit Union. The Credit Union's contact details are included in the Directory. Each share account may offer differing terms and conditions as to dividend or interest return, the minimum amount of shares required to be purchased and the timing of repayment. The rate of return on shares is dependent on the type of share account in which members shares are placed, the terms of the account and the duration of the term.

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

The Board or Management 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 Fourth Schedule for details of the conditions, rates and terms of Term Share Account offered by the Credit Union.

On Call and Notice of Withdrawal Shares

It is the Credit Union's intention that most shares in On Call and Notice of Withdrawal Accounts will, subject to the Credit Union's absolute discretion to vary the rate of return (described under the heading of 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 earned by an ongoing profitability of the Credit Union. The amount of the surpluses 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. The reserve is not available to be utilised for payment of interest or dividends.

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

Special Share Accounts

Shares in a Special Share Account may earn interest, or entitle the member to receive a dividend from the profits of the Credit Union. The Credit Union's Christmas Club Account is a Special Share Account, operated as an On Call Account from November to February.

The method of calculating the rate of return on all of the Special Share Accounts together with the terms and conditions of these accounts is set out in the Fourth Schedule of this Prospectus.

Payment of Returns

Returns payable on members share accounts will be credited to the member's share accounts in accordance with the terms of the accounts as set out in the Fourth Schedule or as amended from time to time by the Board or Management 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 Fourth Schedule of 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 Credit Unions' Rules 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 Fourth Schedule of this prospectus) or as varied from time to time by the Board or Management 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, and the member will not be advised unless a notice of reinvestment was specifically requested in writing.

Early Repayment

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

Taxation

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

- a member omits to notify the Credit Union of their IRD number, the Credit Union is required at law, to deduct RWT at 33% (or such other amount as required by law);
- a member has notified the Credit Union of their IRD number, but omits to nominate at which rate they wish RWT to be deducted, RWT will be deducted at 17.5% (or such other amount as required by law).

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

The Credit Union and its advisors do not accept responsibility nor do they give any undertaking or warranty that RWT deductions will not be made from any interest paid to any person who holds or is entitled to a valid Certificate of Exemption, where a copy of that Certificate of Exemption has not been forwarded to Credit Union.

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

Loans

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

Loans to members will only be made in accordance with the Credit Union's Rules and the provision 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 Credit Unions' Rules and the Act at the date of application, please contact the Credit Union. The Credit Union's contact details are included in the Directory.

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

2. DETAILS OF REGISTRATION OF THE CREDIT UNION

2.1 Registration

Credit Union North was registered on 15 October 1973 under the Friendly Societies Act 1909. Section 160(2) of the Act deems the Credit Union to be registered under Part III of the Act. The Credit Union's registered number is 1802853.

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, inspect copies of the Rules of the Credit Union at the registered office of the Credit Union listed in the Directory. The Credit Union will not charge an inspection fee for producing or copying 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 stock exchange for listing of any securities offered under this Prospectus.

3. GUARANTORS

Neither the Prudential Supervisor, trustees, directors or any other party guarantee the shares offered by the Credit Union, or payment of any returns thereon.

4. NAMES, ADDRESSES AND OTHER INFORMATION

4.1 Directors and Officers

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

The Directors serve a three-year term, retire by rotation, and are eligible for re-election. The members elect three Directors to be Trustees, of the Credit Union.

The Directors elect from the Directorate the following Officers: Chair and Vice-Chair, Treasurer and Secretary. The Treasurer and/or Secretary can be an employee appointed by the Board.

A list of the Current directors of the Credit Union is included in the Sixth Schedule.

4.2 Particulars of Trustees

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

4.3 Audit Committee

The following named person(s), were appointed under the Credit Union's Rules to act as the Audit Committee of the Credit Union:

John Pemberton, 29 Tawari Street, Matamata 3400
Anthony Joseph Kelly, 123 Links Avenue, Mount Maunganui 3116
Stanley John Weston, 106 Leyland Road, RD 6, Tauranga 3176
Steven Arthur Saunders, 34 Summerfields Lane, RD 3, Hamilton 3283
John Rowland Harvey, 1827 River Road, RD 1, Hamilton 3281
Brian Michael Hancock, 19 Beerescourt Road, Hamilton 3200
Paul Kenneth Clark, 86 Beachwater Drive, Papamoa 3118

4.4 Auditors

The Credit Union has appointed PricewaterhouseCoopers, to act as the Credit Union's auditor for the financial year ending 30 June 2011. The auditor's contact details are included in the Directory.

BDO Waikato were the Credit Union's auditors for the financial year ended 30 June 2010 and a copy of their auditor's report together with their consent to the report appearing in this Prospectus, is attached to the Second Schedule.

4.5 Prudential Supervisor

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

4.6 Bankers

At the date of this Prospectus, the Credit Union's bankers are the New Zealand Association of Credit Unions (through the Central Banking Fund Facility). Contact details are included in the Directory.

4.7 Solicitors

The Solicitors of the Credit Union are Stace Hammond and their contact details are included in the Directory.

5. MATERIAL CONTRACTS

The Credit Union has entered into a revised Crown Deed of Guarantee (Building Society / Credit Union) between Her Majesty the Queen in right of New Zealand and the Credit Union dated 8 December 2009 with regard to the provision of a Crown guarantee pursuant to the New Zealand deposit guarantee scheme. A copy of the Deed has been filed with the Registrar. The New Zealand deposit guarantee scheme expired on 12 October 2010 and the Credit Union was eligible for entry into the extended retail deposit guarantee scheme but has chosen not to participate.

The Credit Union entered into a Deed of Modification with the Prudential Supervisor dated 19 November 2010. The Deed of Modification amends the Trust Deed between the Prudential Supervisor and the Credit Union to incorporate the obligations required by the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010. A copy of the Deed has been filed with the Registrar.

The Credit Union has not entered into any other material contract in the two years preceding the date of this prospectus other than in the ordinary course of business.

6. PENDING PROCEEDINGS

There are no legal proceedings or arbitration's pending that may have a material adverse effect on the Credit Union, at the date this Prospectus was delivered to the Registrar of Companies for registration.

7. RANKING OF SECURITIES

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 \$94,784,046 as at 30 June 2010 (\$95,950,268 as at 31 July 2009). There were nil prior ranking securities as at 30 June 2010 (Nil as at 31 July 2009).

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 and 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 paragraph 8, 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 dated 24 October 2002 which has been registered with the Registrar of Companies. Please refer to paragraph 8.1 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 of any other creditors. However, if, at the time of the Credit Union being placed in liquidation, a member had not made a claim for withdrawal of the member's shares and the 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 interest may take priority to the members' claims for withdrawal secured by the Trust Deed.

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

8.1 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 18 October 2000 as modified by the Deeds of Modification dated 24 October 2002 and 19 November 2010.

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 paragraph 6 for further information about the security interest in the Credit Union's personal property.

Other Charges and Financial Ratios

Under the Trust Deed, the Credit Union has covenanted that it will not grant any charge or other security interest in priority to or ranking equally with 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 and conditions contained in the Trust Deed, not to:

- (a) permit its total liabilities to exceed 90% of its total tangible assets;
- (b) permit its secured liabilities to exceed 1% of its total tangible assets;
- (c) permit its liquid assets to be less than 8% of its total tangible assets;
- (d) permit the total amount of interest or dividends paid in cash over a six (6) month period or more, to exceed cash actually received over the same period;
- (e) fail to ensure that it has sufficient assets at times to discharge all debts as they fall due;

- (f) permit the aggregate of its secured investments, unsecured investments and listed securities, to exceed 15% of its total tangible assets;
- (g) permit the aggregate of its unsecured investments to exceed 1% of its total tangible assets.

As at the date of this Prospectus, the Prudential Supervisor has agreed that in calculating the amounts under 8.1(g) above, the amount of \$2,898,653 represented by subordinated capital notes issued by the New Zealand Association of Credit Unions Business Services Division Unit on terms further set out in note 11 to the Financial Statements in the Third Schedule to this Prospectus may be disregarded.

Other Covenants under the Trust Deed

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 in a timely manner 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;
- To promptly provide to the Prudential Supervisor written notice of all present and after-acquired serial numbered personal property and such other details as are necessary to enable the registration of a valid financing statement or financing change statement in respect of the Credit Union's personal property by the Prudential Supervisor.

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

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

Pursuant to the Deed of Modification dated 19 November 2010 the Credit Union has also covenanted with the Prudential Supervisor that it will:

- (a) ensure that at all times its capital ratio is not less than 8% if it has a credit rating; and
- (b) ensure that at all times the aggregate exposure to related parties does not exceed a maximum of 15% of capital; and

- (c) at all times comply with a risk management programme that meets the requirements of the Reserve Bank of New Zealand Act 1989.

Further details on how the amounts above are calculated are contained in the Deed of Modification.

Prudential Supervisor's Obligations

The Prudential Supervisor is appointed to act in the interests of the members of the Credit Union, by monitoring the Credit Union's compliance by the Credit Union of its obligations under this Prospectus, its Rules, the Trust Deed 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.

8.2 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 the any monies that may become payable by the Credit Union to any member.

8.3 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) of the Act provides that a Credit Union may take no action or do anything which is not directly pursuant to or incidental to its objects or in furtherance of them or is in contravention of the Rules or the Act. The objects of the Credit Union are set out in paragraph 1.2 of this prospectus under the heading "*The Credit Union*".

Section 108 of the Act provides that the Credit Union may not accept deposits except by way of subscriptions 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 and Credit Union's 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 obtained the approval of the Registrar to offer secured loans with a maximum term of 30 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 of the Act provides that all the Credit Union's property vests in the trustees for the use and benefit of the Credit Union's members. The names of the current trustees of the credit union may be found in the Sixth Schedule.

Section 113 provides that the Credit Union may 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.

9. OTHER TERMS OF OFFER AND SECURITIES

Some provisions of the Act make an investment in a Credit Union unique. In addition to those sections listed under "Other Restrictions on the Credit Union" at 8.3 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/her obligations or by including the security in the insurance policy offered under section 133 (see below) or by a specially authorised friendly society, association of credit unions or by an insurance company. The obligations of the officers of the Credit Union are secured by an insurance policies included in the COMFAL group insurance program, managed by the Association in compliance with its obligations under the Act.

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

Risks

The principal risks of investing with the Credit Union which have an impact on the solvency of 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 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 physical location, the Credit Union is vulnerable to any economic downturn in the region reflected in it's Common Bond as it has a concentration of credit exposure in that region. Where a Common Bond relates to a physical location, such as Credit Union North, 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. 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 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. The loans made by the Credit Union are also repayable on demand which allows liquidity to be maintained.

4. 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.

5. General Market Risk

Like all businesses, the financial performance of the Credit Union may be affected by the state of the New Zealand and international economies. Economic slowdowns, such as New Zealand has been experiencing will generally have a negative impact on demand for goods and services and thus, income, which may in turn adversely affect a members ability to invest in shares in the Credit Union and to meet his or her loan payment obligations to the Credit Union. This in turn may affect the profitability of the Credit union and returns paid to members.

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

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

10. PLACES OF INSPECTION OF DOCUMENTS

10.1 Credit Union

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

- (a) this Prospectus, the Investment Statement the Trust Deed, the Crown Deed of Guarantee and the Deeds of Modification;
- (b) the Credit Union's most recent audited financial statements; and
- (c) the Credit Unions rules

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

10.2 Companies Office

Copies of :

- (a) this Prospectus, the Trust Deed, the Crown Deed of Guarantee and Deeds of Modification;
- (b) the Credit Unions rules;
- (c) the Credit Unions audited financial statements; and
- (d) all other documents related to the registration of the Credit Union

are also filed on a public register at the Companies Office and are available for inspection through the Companies Office website www.companies.govt.nz [under "Search Other Registers", organization number 1802853]. Copies of publicly filed documents are also obtainable by telephoning the MED Business Service Centre. Details are included in the Directory. A fee may be payable where documents are requested and are not available through the Companies Office website.

11. OTHER MATERIAL MATTERS

The Credit Union is a financial co-operative and not a registered bank in terms of the Reserve Bank of New Zealand Act 1989. Further details on the obligations of the Credit Union in terms of the Reserve Bank of New Zealand Act 1989 can be found at notes 18 (final paragraph) and 28 contained in the Third Schedule.

Credit Rating

The Credit Union has a long term counterparty credit rating of 'BB' / Outlook Negative, issued by Standard & Poor's (Australia) Pty Limited ("S&P"). This is an issuer rating and is based on local currency (ie New Zealand dollar). S&P is a ratings agency approved by the Reserve Bank under section 157J of the Reserve Bank of New Zealand Act 1989. A credit rating is a statement of opinion about the creditworthiness of the issuer, and central to this, is a view of the likelihood of default. Below is a table showing the ratings provided by S&P and the relative ranking in terms of their view as to the likelihood of default:

	Strength	S&P Scale	Approx. Probability of default over five years *
Capacity to make timely payment	Extremely Strong	AAA	1 in 600
	Very Strong	AA	1 in 300
	Strong	A	1 in 150
	Adequate	BBB	1 in 30
Vulnerability to non payment	Less Vulnerable	BB	1 in 10
	More Vulnerable	B	1 in 5
	Currently Vulnerable	CCC	1 in 2
	Currently Highly Vulnerable	CC	1 in 2
	Default	D	

* The approximate median likelihood that an investor will not receive repayment on a five-year investment on time and in full based upon historical default rates published by the agency.

Source: Adapted from Reserve Bank of New Zealand "Know your Credit Ratings", March 2010.

S&P defines the 'BB' rating as follows: "An obligor rated 'BB' is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitments." [taken from www.standardandpoors.com].

The ratings analyses of S&P are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. Ratings, credit-related analyses, data, models, software and output therefrom should not be relied on when making any investment decision. S&P opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Ratings may be changed, withdrawn or suspended at any time.

S&P has not caused or authorised the issue of this Prospectus. S&P has not made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified above. S&P, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for any part of, this Prospectus, other than the reference to its name and the statements included in the Prospectus as specified above.

More information on ratings and their meanings is available at www.standardandpoors.com or www.aboutcreditratings.com, and a fact sheet has also been produced by the Reserve Bank of New Zealand and is available on their website [www.rbnz.govt.nz].

The Directors consider that a material reason for the change in rating is the loss for the 2010/11 year. This loss was largely attributable to a one off provision for redundancy and an increase in provision for impairment of member loans as a result of a change to the provisioning methodology. Also a reduced level of personal loans was a significant factor, affecting income levels. The Directors wish to note that the budgeted result for the coming financial year 2011/12 is a surplus, and as at end of October 2011 the Credit Union had made a surplus that is above the budgeted level.

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

12. SUMMARY OF FINANCIAL STATEMENTS

The summary of the financial statements of the Credit Union for the year ended 30 June 2010, for the 11 months ended 30 June 2009 and 4 years ended 31 July for prior years, as required by clause 8 of Schedule 2 to the Securities Regulations 2009, where applicable, are set out in the First Schedule.

13. FINANCIAL STATEMENTS

The audited financial statements of the Credit Union for the 12 months ending 30 June 2010 have been registered under the Financial Reporting Act 1993 on 5 October 2010. A copy of the financial statements is attached as the Third Schedule.

14. 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.

15. DIRECTORS' STATEMENT

The Credit Union's directors having made due enquiry in relation to the period between the date of the latest balance sheet as at 30 June 2010 as attached to the Third 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 or activities of the Credit Union;
- (b) the value of the Credit Unions assets; 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 North

Name: Brian Michael Hancock

Signature: _____

Steven Arthur Saunders

John Rowland Harvey

Anthony Joseph Kelly

John Stuart Pemberton

Paul Kenneth Clark

Stanley John Weston

The image shows seven handwritten signatures, each written over a horizontal line. The signatures are: Brian Michael Hancock (top), Steven Arthur Saunders, John Rowland Harvey, Anthony Joseph Kelly, John Stuart Pemberton, Paul Kenneth Clark, and Stanley John Weston (bottom). The signatures are written in dark ink and vary in style, with some being more cursive and others more blocky.

FIRST SCHEDULE
SUMMARY FINANCIAL INFORMATION
CREDIT UNION NORTH

	<u>Audited for</u> <u>year ended 30</u> <u>June 2010</u> <u>NZIFRS</u>	<u>Audited for 11</u> <u>months ended</u> <u>30 June 2009</u> <u>NZIFRS</u>	<u>Audited for</u> <u>year ended 31</u> <u>July 2008</u> <u>NZIFRS</u>	<u>Audited for</u> <u>year ended 31</u> <u>July 2007</u> <u>NZIFRS</u>	<u>Audited for</u> <u>year ended 31</u> <u>July 2006</u> <u>Previous GAAP</u>	<u>Audited for</u> <u>year ended 31</u> <u>July 2005</u> <u>Previous GAAP</u>
STATEMENT OF COMPREHENSIVE INCOME						
Total Operating Revenue	20,876,419	18,857,743	11,031,294	5,339,990	4,499,672	3,698,746
Finance Costs	3,913,278	5,871,495	3,238,942	1,624,622	1,307,682	955,587
Other Operating Expenses	16,319,080	13,580,307	7,515,201	3,421,294	2,694,688	2,316,503
Profit from Operating Activities	644,061	(594,059)	277,151	294,074	497,302	426,656
Revaluation of Property	108,528	0	0	0	0	0
COMPREHENSIVE INCOME	752,589	(594,059)	277,151	294,074	497,302	426,656
Income Tax Expense	0	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	752,589	(594,059)	277,151	294,074	497,302	426,656
STATEMENT OF CHANGES IN EQUITY						
Retained Earnings Brought Forward	8,703,336	9,297,395	3,073,093	3,086,176	3,091,010	3,046,880
Total Comprehensive Income	644,061	(594,059)	277,151	294,074	497,302	426,656
Transfer (to) from General Reserve	0	0	1,840,741	(307,157)	(502,136)	(382,526)
Transfer From Merged Credit Unions	0	0	4,106,410	0	0	0
Retained Earnings Carried Forward	9,347,397	8,703,336	9,297,395	3,073,093	3,086,176	3,091,010
General Reserve						
Brought Forward Balance	5,887,850	5,887,850	3,681,482	3,374,325	2,872,189	2,489,663
Transfer (to) from Retained Earnings			(1,840,741)	307,157	502,136	382,526
Transfer From Merged Credit Unions			4,047,109			
	5,887,850	5,887,850	5,887,850	3,681,482	3,374,325	2,872,189
Property Revaluation Reserve						
Brought Forward Balance	1,070,485	1,070,485	0	0	0	0
Transfer From Merged Credit Unions	0	0	1,070,485	0	0	0
Increase in Revaluation Reserve	108,528	0	0	0	0	0
	1,179,013	1,070,485	1,070,485	0	0	0
TOTAL EQUITY	16,414,260	15,661,671	16,255,730	6,754,575	6,460,501	5,963,199

	30-Jun <u>2010</u>	30-Jun <u>2009</u>	31-Jul <u>2008</u>	31-Jul <u>2007</u>	31-Jul <u>2006</u>	31-Jul <u>2005</u>
BALANCE SHEET						
Cash & Cash Equivalents	24,278,144	14,372,247	14,593,204	9,985,709	9,128,131	7,525,405
Trade and Other Receivables	856,420	881,852	1,062,260	163,301	143,025	143,725
Loans to Members	82,875,641	92,600,445	93,459,857	25,289,603	23,324,845	19,810,998
Capital Notes	2,949,691	2,949,691	2,949,691	559,952	388,453	388,453
Property Plant and Equipment	3,647,226	3,865,134	4,166,736	816,258	758,793	853,306
Total Assets	114,607,122	114,669,369	116,231,748	36,814,823	33,743,247	28,721,887
Trade and Other Payables	3,408,816	3,057,430	3,238,143	843,425	561,327	628,628
Members Deposits	94,784,046	95,950,268	96,737,875	29,216,823	26,721,419	22,130,060
Total Liabilities	98,192,862	99,007,698	99,976,018	30,060,248	27,282,749	22,758,688
Total Equity	16,414,260	15,661,671	16,255,730	6,754,575	6,460,501	5,963,199

STATEMENT OF CASH FLOWS

Net Cashflows from or used in operating activities	3,905,818	2,102,308	1,701,346	780,847	808,304	718,244
Net Cashflows from or used in investing activities	(3,334,818)	(1,869,999)	(1,586,390)	(3,405,460)	(4,990,974)	(3,913,956)
Net Cashflows from or used in financing activities	(965,103)	(1,203,266)	120,784	2,782,191	4,477,397	3,358,900
Total net increase (decrease) in cash held	(394,103)	(970,957)	235,740	157,578	294,727	163,188
Cash and cash equivalents at the beginning of the period	2,072,247	3,043,204	1,035,709	878,131	583,404	420,216
Cash and cash equivalents from merged Credit Unions	-	-	1,771,755	-	-	-
Cash and cash equivalents at the end of the period	1,678,144	2,072,247	3,043,204	1,035,709	878,131	583,404

Notes to the Summary Financial Statements

1. The amounts stated in the summary financial statements are for the entity Credit Union North (Credit Union) and have been extracted from the full audited financial statements for the years ended 31 Jul 2005, 2006, 2007, and 2008, eleven months ended 30 June 2009, and year ended 30 June 2010.
2. The summary financial statements are presented in New Zealand Dollars and all values are rounded to the nearest dollar.
3. The above summary financial statements were authorised for issue in accordance with a resolution of the directors on 20 December 2010.
4. The directors at the relevant times have previously authorised the issue of full financial statements as follows:
 - Year ended 30 June 2010: Authorised by the directors on 10 September 2010
 - Eleven Months ended 30 June 2009: Authorised by the directors on 16 September 2009
 - Year ended 31 July 2008: Authorised by the directors on 14 October 2008
 - Year ended 31 July 2007: Authorised by the directors on 20 September 2007
 - Year ended 31 July 2006: Authorised by the directors on 8 September 2006
 - Year ended 31 July 2005: Authorised by the directors on 21 November 2005
5. The full financial statements, from which these summary financial statements were extracted, have been prepared in accordance with NZGAAP (New Zealand Generally Accepted Accounting Practice) and comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for public benefit entities for the years ended 31 July 2009 to 30 June 2010. The 31 July 2005, 31 July 2006, 31 July 2007 and 31 July 2008 financial years were prepared under the applicable NZ GAAP at the time.
6. The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements.
7. For a copy of the full financial statements please refer to pages 1 to 52 of the Third Schedule of this Prospectus.
8. There are no abnormal items that derive from the ordinary activities of the Credit Union.
9. There are no extraordinary items that derive from the ordinary activities of the credit union.
10. The equity method of accounting has not been used.
11. The full financial statements in the Third Schedule of this Prospectus have been audited by BDO Waikato, Hamilton.
12. The audit reports for the full financial statements for the years ended 31 July 2005 to 30 June 2010, include unqualified audit opinions.
13. There were no changes in accounting policies affecting the prior period other than the transition to NZ IFRS in 2007 and the application of new accounting standards as they were issued and became effective.
14. The summary financial statements are in compliance with FRS 43.



BDO WAIKATO

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

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

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 provided pursuant to Clauses 16 and 17 (inclusive) of the Second Schedule of the Securities Regulation 2009:
 - ii. comply with Generally Accepted Accounting Practice; and give a true and fair view of the state of affairs of the Credit Union as at 30 June 2010 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 27 August 2010 and our unqualified opinion was expressed as at that date.

Historical Summary of Financial Statements and Ranking of Securities

In respect of the amounts stated pursuant to clauses 8 (1) and (2) of the Second Schedule of the Securities Regulations 2009 as set out in the Summary of Financial Statements in the First Schedule of the Credit Union's Prospectus; and clause 13 of the Second Schedule of the Securities Regulations 2009 provided in respect of the ranking of securities in the Credit Union's Prospectus, in our opinion the amounts have been correctly taken from the audited Financial Statements of the Credit Union.

Directors' Responsibilities

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

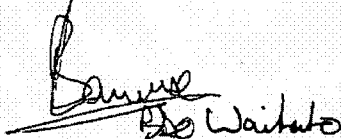
We take no responsibility for, nor do we report on, any part of the Prospectus not mentioned in this Report.

Auditor's Consent

In terms of regulation 18 (1)(c)(ii) of the Securities Regulations 2009, we hereby give consent to the inclusion of this report in the Credit Union's Prospectus dated 21 December 2010.

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

Yours faithfully



BDO WAIKATO

CREDIT UNION NORTH
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

CREDIT UNION NORTH

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CREDIT UNION NORTH

DIRECTORY

FOR THE YEAR ENDED 30 JUNE 2010

Board of Directors

Chairman

Brian Michael Hancock

Vice Chairman

Paul Kenneth Clark

Treasurer

John Stuart Pemberton

Secretary

Paul Kenneth Clark

Directors

Steven Arthur Saunders

Anthony Joseph Kelly

Peter Patterson (Resigned
23/9/09)

Kerry Mochan (Resigned 23/9/09)

Trustees

Brian Michael Hancock

Stanley John Weston

John Rowland Harvey (Appointed
23/9/09)

John Gibson (Resigned 23/9/09)

Senior Management

Chief Executive

Russell Allan Syme

Senior Management Team

Graeme Byres

Gerold Borrmann

Hinga Dickson

Jack Bills

Auditors

BDO Waikato, Hamilton

Bankers

New Zealand Association of
Credit Unions
PO Box 37-590
Parnell
Auckland 1151

Affiliations

Institute of Credit Union
Directors

New Zealand Association of
Credit Unions

CREDIT UNION NORTH

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

		Audited Year to 30 Jun 10 \$	Audited 11 Months to 30 Jun 09 \$
OPERATING REVENUE			
Interest revenue	2	11,698,234	11,648,480
Other income	2	9,178,185	7,209,263
TOTAL INCOME		20,876,419	18,857,743
EXPENDITURE			
Interest expenditure	2	3,913,278	5,871,495
Loan impairment expenses	2, 8	2,414,955	1,518,806
Employee benefits	2	6,458,825	5,312,787
Occupancy		762,863	666,773
Depreciation	2	677,398	763,415
Other expenditure	2	6,005,039	5,318,526
TOTAL EXPENDITURE		20,232,358	19,451,802
Profit (Loss) for the period		644,061	(594,059)
OTHER COMPREHENSIVE INCOME			
Revaluation of property	10	108,528	-
Total Other Comprehensive Income		108,528	-
TOTAL COMPREHENSIVE INCOME FOR YEAR ATTRIBUTABLE TO MEMBERS		752,589	(594,059)

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

CREDIT UNION NORTH

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Note	Retained Earnings \$	General Reserve \$	Property Revaluation Reserve	Total Reserves \$
Balance at 1 July 2009		8,703,336	5,887,850	1,070,485	15,661,671
Total Comprehensive Income for the Period Profit / (Loss)		644,061			644,061
Other Comprehensive Income					
Revaluation of Property	10			108,528	108,528
Total Other Comprehensive Income		-	-	108,528	108,528
Total Comprehensive Income for the Period Profit / (Loss)		644,061	-	108,528	752,589
Balance at 30 June 2010		9,347,397	5,887,850	1,179,013	16,414,260
Percentage of Total Assets		8%	5%	1%	14%
Balance at 1 August 2008		9,297,395	5,887,850	1,070,485	16,255,730
Total Comprehensive Income for the Period Profit / (Loss)		(594,059)			(594,059)
Other Comprehensive Income					
Revaluation of Property	10			-	-
Total Other Comprehensive Income		-	-	-	-
Total Comprehensive Income for the Period Profit / (Loss)		(594,059)	-	-	(594,059)
Balance as at 30 June 2009		8,703,336	5,887,850	1,070,485	15,661,671
Percentage of Total Assets		8%	5%	1%	14%


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

CREDIT UNION NORTH

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

		30 JUN 10	30 JUN 09
	Note	\$	\$
MEMBERS FUNDS			
Retained earnings	4	9,347,397	8,703,336
General Reserves	4	5,887,850	5,887,850
Property Revaluation Reserve	4	1,179,013	1,070,485
TOTAL MEMBERS FUNDS		16,414,260	15,661,671
CURRENT ASSETS			
Cash and Cash Equivalents	5	1,678,144	2,072,247
Deposits at NZACU and Westpac	5	22,600,000	12,300,000
Trade and other receivables	6	856,420	881,852
Loans to members	7	82,875,641	92,600,445
		108,010,205	107,854,544
NON CURRENT ASSETS			
Property, plant and equipment	10	3,647,226	3,865,134
Capital Notes	11	2,949,691	2,949,691
TOTAL ASSETS		114,607,122	114,669,369
CURRENT LIABILITIES			
Trade and other payables	12	3,096,115	2,435,793
Derivatives	9	312,701	621,637
Members deposits	13	91,968,175	92,961,693
TOTAL CURRENT LIABILITIES		95,376,991	96,019,123
NON CURRENT LIABILITIES			
Members deposits	13	2,815,871	2,988,575
TOTAL LIABILITIES		98,192,862	99,007,698
NET ASSETS		16,414,260	15,661,671

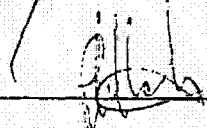
These Financial Statements are authorised for issue by:



Director

27/8/10

Date



Director

27/8/10

Date

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

CREDIT UNION NORTH

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

		Audited Year to 30 Jun 10 \$	Audited 11 Months to 30 Jun 09 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
	Note		
Interest received		11,920,165	11,507,636
Other income		8,950,800	7,311,273
Interest paid		(3,817,634)	(5,378,667)
Payments to suppliers and employers		(13,147,513)	(11,337,934)
Net cash provided by operating activities	24	<u>3,905,818</u>	<u>2,102,308</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net movement in members' loans	1(s)	7,309,849	(659,394)
Payments for property, plant and equipment		(376,058)	(463,443)
Proceeds from sale of property, plant and equipment		31,391	2,838
Movement in short term investments		(10,300,000)	(750,000)
Net cash (used in) investing activities		<u>(3,334,818)</u>	<u>(1,869,999)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (decrease)/increase in member deposits	1(s)	(965,103)	(1,203,266)
Net cash (used in) / provided by financing activities		<u>(965,103)</u>	<u>(1,203,266)</u>
Total net (decrease)/increase in cash and cash equivalents held		(394,103)	(970,957)
Cash and cash equivalents at the beginning of the period		2,072,247	3,043,204
Cash and cash equivalents at the end of the period		<u>1,678,144</u>	<u>2,072,247</u>

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

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Reporting Entity

Credit Union North, ("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.

Nature of Business

The purpose of a Credit Union is to promote savings among its members and to use those savings for their mutual benefit. It operates primarily in the North Island of New Zealand and the Credit Union is incorporated in New Zealand. As the Credit Union is providing a community and social benefit, it is designated as a public benefit entity.

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

Trust Deed

To meet the requirements of The Securities Act 1978 a Trust Deed was entered into on the 18 October 2000 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 are the material accounting policies adopted by the Credit Union in the preparation of the financial statements. Except where stated, the accounting policies have been consistently applied to all periods presented.

(a) Basis of Preparation

The 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 the Securities Regulations 1983.

See Statement of Financial Position for details of when these statements were authorised for issue.

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

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

The application of NZ IFRS required management to make judgements, estimates and assumptions about the carrying values of assets and liabilities not readily available from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance. Actual results may differ from these estimates. The estimates and

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The presentational and functional currency is New Zealand dollars

(b) Segmental Reporting

Management have determined that an operating segment is a group of assets and operations engaged in business activities that are subject to risks and returns sufficiently different from other activities within the Credit Union to be separately identified in management reporting and to require separate resource and performance reviews. Management have considered both geographic and product perspectives, and all operations have been reported as one segment. The reportable segment derives all its revenue from financial service products.

(c) 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.

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 Statement of Comprehensive Income

A financial asset is classified in this category only when the Credit Union becomes a party to the contractual provisions of the financial asset and if acquired principally for the purpose of selling in the short term or if so designated by management. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

Loans and receivables

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

Held-to-maturity investments

A financial asset is classified in this category if it has a fixed maturity and the Credit Union has the intention and ability to hold these investments to maturity. Any held-to-maturity investments held by the Credit Union are stated at amortised cost using the effective interest rate method less impairment losses.

Available-for-sale financial assets

The Capital Notes held as available-for-sale assets are initially recognised at cost price, which is their fair value at the date of acquisition.

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

Available-for-sale financial assets are normally carried at fair value in subsequent periods with changes in fair value being recognised in the Statement of Comprehensive Income as part of other comprehensive income. However, as the Capital Notes are equity instruments, do not have a quoted market price in an active market and the fair value cannot be measured reliably, they are measured at cost price in terms of

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

the accounting standard NZ IAS 39. Note that this concession is likely to be removed in future, with a requirement to record at fair value.

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

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation. Member deposits, Bank overdraft and trade and other payables are classified as financial liabilities.

(d) Derivatives

Derivatives are financial instruments which have a value that changes in response to a specified variable. They comprise interest rate swaps. They require no initial net investment and are settled at a future date. Derivative financial instruments are recognised at fair value through the statement of comprehensive income. The derivatives do not qualify for hedge accounting in accordance with NZ IAS39.

(e) Cash and cash equivalents

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

Deposits at New Zealand Association of Credit Unions

Deposits at the New Zealand Association of Credit Unions are recorded at cost, less any impairment losses.

(f) Trade and Other Receivables

These amounts represent amounts due for interest owing and other services performed by the Credit Union prior to the end of financial period which are not received. The amounts are expected to be received within a year of recognition. They are initially recorded at fair value and subsequently measured at cost less any impairment provision.

(g) Members' Deposits

Members' deposits are the members' shares in the Credit Union. For the purposes of financial reporting, members' shares are recognised as debt instruments. They are recorded initially at fair value and subsequently at amortised cost. 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 the number of shares held. Members' deposits are initially brought to account at the fair value of the consideration and subsequently measured at cost. Interest on deposits is brought to account on an accrual basis. Interest accrued at balance date is shown as a part of trade and other payables.

(h) Loans to Members

Loans to members are loans which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost, using the effective interest method, less provision for impairment.

(i) Revenue

Loans Interest Revenue

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

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Investment Interest Revenue

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

Fees & Commission 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 processing fees represent a recovery of costs to process the loan and do not form part of the effective interest rate on loans.

Fees collected represent reimbursement costs incurred as specified by the Credit Contracts and Consumer Finance Act.

(j) Expense Recognition Interest Expense

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

Other expenses

Other expenses are recorded in the period to which they relate.

(k) 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.

The amount provided for impairment of loans is determined by management and the Board. In the first instance the Board makes an individual impairment allowance for loans where the collectability of the debts is considered doubtful. Thereafter, on the balance of loans not assessed as impaired individually, the Credit Union makes a collective provision using the prudential standards issued by the NZACU.

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.

Loans which are known to be uncollectible are written off as an expense in the statement of comprehensive income. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

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

The various components of impaired assets are as follows:

- *Individually impaired loans* are loans and advances for which there is reasonable doubt that the Credit Union will be able to collect all amounts of principal and interest in accordance with the terms of the agreement and for which an individual assessment of impairment is made.
- *Collectively impaired loans* are loans and advances that are not individually assessed for which a collective assessment of impairment is made based on the length of time the loan is in arrears.

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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

(l) *Goods & Services Tax*

The Credit Union is registered for GST in relation to its commission sales activities and recovers GST on expenditure related to that income. Irrecoverable GST is included in the amounts recognised as expenses and assets.

(m) *Income Tax*

No amounts have been provided for Income Tax as the Credit Union's income from members is exempt under section CW44 of the Income Tax Act 2007. Income derived other than from members does not produce a taxable profit.

(n) *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 measured at their fair value, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, less subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity, such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation arising on the revaluation of such land and building is recognised in other comprehensive income and accumulated as a separate component of equity in the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the profit and loss, in which case the increase is credited to the profit and loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and building is charged to profit and loss to the extent that it exceeds the balance, if any, held in the properties revaluation relating to a previous revaluation of that asset.

Depreciation on a revalued building is charged to profit and loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Plant and Equipment

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

Depreciation

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

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Plant and equipment is depreciated on a straight-line basis except for land, which is not depreciated. A summary of the current and prior year rates used are:

Buildings	15-25 Yrs
Motor Vehicles	3-4 Yrs
Computer Equipment	1-5 Yrs
Furniture, Fittings and Leasehold Improvements	3-20 Yrs
Office Plant and Equipment	3-20 Yrs

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(o) Impairment testing of non-financial Assets

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

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

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

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

(p) Leases

Leases of property, plant and equipment are operating leases if substantial risks and benefits incidental to ownership of the asset are retained by the owner. Lease payments for operating leases are recognised on a straight-line basis over the lease term. 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.

Finance leases are capitalised, recording an asset and a liability equal to the 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. The finance expense is allocated to the period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term in the same manner as owned items of property plant and equipment.

(q) Employee Benefits

Liabilities for wages and salaries, including non monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised as other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled on an undiscounted basis. Liabilities for non accumulating sick leave are

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

recognised when the leave is taken and measured at the rates paid or payable. The liability for employee entitlements is carried at the present value of estimated future cash flows.

(r) New Zealand Association of Credit Unions Capital Notes

Investments in New Zealand Association of Credit Unions Capital Notes provide equity for the Association to enable it to provide essential services to the Credit Unions. They are held as "available for sale assets" under NZ IAS 39. This classification recognises that they do not meet the definition of "loans and receivables" or "held to maturity" investments because they do not have a fixed or determinable interest or dividend rates attached to them.

(s) Statement of Cash Flows

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

Definitions of Terms Used in the Statement of Cash Flows:

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

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

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

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

Netting of Cash flows

Cash flows from members loans and members shares 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.

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. This has an impact on the one critical estimate, being the impairment provision for doubtful loans.

The Credit Union makes estimates and assumptions concerning the future when assessing the impairment provision on loans. The Credit Union reviews its loan portfolio to assess impairment at least monthly. The impairment provision is adjusted based on evidence relating to borrowers circumstances including the period that the loans are in arrears. The resulting accounting estimates will seldom equal the related actual results and there is a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Also the Credit Union has used judgement concerning the future discounted cash flows of the New Zealand Association of Credit Unions Group when assessing whether there is any impairment loss on the New Zealand Association of Credit Unions Capital Notes.

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

Various new and amended standards, amendments and interpretations have been issued by the Accounting Standards Review Board but have not been adopted by the Credit Union as they are not yet effective for the period ended 30 June 2010.

These are:

NZ IFRS 3 - Business combinations (effective for periods beginning after 1 July 2009)

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. Transaction costs incurred in connection with the business combination are expensed when incurred and are no longer included in the purchase price. An acquirer recognises contingent consideration at fair value at the acquisition date. Subsequent changes in the fair value of such contingent consideration will often affect the income statement. The acquirer recognises either the entire goodwill inherent in the acquiree, independent of whether a 100% interest is acquired (full goodwill method), or

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

only the portion of the total goodwill which corresponds to the proportionate interest acquired (as is currently the case under NZ IFRS 3). The existing process of treating amalgamation of Credit Unions is exempted from NZ IFRS 3 as it is a combination of mutual entities. The likelihood of acquiring other credit unions is likely to be low. All the other disclosures required in the amended standard are already being made by the Credit Union.

NZ IAS 24: Related Party Disclosures (revised 2009) (effective for periods beginning 1 January 2011)

The amendment to the standard affected primarily the definition of a related party. Whilst the change to that definition is significant, application of the amended criteria would not have resulted in identification of any further parties related to the Credit Union. Also, the amended disclosure requirements include commitments. The existing process of identification of related party transactions within the Credit Union has not included a review of commitments. The frequency of such transactions occurring is likely to be low. All the other disclosures required in the amended standard are already being made by the Credit Union.

NZ IFRS 9: Financial Instruments Phase 1: Classification and Measurement (effective for periods beginning after 1 January 2011). The new standard simplifies the classification criteria for financial assets, comparing to the current requirements of IAS 39, which results in a reduced number of categories of financial assets and some consequential amendments to disclosures required by IAS 1 Presentation of Financial Statements and IFRS 7 Financial Instruments: Disclosures. The Credit Union's financial assets currently fall into the category of Loan receivables within IAS 39 classification. If IFRS 9 was adopted, these assets would have met the definition of the category of financial assets measured at amortised cost. However, their measurement and disclosure would not have been affected. The group would not have any transactions to disclose under the new IAS 1 and IFRS 7 disclosure requirements relating to gain or loss arising on derecognition of financial assets measured at amortised cost.

It is not expected that any of the above standards and interpretations will have a significant impact on the accounting policies or the recognition and measurement of 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.

(v) Initial Application of new or revised financial accounting standards

Credit Union North has adopted for the first time the amended standards issued by the Accounting Standards Review Board which is effective for periods beginning after 1 January 2009.

NZ IAS 1 (revised) - Presentation of Financial Statements

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Credit Union presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on the Credit Union's net assets.

(w) Comparative Figures

The comparative figures in the Statement of Comprehensive Income and related notes are for the 11 month period ended 30 June 2009. This was due to the former Credit Union Forestland being renamed Credit Union North and changing the reporting date from 31 July to 30 June.

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2 REVENUE AND EXPENDITURE

REVENUE	Audited Year to 30 Jun 10	Audited 11 Months to 30 Jun 09
	\$	\$
<i>Interest Revenue</i>		
Interest on Loans and Receivables	11,029,008	10,990,841
Interest on Bank Deposits	498,439	605,279
Interest on Capital Notes	170,787	52,360
Total Interest Revenue	11,698,234	11,648,480
<i>Other Income</i>		
Loan Processing Fees	931,819	1,046,212
Overdraft Application Fee	760,805	444,626
Transaction Fees	4,008,736	3,745,881
Cost Recoveries	378,807	359,733
Other Fees and Charges	898,826	718,798
Base Fee	1,112,723	-
Bad Debts Recovered	239,584	162,019
Commissions received	634,167	611,510
Rental Income	24,200	31,392
Profit on Sale of Property, Plant and Equipment	-	941
Break Fees Collected	3,448	52,535
Stabilisation Contributions Refunded	164,134	-
Other Income	20,936	35,617
Total Other Income	9,178,185	7,209,263
TOTAL REVENUE	20,876,419	18,857,743

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2 REVENUE AND EXPENDITURE (continued)

EXPENDITURE	Note	Audited Year to 30 Jun 10 \$	Audited 11 Months to 30 Jun 09 \$
<i>Interest Expenditure</i>			
Interest on Member Deposits		3,799,401	5,133,738
Losses on Interest Rate Swaps		113,877	737,757
Total Interest Expenditure		<u>3,913,278</u>	<u>5,871,495</u>
<i>Other Expenditure</i>			
Audit Fees - External Auditor			
- Current year		50,000	46,625
- Prior year		25,205	24,196
- Technical issues		2,115	-
Internal Audit Fees		9,672	8,980
Advertising and Community Support		437,804	408,278
Data Processing Costs		683,455	687,200
Debt Collection, Credit Checks etc		333,281	243,824
Directors Fees	23	58,731	61,518
Directors Expenses		51,066	64,063
Printing, Stationery and Member Statements		420,678	479,402
Rebate of Transaction Fees to Members		223,962	-
Transaction Costs		2,187,234	2,109,246
NZCU Credit Rating Expenses		316,710	-
Advertising and Promotion		412,222	367,515
Group Loan Insurance		128,834	138,077
Merger Costs		-	79,181
Other Expenses		664,070	600,421
Total Other Expenditure		<u>6,005,039</u>	<u>5,318,526</u>
<i>Loan Impairment Expenses</i>			
Bad Debts Written Off		2,317,449	1,452,014
Movement in allowance for Impaired Loans		97,506	66,792
Loan Impairment Expenses		<u>2,414,955</u>	<u>1,518,806</u>

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2 REVENUE AND EXPENDITURE (continued)

	Audited Year to 30 Jun 10 \$	Audited 11 Months to 30 Jun 09 \$
<i>Employee Benefits</i>		
Salaries and Wages	6,058,756	5,032,331
Accident Compensation Levies	48,254	15,762
Fringe Benefit Tax	48,160	37,852
Kiwi Saver Contributions	60,449	12,901
Other Insurances	34,730	50,192
Travel Reimbursement and Expenses	29,477	32,818
Personnel Hire and Consultants	63,433	54,285
Uniforms	46,329	36,976
Other Expenses	69,237	39,670
Total Employee Benefits	<u>6,458,825</u>	<u>5,312,787</u>
<i>Depreciation Expenditure</i>		
Buildings	97,076	81,295
Computer Equipment	200,044	260,876
Motor Vehicles	69,626	81,114
Furniture and Fittings and Leasehold Improvements	210,286	233,454
Office Plant and Equipment	100,366	106,676
Total Depreciation Expenditure	<u>677,398</u>	<u>763,415</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:

Everyday Account	0.00%	0.00%
Christmas Saver	2.50%	2.50%
Bill Pay Accounts	0.00%	0.00%
Loyalty Saver	3.00%	3.00%
Jimmy J Saver	3.00%	3.00%
Goal Saver	0.00-1.00%	0.00-1.00%
Bfree Account	3.00%	3.00%
Success Saver	2.50-3.75%	2.50-3.50%
Term Shares	3.00-9.00%	4.00-9.15%

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

4 RESERVES

	Note	Retained Earnings \$	General Reserve \$	Property Revaluation Reserve	Total Reserves \$
Balance at 1 July 2009		8,703,336	5,887,850	1,070,485	15,661,671
Total Comprehensive Income for the Period Profit / (Loss)		644,061			644,061
Other Comprehensive Income					
Revaluation of Property	10			108,528	108,528
Total Other Comprehensive Income		-	-	108,528	108,528
Total Comprehensive Income for the Period Profit / (Loss)		644,061	-	108,528	752,589
Balance at 30 June 2010		9,347,397	5,887,850	1,179,013	16,414,260
Percentage of Total Assets		8%	5%	1%	14%
Balance at 1 August 2008		9,297,395	5,887,850	1,070,485	16,255,730
Total Comprehensive Income for the Period Profit / (Loss)		(594,059)			(594,059)
Other Comprehensive Income					
Revaluation of Property	10			-	-
Total Other Comprehensive Income		-	-	-	-
Total Comprehensive Income for the Period Profit / (Loss)		(594,059)	-	-	(594,059)
Balance as at 30 June 2009		8,703,336	5,887,850	1,070,485	15,661,671
Percentage of Total Assets		8%	5%	1%	14%

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Retained Earnings

Reserve arising from retained profits accumulated from operations.

General Reserve

A General Reserve has been established in accordance with 5119 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.

Property Revaluation Reserve

Reserve arising from the revaluation of land and buildings.

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	30 Jun 10
Equivalents					\$
Westpac Banking Corporation				0.00 to 1.00%	1,678,144
Call Deposits NZ				4.50%	2,000,000
Deposits at NZ Association of Credit Unions as detailed below				Various	3,600,000
				3.55 to 4.1%	17,000,000
Deposit Number		Invested	Matures	Int Rate	
	7964	28-Jun-10	23-Aug-10	4.00%	1,000,000
	8539	24-May-10	26-Jul-10	3.88%	1,000,000
	9018	8-Jun-10	9-Aug-10	3.65%	1,500,000
	9020	28-Jun-10	30-Aug-10	4.00%	2,000,000
	9021	10-May-10	5-Jul-10	3.75%	1,500,000
	9025	24-May-10	26-Jul-10	3.88%	1,000,000
	9026	31-May-10	2-Aug-10	3.75%	1,000,000
	9032	21-Jun-10	16-Aug-10	4.00%	1,000,000
	9035	13-May-10	12-Jul-10	3.75%	1,000,000
	9038	17-May-10	19-Jul-10	3.75%	2,000,000
	9040	1-Jun-10	5-Aug-10	3.75%	2,000,000
	9042	8-Jun-10	26-Jul-10	3.55%	1,000,000
	9043	14-Jun-10	13-Sep-10	4.10%	1,000,000
					17,000,000

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Interest Rates	30 Jun 09
Cash and Cash Equivalents		\$ 2,072,247
Westpac Banking Corporation	0.00 to 1.00%	-
Call at NZ Association of Credit Unions	4.50%	3,800,000
Deposits at NZ Association of Credit Unions as detailed below	Various	8,500,000
	3.55 to 4.1%	

	Invested	Matures	Int Rate	
Deposit Number	7964	10-Jun-09	10-Jul-09	3.00% 1,000,000
Deposit Number	8539	25-May-09	24-Aug-09	3.00% 500,000
Deposit Number	8611	5-May-09	5-Aug-09	2.80% 500,000
Deposit Number	8686	25-May-09	24-Aug-09	3.00% 500,000
Deposit Number	8771	19-Jun-09	21-Jul-09	3.00% 5,000,000
Deposit Number	8786	20-Apr-09	20-Jul-09	3.04% 1,000,000
				<u>8,500,000</u>

The Credit Union does not hold tradable securities. Effective interest rates are the original contracted values. The deposits with the NZACU's central banking facility and Westpac 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

	30 Jun 10	30 Jun 09
	\$	\$
Accrued Interest	237,220	455,501
Sundry Debtors	593,154	369,420
Prepayments	26,046	56,931
	<u>856,420</u>	<u>881,852</u>

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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 comprises:

	30 Jun 10	30 Jun 09
	\$	\$
Neither Past Due nor Impaired	73,532,973	84,299,907
Past Due but not Impaired		
1 to 29 days	6,365,527	5,861,609
30 to 90 days	514,418	149,695
over 90 days	279,993	121,435
Impaired Loans		
0 to 29 days	910,662	-
30 to 90 days	1,572,198	1,813,204
over 90 days	1,185,120	1,742,339
Gross Loans	<u>84,360,891</u>	<u>93,988,189</u>
Less:		
Allowance for Impaired Individually	902,748	260,097
Allowance for Impaired Collectively	582,502	1,127,647
	<u>82,875,641</u>	<u>92,600,445</u>

(b) Credit quality - Security dissection

	\$	\$
Secured by 1st mortgage over real estate	41,794,061	40,789,708
Secured by 2nd mortgage over real estate	169,164	236,486
Caveat Secured loans	409,185	606,119
Partially secured by motor vehicles and other collateral	25,073,357	33,813,067
Secured by members shares	11,105,178	11,298,327
Unsecured Loans	5,809,946	7,244,482
	<u>84,360,891</u>	<u>93,988,189</u>

It is impractical to provide a valuation of the collateral security held against loans due to the large number of loans the Credit Union has at any one time. A breakdown of the quality of the security on a portfolio basis is as follows:

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

7 LOANS TO MEMBERS (continued)

	30 Jun 10 \$	30 Jun 09 \$
Security held as mortgage against real estate is on the basis of:		
- loan to valuation ratio of less than 80%	30,287,324	30,358,629
- loan to valuation ratio of more than 80% (all insured under the Welcome Home Loan structure)	2,553,163	2,180,868
- loan to valuation ratio of more than 80% but not mortgage insured	9,122,738	9,092,816
TOTAL	<u>41,963,225</u>	<u>41,632,313</u>

(c) Credit quality - Concentration of loans

(i) Loans to individual or related groups of members which exceed 10% of member funds in aggregate	NIL	NIL
(ii) Loans to members are not concentrated to individuals employed in any particular industry	NIL	NIL
(iii) Loans to members are concentrated solely in New Zealand and principally within the common bond of the Credit Union	100%	100%

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

8 IMPAIRMENT OF LOANS AND ADVANCES

(a) Allowance For Impairment

	Gross Amount	Impairment Allowance 2010	Carrying Amount	Gross Amount	Impairment Allowance 2009	Carrying Amount
Property Lending-First Mortgage	41,794,061	118,228	41,675,833	40,789,709	58,787	40,730,922
Property Lending-Second Mortgage	169,164	-	169,164	236,486	-	236,486
Caveat Secured Loans	409,185	-	409,185	606,119	-	606,119
Partially secured by motor vehicles and other collateral	25,073,357	1,109,850	23,963,507	33,813,066	1,078,874	32,734,192
Secured by members shares	11,105,178	-	11,105,178	11,298,327	-	11,298,327
Unsecured Loans	5,809,946	257,172	5,552,774	7,244,482	250,083	6,994,399
	<u>84,360,891</u>	<u>1,485,250</u>	<u>82,875,641</u>	<u>93,988,189</u>	<u>1,387,744</u>	<u>92,600,445</u>

Key assumptions in determining the allowance for impairment

In the first instance, and where practical, the likely impairment is calculated on an individual basis taking into account the ability of the member to continue making payments and the value of the security. Thereafter, on the balance of loans not assessed as impaired individually, a collective provision is made using the prudential standards issued by the NZACU. The circumstances may vary for each loan over time resulting in higher or lower impairment losses. The collective assessment of impairment includes an estimate 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%
Unauthorized O/D savings	100%

(b) Impairment Expense

	30 Jun 10	30 Jun 09
	\$	\$
Allowance for Impairment - change in period	97,506	66,792
Bad Loans written off as an expense during the period	<u>2,317,449</u>	<u>1,452,014</u>
	<u>2,414,955</u>	<u>1,518,806</u>

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

8 IMPAIRMENT OF LOANS AND ADVANCES (continued)

(c) Impairment of Loans

Individual Allowances for Impairment	Other Individually		Total
	Restructured Loans	Impaired Loans	
Carrying Amount at 1 July 2009	334,188	487,641	821,829
Additions to Class	456,409	8,790,847	9,247,256
Written Off	(30,932)	(2,286,517)	(2,317,449)
Deletions from Class	(303,256)	(4,044,961)	(4,348,218)
Carrying Amount at 30 June 2010	456,409	2,947,009	3,403,418

Individual Impairment Provision			
Impairment at 1 July 2009	91,536	168,561	260,097
Additions to Class	189,018	4,395,424	4,584,442
Written Off	(30,932)	(2,286,517)	(2,317,449)
Deletions from Class	(60,604)	(1,563,738)	(1,624,342)
Impairment at 30 June 2010	189,018	713,730	902,748
Net Loans at 30 June 2010	267,391	2,233,280	2,500,670

Individual Allowances for Impairment	Other Individually		Total
	Restructured Loans	Impaired Loans	
Carrying Amount at 1 August 2008	1,491,168	312,023	1,803,191
Additions to Class	289,424	5,477,812	5,767,236
Written Off	(27,224)	(1,424,790)	(1,452,014)
Deletions from Class	(1,419,180)	(3,877,404)	(5,296,584)
Carrying Amount at 30 June 2009	334,188	487,641	821,829

Individual Impairment Provision			
Impairment at 1 August 2009	292,012	263,477	555,489
Additions to Class	73,463	2,738,906	2,812,369
Written Off	(27,224)	(1,424,790)	(1,452,014)
Deletions from Class	(246,715)	(1,409,032)	(1,655,747)
Impairment at 30 June 2009	91,536	168,561	260,097
Net Loans at 30 June 2009	242,652	319,080	561,732

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

8 (c) IMPAIRMENT OF LOANS AND ADVANCES (continued)

	30 Jun 10	30 Jun 09
Loans Collectively Provisioned		
Carrying Amount at start of period	93,166,360	92,184,998
Additions to Class	37,630,087	48,001,892
Deletions from Class	(49,838,974)	(47,020,530)
Carrying Amount at end of period	<u>80,957,473</u>	<u>93,166,360</u>
Impairment Provision		
Impairment at Start of period	1,127,647	765,463
Additions to Class	1,658,410	2,570,045
Deletions from Class	(2,203,555)	(2,207,861)
Impairment at end of period	<u>582,502</u>	<u>1,127,647</u>
Net Loans at 30 June	<u>80,374,971</u>	<u>92,038,713</u>

(d) Interest and Other Revenue recognised and foregone

	\$	\$
Interest revenue on non-accrual and restructured loans	1,209	1,017
Interest foregone on non-accrual and restructured loans	(1,209)	(1,017)
	<u>-</u>	<u>-</u>

(e) Fair Value of Assets Acquired

Assets acquired through the enforcement of security	6,975	25,923
	<u>6,975</u>	<u>25,923</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.

(f) Loans with repayments past due but not impaired

The total of past due loans (which were overdue by between 1 day and 30 days at 30 June 2010 was \$6,750,452 (30 Jun 2009: \$5,819,823)

(g) Restructured Loans

Loans that were past due or impaired that have been restructured by the Credit Union are \$461,785 at 30 June 2010 (30 Jun 2009: \$1,491,168)

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

9 DERIVATIVES

	30 Jun 10	30 Jun 09
	\$	\$
Interest Rate Swap Contracts	312,701	621,637

Derivative Instruments used by the Credit Union

The Credit Union enters into derivative transactions through the New Zealand Association of Credit Unions in the normal course of business as a partial hedge to reduce the exposure to fluctuations in interest rates in accordance with the Credit Unions Financial Risk Management Policies. Derivatives are valued at fair value and are classified as current assets or current liabilities. CU North determines fair value by valuing interest rate swaps at wholesale mid-rates as quoted by Reuters at 5pm on the last business day of the month.

Counterparty	Notional Value	Maturity Date	Liability
NZACU	\$ 212,100.00	3-Aug-10	(\$2,959.94)
NZACU	\$ 156,250.00	20-Sep-10	(\$1,947.94)
NZACU	\$ 267,600.00	20-Dec-10	(\$7,104.12)
NZACU	\$ 472,738.00	14-Mar-11	(\$16,673.83)
NZACU	\$ 1,000,000.00	23-Apr-12	(\$76,855.41)
NZACU	\$ 1,000,000.00	9-Jul-10	(\$14,022.18)
NZACU	\$ 500,000.00	9-Jul-12	(\$45,492.39)
NZACU	\$ 1,500,000.00	20-Sep-10	(\$18,700.19)
NZACU	\$ 1,000,000.00	29-Oct-10	(\$27,625.66)
NZACU	\$ 500,000.00	29-Oct-12	(\$47,823.28)
NZACU	\$ 500,000.00	8-Jan-13	(\$53,496.29)
	<u>\$ 7,108,688.00</u>		<u>(\$312,701.23)</u>

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

10 PROPERTY PLANT AND EQUIPMENT

(a) Movement 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.

Cost or Valuation	Buildings \$	Land \$	Computer Equipment \$	Office Plant & Equipment \$	Furniture & Fittings and Leasehold Improve \$	Motor Vehicles \$	Total \$
Cost or Valuation brought forward at 1/7/09	1,658,998	900,000	995,001	489,187	1,807,152	325,154	6,175,492
Additions	-	-	208,040	95,372	37,241	41,700	382,353
Revaluations	408,528	(300,000)	-	-	-	-	108,528
Disposals	-	-	-	-	-	(100,981)	(100,981)
Closing Cost at 30/6/10	<u>2,067,526</u>	<u>600,000</u>	<u>1,203,041</u>	<u>584,559</u>	<u>1,844,393</u>	<u>265,873</u>	<u>6,565,392</u>

Accumulated Depreciation

Opening Accumulated Depreciation 1/08/09	520,810	-	771,754	200,724	658,946	158,124	2,310,358
Depreciation for Year	97,076	-	200,044	100,366	210,286	69,626	677,398
Depreciation on Disposals	-	-	-	-	-	(69,590)	(69,590)
Closing Accumulated Depreciation at 30/6/10	<u>617,886</u>	<u>-</u>	<u>971,798</u>	<u>301,090</u>	<u>869,232</u>	<u>158,160</u>	<u>2,918,166</u>
NBV at 30 June 2009	1,138,188	900,000	223,247	288,463	1,148,206	167,030	3,865,134
NBV at 30 June 2010	1,449,640	600,000	231,243	283,469	975,161	107,713	3,647,226

(b) Revaluations

The valuations of freehold land and buildings on freehold land were based on the assessment of their current market value. The independent revaluations on 31 March 2010 were carried out by Mr D P Vane, Registered Valuer with Bay Valuations Ltd and Boyes Campbell Ltd who are independent of the credit union and its officers. The revaluation surplus was credited to an asset revaluation reserve in equity. All values were determined directly by reference to observable prices in an active market. The "summation method including depreciation cost" and "capitalisation of annual cashflow" were used by registered valuers as a base on which the final valuation was calculated.

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

10 PROPERTY PLANT AND EQUIPMENT (continued)

The revaluation was made in accordance with a policy to revalue land and buildings every three years.

Had the revalued properties been measured on a historical cost basis, their net book value would have been \$920,338 (30 Jun 2009: \$558,107). The revaluation surplus amounted to \$1,179,013 (30 Jun 2009: \$1,070,485).

(c) Impairment Losses

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

11 CAPITAL NOTES

New Zealand Association of Credit Unions Capital Notes are classified as "available for sale" financial assets are issued by the New Zealand Association of Credit Unions Business Services Division as Trust Base Capital Notes (Capital Notes). These represent monies invested with the New Zealand Association of Credit Unions Business Services Division Trust for an open-ended term. The Capital Notes constitute unsecured obligations of the 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 Business Services Division Trust. Capital Notes may only be sold or transferred to another Credit Union that is a member of the Business Services Division Trust and with the consent of the Business Services Division Trust's Board of Directors.

There is no active market for these securities which have no guaranteed rate of return. Dividends are payable on a six monthly basis subject to the profitability of the Business Services Division Trust. Capital Notes are non current assets.

As a result of past losses incurred by the New Zealand Association of Credit Unions Group in the last two years, the net tangible assets of the Group have reduced, resulting in the net tangible asset backing for the Capital Notes falling below par. This is an indicator of potential impairment for these Capital Notes. However, an analysis of arms length transactions of Capital Notes over the last 13 months supports the view that the Capital Notes are appropriately valued at their face value and it is determined that no impairment loss has arisen at balance date. Consequently, the carrying value of the Capital Notes approximates their fair value at balance date.

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

	30 Jun 10	30 Jun 09
NZACU Base Capital Notes	\$ 2,949,691	\$ 2,949,691
Less Impairment	-	-
	<u>2,949,691</u>	<u>2,949,691</u>

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

12 Trade and Other Payables	30 Jun 10	30 Jun 09
	\$	\$
ATM/EFTPOS	661,231	533,592
Trade Creditors	997,004	686,896
Interest Accrued	476,733	545,319
Employee Entitlements	422,522	433,929
Other Payables	314,663	236,057
Provision for Rebate to Members	223,962	.
	<u>3,096,115</u>	<u>2,435,793</u>
13 MEMBERS' DEPOSITS		
<i>Call Shares</i>		
General Savings Accounts	13,699,905	13,612,996
Loyalty Saver	13,910,983	14,783,394
Christmas Saver	946,852	1,088,073
Success Saver	11,306,693	11,932,241
	<u>39,864,433</u>	<u>41,416,704</u>
<i>Term Shares:</i>		
<i>Original Maturity Terms:</i>		
0-3 Months	4,495,186	4,867,876
4-6 Months	11,368,697	5,597,368
9 Months	4,237,358	4,033,024
12 Months	29,320,104	34,441,729
24 Months	5,338,326	5,593,567
36 Months	159,942	.
	<u>54,919,613</u>	<u>54,533,564</u>
Total Members' Deposits	<u>94,784,046</u>	<u>95,950,268</u>
<i>Maturity Profile of Member Deposits</i>		
Members Call Shares	39,864,433	41,416,704
Term shares maturing		
- within one month	4,943,828	4,732,162
- over one month and up to three months	11,300,401	11,196,585
- over three months and up to six months	14,559,863	12,714,750
- over six months and up to twelve months	21,299,650	22,901,492
Total Current Member Deposits	<u>91,968,175</u>	<u>92,961,693</u>
<i>Non Current Member Deposits</i>		
- over one year and up to two years	2,655,928	2,983,575
- over two years and up to three years	159,943	5,000
Total Non Current Member Deposits	<u>2,815,871</u>	<u>2,988,575</u>
Total Members' Deposits	<u>94,784,046</u>	<u>95,950,268</u>

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

14 COMMITMENTS

(a) Future Capital Commitments

The Credit Union has entered into contracts for the purchase of property, plant and equipment which has not been recognized as a liability and is payable as follows:

	30 Jun 10	30 Jun 09
	\$	\$
Not longer than 1 year	139,671	-
Longer than 1 and not longer than 5 years	-	-
Longer than 5 years	-	-
	<u>139,671</u>	<u>-</u>

(b) Operating Lease Commitments

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

Not longer than 1 year	583,624	504,513
Longer than 1 and not longer than 5 years	1,634,010	1,530,607
Longer than 5 years	224,568	465,266
	<u>2,442,202</u>	<u>2,500,386</u>

The property leases are non-cancellable lease for varying terms, with rent payable monthly in advance. An option exists to renew the lease for some of the branches and usually new leases would be renegotiated at the end of the existing leases.

(c) Outstanding Loan Commitments

Loans and credit facilities approved but not funded or drawn at the end of the reporting period.

Loans approved but not funded	387,720	1,208,923
Undrawn Overdraft, Line of Credit and Accesscredit	376,940	372,227
	<u>764,660</u>	<u>1,581,150</u>

(d) Operating Leases Receivable

Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases

Not longer than 1 year	27,216	27,216
Longer than 1 and not longer than 5 years	27,216	54,432
Longer than 5 years	-	-
	<u>54,432</u>	<u>81,648</u>

The property sub lease is a non cancellable lease which is due to expire on 1 July 2012 with an option to renew for a further 3 years. Rent is payable monthly in advance.

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

15 CONTINGENT LIABILITIES

There are no material contingent liabilities not provided for in the financial statements. (30 Jun 09: Nil)

16 STANDBY BORROWING FACILITIES

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

	Approved Facility \$	Current Borrowing \$	Net Available \$
<i>Jun-10</i>			
Overdraft Facility	3,050,000	-	3,050,000
Stand by Facility	-	-	-
	<u>3,050,000</u>	<u>-</u>	<u>3,050,000</u>
<i>Jun-09</i>			
Overdraft Facility	3,050,000	-	3,050,000
Stand by Facility	-	-	-
	<u>3,050,000</u>	<u>-</u>	<u>3,050,000</u>

Currently the unused overdraft facility is \$3,050,000, (30 Jun 2009: \$3,050,000). The interest rate is 4.65% (30 Jun 2009: 4.65%) and the penalty rate is 7% (30 Jun 2009: 7.00%). There are no material terms of use.

17 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 practice of the Credit Union to manage the risk is to maintain a balanced "on book" strategy by ensuring the net interest rate gaps between members loans and members term shares are not excessive. The measured gap in each 3 month range to be maintained between 5.71% and 9.68% of the difference

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 Credit Unions exposure to interest rate risk is set out in Note 19 which details the contractual interest rate change profile and note 9 sets out the interest rate swaps used to minimise interest rate risk.

The following tables summarises 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. The 1% movement is used because this is the industry standard.

	30 Jun 10 Interest Rate Risk			30 Jun 09 Interest Rate Risk		
	Carrying Amount	-1% Profit & Equity	+1% Profit & Equity	Carrying Amount	-1% Profit & Equity	+1% Profit & Equity
	\$	\$	\$	\$	\$	\$
Financial Assets						
Bank deposits	22,600,000	(205,986)	205,986	12,300,000	(43,452)	43,452
Loan receivables	84,360,891	(691,336)	691,336	93,988,189	(833,410)	833,410
		<u>(897,322)</u>	<u>897,322</u>		<u>(876,862)</u>	<u>876,862</u>
Financial Liabilities						
Member deposits	95,065,088	(431,502)	431,502	95,950,268	(275,376)	275,376
Derivatives	312,701	(38,634)	38,634	621,637	(43,911)	43,911
		<u>(470,136)</u>	<u>470,136</u>		<u>(319,287)</u>	<u>319,287</u>
Total Increase / (Decrease)		<u>(427,186)</u>	<u>427,186</u>		<u>(557,575)</u>	<u>557,575</u>

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 re-pricing between the members deposits and loans for the next 12 months. In doing the calculation the assumptions applied were that:

- The interest rate change would be applied equally over 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 re-price to the new interest rate at the term maturity, or be replaced by deposit with similar terms and rates applicable
- All loans would be repaid in accordance with the contractual repayment terms (or current average repayment rate)
- 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 Unions exposure to market risk or the way the entity manages and measures market risk in the reporting period.

Credit Risk - Loans

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

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 reviews 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 practice is to maintain between 40 and 50% of the loans in well secured residential mortgages which usually carry an 80% Loan to Valuation ratio or less.

All loans over \$25,000 require collateral security which the Credit Union can enforce by disposing of the secured assets in the event of a default. Daily reports monitor the loan repayments to detect delays in repayments and members are contacted within 7 days to establish any reason for non payment or to advise that a payment has been missed. For loans where repayments become doubtful, external consultants are engaged to continue and support recovery action initiated by Credit Union.

Exposures to losses arise predominately in the personal loan area and are spread across the varying personal loan sectors.

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

Credit Risk - Liquid Investment

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Credit Union. There is a concentration of credit risk with respect to investment receivables with the placement of investments in NZACU. The credit practice is that investments are only made to institutions that are credit worthy.

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration on one entity. The Board practice is to maintain all its investments in the NZ Association of Credit Unions, an association set up to support the member Credit Unions. While this association does not have a credit rating, it invests principally in bank deposits and money market securities.

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 practice 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.

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 to the Credit Union if necessary at short notice
- Regularly monitoring loan repayments and comparing forecast cash flows

The Credit Union has a Trust Deed requirement to maintain a minimum liquidity of 8%. The ratio is monitored and reported to management, the Credit Union Board and it's Trustees on a regular basis.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in the specific note 18.

Operational Risk

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

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

- the segregation of duties between employee, e.g. approval and processing duties are two separate functions.
- documentation of the practices and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour
- implementation of the whistle blowing practices to promote a compliant culture and awareness of the duty to report exceptions by staff
- 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 or premises or staff
- regular reviews by the internal auditor.

General Market Risk

Like all businesses, the financial performance of the Credit Union may be affected by the state of the New Zealand and International economies. Economic slowdowns, such as New Zealand is currently experiencing will generally have a negative impact on demand for goods and services and thus, income, which may in turn adversely affect a members ability to invest in shares in the Credit Union and to meet his or her loan payment obligations to the Credit Union. This in turn may affect the profitability of the Credit union and returns paid to members.

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.

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Credit Unions capital is determined as follows:

	30 Jun 10	30 Jun 09
Tier 1		
Retained earnings and other revenue reserves	9,347,397	8,703,336
General reserves	5,887,850	5,887,850
Total Reserves	<u>15,235,247</u>	<u>14,591,186</u>
Tier 2		
Property Revaluation Reserve	1,179,013	1,070,485
Total Reserves	<u>1,179,013</u>	<u>1,070,485</u>

To manage the Credit Unions 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. Practices have been implemented to require reporting to the Board and the Trustee if the capital ratio falls below 12%. Further, a capital budget projection of the capital level is maintained annually to address how strategic decisions or trends may impact on the capital level.

18 MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term and in the case of loans the repayment amount and frequency. The associated table shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained. For term loans the dissection below 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 cash flows arising from the contractual obligations.

Note that the expected maturities are similar to the contractual maturities as below, except for members deposits which are due within one month are not expected to be repaid but to continue at the same level to provide continuing funds for the Credit Union.

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

18 MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES (continued)

	A	B	C	D	E	F	G	H	I	J	K
1	<i>Jun-10</i>	On Call	Within 1 Month	1-3 Months	3 - 6 Months	6 - 12 Months	Years 1-2	Years 2-5	> 5 years	No Maturity	Total
2	Monetary Assets Receivable										
3	Cash and Bank	1,678,144	-	-	-	-	-	-	-	-	1,678,144
4	Trade and Other Receivables	-	856,420	-	-	-	-	-	-	-	856,420
5	Investments - Base Capital Notes	-	-	-	-	-	-	-	-	2,949,691	2,949,691
6	Deposits at NZACU	3,600,000	7,500,000	11,500,000	-	-	-	-	-	-	22,600,000
7	Future Interest Receivable	-	819,401	1,622,831	2,146,960	3,652,135	5,101,541	7,802,198	16,868,795	-	38,013,861
8	Loans to Members	1,392,956	1,909,557	3,833,453	5,520,887	10,264,616	16,178,960	14,727,166	30,533,296	-	84,360,891
10	Total Monetary Assets Receivable	6,671,100	11,085,378	16,956,284	7,667,847	13,916,751	21,280,501	22,529,364	47,402,091	2,949,691	150,459,007
11											
12	Monetary Liabilities Payable	-	-	-	-	-	-	-	-	-	-
13	Payables	-	3,096,115	-	-	-	-	-	-	-	3,096,115
14	Future Interest Payable	-	213,473	496,524	524,141	1,072,299	135,964	12,782	-	-	2,455,184
15	Members Call Shares	39,864,432	-	-	-	-	-	-	-	-	39,864,432
16	Member Term Shares	-	4,943,828	11,300,401	14,559,864	21,299,650	2,655,928	159,943	-	-	54,919,614
17	Derivatives	-	75,545	39,425	38,897	62,030	79,926	16,878	-	-	312,701
19	Total Monetary Liabilities Payable	39,864,432	8,328,961	11,836,350	15,122,902	22,433,979	2,871,818	189,603	-	-	100,648,046

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

18 MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES (continued)

<i>Jun-09</i>	On Call	Within 1 Month	1-3 Months	3 - 6 Months	6 - 12 Months	Years 1-2	Years 2-5	> 5 years	No Maturity	Total
Monetary Assets Receivable										
Cash and Bank	2,072,247	-	-	-	-	-	-	-	-	2,072,247
Trade and Other Receivables	-	881,852	-	-	-	-	-	-	-	881,852
Investments - Base Capital Notes	-	-	-	-	-	-	-	-	2,949,691	2,949,691
Deposits at NZACU	3,800,000	7,000,000	1,500,000	-	-	-	-	-	-	12,300,000
Future Interest Receivable derivatives	-	940,212	1,825,055	2,535,941	4,377,544	6,285,953	9,222,666	19,065,385	-	44,252,756
Loans to Members	-	3,935,865	4,164,413	6,035,424	11,391,549	18,916,646	18,566,799	30,977,492	-	93,988,188
Total Monetary Assets Receivable	5,872,247	12,757,929	7,489,468	8,571,365	15,769,093	25,202,599	27,789,465	50,042,877	2,949,691	156,444,734
Monetary Liabilities Payable										
Payables	-	2,435,793	-	-	-	-	-	-	-	2,435,793
Future Interest Payable	-	256,316	434,369	918,829	434,738	88,103	-	-	-	2,132,356
Members Call Shares	41,416,704	-	-	-	-	-	-	-	-	41,416,704
Member Term Shares	-	4,732,163	11,196,585	12,714,750	22,901,492	2,983,574	5,000	-	-	54,533,564
Derivatives	-	62,753	46,160	106,494	186,415	187,787	32,028	-	-	621,637
Total Monetary Liabilities Payable	41,416,704	7,487,025	11,677,114	13,740,073	23,522,645	3,259,464	37,028	-	-	101,140,054

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

19 INTEREST RATE RISK

The Credit Unions 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:

	Floating Interest Rate		Repricing period at 30 Jun 10 Fixed Interest Rate Maturing in:												Set 6 monthly in arrears		Non-interest sensitive		Total		Weighted average effect interest rate*		
			0 to 3 months		3 to 6 months		6 to 12 months		1 to 2 years		2 to 5 years		Over 5 years										
	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	Jun-10	Jun-09	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Monetary Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash & Bank	1,678	2,072	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,678	2,072	1.00%	1.00%	
Deposits at NZACU & Westpac	-	-	22,600	12,300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,600	12,300	3.83%	2.38%	
Trade & other receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	856	882	856	882	N/A	N/A	
Loans to members - Fixed	-	-	2,521	1,852	4,463	1,985	4,392	5,582	6,680	5,713	3,286	4,500	-	-	-	-	-	21,342	19,632	7.17%	7.93%		
Loans to Members - Floating	63,019	72,968	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	63,019	72,968	13.48%	13.63%		
Base Capital Notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,950	2,950	-	-	2,950	2,950	5.79%	3.32%
Total Monetary Assets	64,697	75,040	25,121	14,152	4,463	1,985	4,392	5,582	6,680	5,713	3,286	4,500	-	-	2,950	2,950	856	882	112,445	110,804	-	-	
Monetary Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits	39,864	41,417	16,244	15,929	14,560	12,715	21,300	22,901	2,656	2,983	160	5	-	-	-	-	-	94,784	95,950	3.99%	4.30%		
Derivatives	-	-	313	622	-	-	-	-	-	-	-	-	-	-	-	-	-	313	622	2.83%	3.59%		
Other payables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,096	2,436	3,096	2,436	N/A	N/A	
Total Monetary Liabilities	39,864	41,417	16,557	16,551	14,560	12,715	21,300	22,901	2,656	2,983	160	5	-	-	-	-	3,096	2,436	98,193	99,008	-	-	

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

(a) Capital notes do not have any pre determined rate of interest. Interest is payable on a six monthly basis subject to the profitability of the NZACU Business Services Division Trust. The last interest payment was at 5.79% per annum, (Jun 2009 : 1.66% per annum).

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

20 OTHER CREDIT RISKS

(a) Maximum Credit Risk Exposure

The Credit Unions 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 Unions 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:

	<u>Number of counterparties</u>	
	<u>Assets</u>	<u>Liabilities</u>
Between 140% and 150% of equity	1 NZACU	
Between 130% and 140% of equity		
Between 120% and 130% of equity		
Between 110% and 120% of equity		
Between 100% and 110% of equity		
Between 90% and 100% of equity		
Between 80% and 90% of equity		
Between 70% and 80% of equity		
Between 60% and 70% of equity		
Between 50% and 60% of equity		
Between 40% and 50% of equity		
Between 30% and 40% of equity		
Between 20% and 30% of equity		
Between 10% and 20% of equity		

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 5.75% TO 29.95% p.a. (Jan 2009 5.95% to 24.95% p.a.) with delinquent loans possibly incurring an additional penalty of 5% 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 30 Years.

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

	30 Jun 10	30 Jun 09
	1.74%	1.95%

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

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

20 OTHER CREDIT RISKS (continued)

Loans to Members

Loans are for varying terms but the standard loan contract includes an "on demand" clause. The monthly repayments on the loans for the past period represent an average loan of:

30 Jun 10	30 Jun 09
22.64 mths	19.55 mths

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

3.28%	2.98%
-------	-------

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

The Credit Union offers an overdraft facility to members. The amounts drawn down are as follows:

\$	\$
281,042	244,431

21 CONCENTRATION OF FUNDING

The Credit Unions source of funding is members' deposits. Accordingly, the funding is concentrated in and limited to the area of the 'common bond' and consequently the Credit Union funding is almost exclusively from individuals residing within the North Island.

22 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 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 reporting 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.

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

22 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

	Fair Value	30 Jun 10 Book Value	Variance	Fair Value	30 Jun 09 Book Value	Variance
	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash and Bank	1,678,144	1,678,144	-	2,072,247	2,072,247	-
Deposits at NZACU and Westpac	22,600,000	22,600,000	-	12,300,000	12,300,000	-
Trade and other receivables	856,420	856,420	-	881,852	881,852	-
Derivatives	-	-	-	-	-	-
Loans to members	82,875,641	82,875,641	-	92,600,445	92,600,445	-
Capital Notes	2,949,691	2,949,691	-	2,949,691	2,949,691	-
Total Financial Assets	110,959,896	110,959,896	-	110,804,235	110,804,235	-
Financial Liabilities						
Trade and other payables	3,096,112	3,096,112	-	2,435,793	2,435,793	-
Derivatives	312,701	312,701	-	621,637	621,637	-
Deposits from members	94,784,046	94,784,046	-	95,950,268	95,950,268	-
Total Financial Liabilities	98,192,859	98,192,859	-	99,007,698	99,007,698	-

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". In addition, interest rate differences between lending dates and reporting 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

Derivatives are used by the Credit Union to manage exposure to fluctuations in interest rates on loans. These contracts are re-priced every 90 days and are reflected in the accounts at their fair value. CU North

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

22 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

determines fair value by valuing interest rate swaps at wholesale mid-rates as quoted by Reuters at 5pm on the last business day of the month.

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 as the term can be relatively short and can be changed to "on demand" with a notice period of 14 days.

Members' shares are secured by a first ranking equitable assignment by way of security over the whole of the Credit Unions 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 18/10/2000, 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 19/11/2002 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.

23 DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

(a) Remuneration of Key Management Persons ('KMP')

Key management persons are those person 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 five senior management responsible for the day to day financial and operational management of the Credit Union, (4 people included in Jan 2009 year figures for KMP's). Please note that of the five senior management personnel four only started part way through the six month period to 31 December 2009. Therefore salaries paid to those people whose role was disestablished have been included up to the time of the their role being taken over by someone else.

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

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

23 DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL (CONTINUED)

(a) Remuneration of Key Management Persons ('KMP') (continued)

	30 Jun 10 Directors \$	30 Jun 10 Other KMP \$	30 Jun 09 Directors \$	30 Jun 09 Other KMP \$
(a) Short-term employee benefits	58,731	614,299	61,518	589,615
(b) Post-employment benefits - superannuation contributions	-	-	-	-
(c) Other long-term benefits - net increases in long service leave provision	-	-	-	-
(d) Termination benefits	-	252,943	-	-
(e) Share-based payments	-	-	-	-
	<u>58,731</u>	<u>867,242</u>	<u>61,518</u>	<u>589,615</u>

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

	30 Jun 10 \$	30 Jun 09 \$
Directors/KMP disclosure of transactions, terms and interest rates		
Directors' holdings at balance date are:		
Owing to Directors and other KMP (Shares)	68,656	353,055
Owing from Directors and other KMP (Loans)	67,538	91,588

During the year loans advanced to Directors and other KMP's were \$92,702 (30 Jun 2009: \$254,500) with loans repaid of \$90,251 (30 Jun 2009: \$245,103). Funds invested on term deposit by Directors and other KMP's was \$66,042, (30 Jun 2009: \$54,757). All loans and term deposits are on standard terms and interest rates.

There are no shares from directors and other KMP exceeding 24 months and all directors loans are repayable upon demand.

CREDIT UNION NORTH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

24 CASH FLOW RECONCILIATION

	30 Jun 10	30 Jun 09
(Loss) Profit for the period	\$ 644,061	\$ (594,059)
Non Cash Items		
(Gain) Loss on Interest rate swaps	(303,777)	621,637
Depreciation	677,398	763,415
Bad Loans Written Off	2,317,449	1,452,014
Provision for Loan Impairment	97,506	66,792
	<u>3,432,637</u>	<u>2,309,799</u>
Changes in Assets and Liabilities		
(Increase) in Trade and Other Receivables	25,431	180,408
(Decrease) in Trade and Other Payables	447,750	(387,899)
	<u>473,181</u>	<u>(207,491)</u>
Net Operating Cash Flows	<u>3,905,818</u>	<u>2,102,308</u>

25 GOVERNMENT GUARANTEE

Members deposits are covered by the Crown Deed of Guarantee for the period of two years ending on 12 October 2010. To qualify for the guarantee, the member must not be a "related party" and must meet standard criteria as stated in the Crown Deed of Guarantee for Non-Bank deposit Takers, details of which are available at www.treasury.govt.nz.

The Crown Deed of Guarantee incorporates some compliance requirements that include conditions under which profit distributions can be made, restrictions on transactions on non-arms length terms, and preparation of reports concerning the activities, operations and financial position of the Credit Union.

As required by the Crown Guarantee, a separate monthly report is prepared for the Reserve Bank which covers financial matters. The Credit Union has complied with the terms of the Crown Deed of Guarantee throughout the reporting period.

26 EVENTS OCCURRING AFTER BALANCE DATE

The following events occurred subsequent to reporting date but they will not affect these financial statements - Nil (30 Jun 2009: Nil)

FOURTH SCHEDULE

SCHEDULE OF ACCOUNTS

Investment Accounts

Account Name	Interest Rates*	Term & Conditions*
11- 124 - Term Deposit	The rate of return on a particular term is available from the Credit Union on request. These interest rates move in line with current market rates in general.	<ul style="list-style-type: none"> Calculated in line with the term of the term share account from the date of deposit. Minimum Shareholding is \$100 Where the depositor is not a credit union member a membership fee may be charged, currently \$10. Interest on deposits may be requested to be paid out quarterly six monthly or yearly.

Savings Accounts

Account Name/Type	Interest Rates*	Term & Conditions
Everyday Account On Call	0%	<ul style="list-style-type: none"> Minimum Shareholding NIL
Christmas Saver Special Share Account	2.5%	<ul style="list-style-type: none"> Calculated on the Minimum Daily Balance and paid out once a year on 31 October Minimum Shareholding NIL A savings account for people wishing to save for Christmas and funds are available only during the specified period unless special circumstances justify early transfer
Bill Pay Accounts On Call	0%	<ul style="list-style-type: none"> Minimum Shareholding either NIL or \$1
Loyalty Saver Notice of Withdrawal	3.0%	<ul style="list-style-type: none"> Calculated on the Minimum Daily Balance and paid out once a year on 30 June Minimum Shareholding NIL Holders of this account receive priority for loans. Where not used as security for any loans funds are available on 14 days notice for withdrawal
Jimmy J Saver On Call	3.0%	<ul style="list-style-type: none"> Calculated on the Daily Balance and paid out monthly Minimum Shareholding NIL Provides \$15 worth of free transactions every month
52 - Goal Saver On Call	0-\$499 - 0% >\$500- 1%	<ul style="list-style-type: none"> Calculated on the Minimum Monthly Balance and paid out once a year on 30 June Minimum Shareholding NIL

Bfree Account (Youth Account) On Call	3.0%	<ul style="list-style-type: none"> ▪ Calculated on the Daily Balance and paid out monthly ▪ Minimum Shareholding NIL ▪ Provides \$15 worth of free transactions every month
Success Saver On Call	0-\$999 - 2.50% >\$999 - 3.00% >\$4,999 - 3.50% >\$9,999 - 3.75%	<ul style="list-style-type: none"> ▪ Calculated on the Daily Balance and paid out on the last day of each month ▪ Minimum Shareholding NIL ▪ A high interest bearing account for the more serious saver. ▪ Withdrawal Fee not exceeding \$4 per transaction (one free per month)

*Interest paid is subject to change at the Credit Unions discretion.

Fees and Charges associated with these accounts
See Fees and Charges summary at the end of this Schedule

FEES AND CHARGES SUMMARY

Rebate Reward System

Credit Union North's Rebate Reward System recognizes supportive customers through an annual refund. Customers receive a rebate reward, over and above any savings interest, based on the value of business held and conducted with Credit Union North and Credit Union North's financial performance. The more support you give Credit Union North, the greater the reward will likely be. The Rebate Reward is made annually on, or around, 30 June. Not all customers will qualify for an annual rebate. This system replaces the monthly Loyalty Rebate System that was previously in place.

Customer Fees

Base Customer Fee per month	*\$5.00
<i>This covers all accounts held no matter if you have 1 or 5 accounts with us.</i>	
Membership Entrance Fee	Up to \$10.00

Free Transactions

Deposits into Credit Union North accounts

Except where a deposit is made through another financial institution, when a \$2.00 charge will apply

*Transfers between Credit Union North accounts
Via Accessphone, Accessweb or Automatic Payments*

Items marked with asterisk () do not apply to customers over 65 years of age*

At the discretion of the Board of Directors

Customers 18 years and under can be fee free

If an EFTPOS card is attached to the account, you will receive a rebate of up to \$15 per month for card transaction fees (excluding overseas ATM and EFTPOS transactions)

Lending Charges

Mortgage Processing Fee	up to \$500.00
Line of Credit	per application \$50.00
	per drawdown \$5.00
Loan Processing Fee	per loan, up to \$250.00
Loan Variation/Top Up Fee	per transaction, \$100.00
Revolving Credit/Overdraft Processing Fee	up to \$50.00
Fixed Term Overdraft Service Fee	per month \$5.00
Overdrafts (Casual)	per approval \$7.50
Unarranged Overdraft (Honour Fee)	per transaction \$15.00

Accesscredit® Card

Quarterly Fee	per quarter, up to \$12.50
Quarterly Fee - Joint	per quarter, up to \$15.00
Late Payment Fee	per month \$20.00
Cash Advance Fee	
ATM- Credit Union	\$0.50
ATM other than Credit Union	\$1.75
ATM Overseas	up to \$10.00#
ATM Balance Enquiry	up to \$1.00
ATM Decline	up to \$1.00
EFTPOS Purchase/Decline (Overseas)	up to \$1.00#
Replacement Card Fee	\$15.00

All overseas transactions include a multi-currency conversion fee of 1.10%. This is applied by Mastercard International as a loading on the current buy-rate on foreign transactions.

Inter Credit Transaction

NZCU	Free
Other Credit Unions	\$5.00

Dishonoured Payments

Cheque, Direct Debits		
▪ Outwards (dishonoured by Credit Union)	per item	\$25.00
▪ Inwards (dishonoured by Bank)	per item	\$25.00
Rejected Automatic Payment after 3 failures	per item	\$10.00

Collection/Debt Recovery Fees

Default Fee	\$25.00
Delinquent / Default Letter	\$20.00
Debt Recovery Field Visit Instruction	\$50.00
Repossession Notice Fee	\$30.00
Repossession Notice Fee	\$50.00
Post Possession Notice Fee	\$25.00
Statement after Sale Fee Notice	\$25.00
Final Notice Fee	\$30.00
Issuance of Legal Recovery Instructions Fee	\$50.00
Enforced Sale of "Real Property" Administration	up to \$1,000.00

Dormant Accounts

If an account is inactive for more than one year, it will be treated as dormant. Reasonable action will be taken to contact customers affected by this to reactivate their account, however once an account is dormant it will incur a \$10 dormancy transfer fee with an additional \$10 fee for each month of inactivity thereafter. In the event of a claim being made by a customer within five years of the original fee being charged, Credit Union North will reimburse total dormancy fee charges.

Other Charges

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

Transaction Fees

EFTPOS (including enquires and declines)		*\$0.40
Direct Debit, Accessphone, Bill Automatic Payments (external)		*\$0.40
Credit Union ATM (including enquiries and declines)		*\$0.50
Non Credit Union ATM (including enquiries and declines)		*\$1.75
Accesscash® (including enquiries and declines)		*\$0.50
Personal Cheque		*\$0.50
Branch Cheque Withdrawals		*\$1.00
Over Counter Cash Withdrawals		*\$1.00
Success Saver Account Withdrawal Fee (one free transaction per month then)		\$4.00
Overseas EFTPOS & ATM Transactions	up to	\$10.00#
Overseas ATM Cash Withdrawal	up to	\$10.00#
Early Withdrawal penalty Fee	from	\$10.00

Applies to Notice of Withdrawal accounts such as Christmas Saver and Loyalty Accounts

All overseas transactions include a multi-currency conversion fee of 1.10%. This is applied by Mastercard International as a loading on the current buy-rate on foreign transactions.

Service Charges

Accesscard -Card Issue	First Card	Free
Replacement Card	per Card, up to	\$15.00
Accesstxt®	Vodafone and Telecom	\$0.75
Direct Debit, Bill and Automatic Payments	per loading/amendment	\$5.00
Special Clearance Cheque Deposits	Per cancellation (direct debit only)	\$5.00
Stopped Cheques	per item	\$30.00
Transaction Search Fee	per item	\$25.00
	per hour	\$25.00

As any return is dependent on the terms of the share account, the timing of the application and the duration of the term, the return attributable to each security holder cannot be quantified in this Prospectus.



21 December 2010

The Directors
Credit Union North
33 Totara Street
MOUNT MAUNGANUI 3116

CREDIT UNION NORTH

Clause 14(3) of the Second Schedule to the Securities Regulations 2009 requires us to confirm that the offer of deposits (in this Statement referred to generally as "the Shares") set out in this Prospectus complies with any relevant provisions of the Trust Deed. These provisions are those which:

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

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 Shares 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 Prudential Supervisor by the Fifteenth Schedule of the Securities Regulations 2009, the Prudential Supervisor relies on the information supplied to it by Credit Union North pursuant to the Trust Deed and does not carry out an independent check of the figures supplied to it in that information.

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

Signed for and on behalf of
Trustees Executors Limited

Carol A Cook
BUSINESS MANAGER
CORPORATE TRUST

SIXTH SCHEDULE**DIRECTORATE
[Paragraph 3.1]**

<u>Full Name & Address</u>	<u>Title</u>	<u>Occupation</u>	<u>Qualification (if any)</u>
Stanley John Weston 106 Leyland Road, RD 6 TAURANGA 3176	Director Trustee	Company Director	Nil
Steven Arthur Saunders 34 Summerfields Lane, RD 3 HAMILTON 3283	Director	Consultant	D.Phil; B.SocSc M.SocSc
John Rowland Harvey 1827 River Road, RD 1 HAMILTON 3281	Director Trustee	Company Director	Nil
Brian Michael Hancock 19 Beerescourt Road HAMILTON 3200	Director Trustee Chairman	Property Manager	Dip(L/TECH)
John Stuart Pemberton 29 Tawari Street MATAMATA 3400	Director Treasurer	Field Technician	NZQA 7209
Paul Kenneth Clark 86 Beachwater Drive PAPAMOA 3118	Director Secretary Vice Chairman	Company Director	Nil
Anthony Joseph Kelly 123 Links Avenue MOUNT MAUNGANUI 3116	Director	Retailer	Nil

**CERTIFICATE OF AMENDMENT OF REGISTERED
PROSPECTUS**

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

CREDIT UNION NORTH

1802853

This is to certify that a Memorandum dated the 21st of November 2011 for the above issuer containing amendments to a registered prospectus dated the 21st of December 2010 was registered on the 25th of November 2011.



Neville Harris
Registrar of Financial Service Providers
28 November 2011

Prospectus registration number: 10060718286