



10063829410

**CAXTON EMPLOYEES CREDIT UNION
("ISSUER")**

**CERTIFICATE PURSUANT TO
SECTION 37A (1A) OF THE SECURITIES ACT 1978**

This certificate relates to the registered Caxton Employees Credit Union prospectus dated 16 March 2016 ("*Prospectus*").

It is the opinion of all the directors of the Issuer, after due enquiry by them that:

1. The financial position shown in the balance sheet as at 30 September 2015 for the Credit Union referred to in the prospectus has not materially and adversely changed during the period from 30 September 2015 to the date of this certificate; and
2. The Prospectus is not, at the date of this certificate, false or misleading in a material particular by reason of failing to refer, or give proper emphasis, to adverse circumstances.

Attached to this certificate are the financial statements for the Credit Union for the six month period ended 31 March 2016.

These financial statements have been prepared in accordance with the Securities Regulations 2009 as if they were required to be contained or referred to in a registered prospectus for those securities. These financial statements have not been audited.

DATED this 23rd day of June 2016

SIGNED for and on behalf of all the
Directors of Caxton Employees Credit Union by;

Director's signature

Vivien Rush
Name of Director

Director's signature

Zyta Robinson
Name of Director

CAXTON EMPLOYEES CREDIT UNION

UNAUDITED FINANCIAL STATEMENTS

FOR THE 6 MONTH PERIOD ENDED 31 MARCH 2016

WITH UNAUDITED COMPARATIVES FOR

THE 6 MONTHS ENDED 31 MARCH 2015

CAXTON EMPLOYEES CREDIT UNION

DIRECTORY

Board of Directors

Chairman	V Rush
Vice Chairperson	B Frenz
Secretary	W J Robinson
Director	Z M Robinson
Director	J Gibson

Trustees

B Frenz
Z M Robinson
V Rush

Supervisory Committee

H Whyte
T Nanji

Staff

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

Auditors

BDO Wellington

Bankers

Bank of New Zealand - Kawerau Branch
NZACU - Central Fund

Solicitors

Stace Hammond
Buddle Bentley McCleary

Affiliations

New Zealand Association of Credit Unions(NZACU)
trading as Co-op Money NZ

Registered Office

Caxton Employees Credit Union
Asaleocare
Fletcher Avenue
Kawerau

CAXTON EMPLOYEES CREDIT UNION

STATEMENT OF COMPREHENSIVE INCOME

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	Note	2016 \$	2015 \$
Interest Revenue	2	113,099	130,274
Other Income	2	23,335	17,821
TOTAL INCOME		<u>136,434</u>	<u>148,095</u>
EXPENDITURE			
Interest expenditure	2	19,843	22,181
Loan Impairment Expense	2	(5,254)	(1,053)
Employee benefits	2	51,970	52,774
Occupancy		206	849
Depreciation	2	3,699	3,773
Other expenditure	2	65,550	68,212
TOTAL EXPENDITURE		<u>136,014</u>	<u>146,736</u>
Profit for the period attributable to members		<u>420</u>	<u>1,359</u>
Other Comprehensive Income		-	-
Total Comprehensive Income for the period attributable to members		<u>420</u>	<u>1,359</u>

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

CAXTON EMPLOYEES CREDIT UNION

STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTH PERIOD ENDED 31 MARCH 2016

	Retained Earnings	Total Members Funds
	\$	\$
Balance at 1 Oct 2014	933,516	933,516
Total comprehensive income for the period attributable to members		
Profit for the period attributable to members	<u>1,359</u>	<u>1,359</u>
Total comprehensive income for the period attributable to members	1,359	1,359
Balance at 31 March 2015	<u>934,875</u>	<u>934,875</u>
Balance at 1 Oct 2015	934,247	934,247
Total comprehensive income for the period attributable to members		
Profit for the period attributable to members	<u>420</u>	<u>420</u>
Total comprehensive income for the period attributable to members	420	420
Balance at 31 March 2016	<u>934,667</u>	<u>934,667</u>

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


CAXTON EMPLOYEES CREDIT UNION

STATEMENT OF FINANCIAL POSITION


AS AT 31 MARCH 2016

	Note	Unaudited March 2016	Unaudited March 2015	Audited September 2015
		\$	\$	\$
MEMBERS' FUNDS				
Retained earnings	4	934,667	934,875	934,247
TOTAL MEMBERS FUNDS		<u>934,667</u>	<u>934,875</u>	<u>934,247</u>
ASSETS				
Cash and Cash Equivalents	5	2,101,780	2,026,344	2,122,583
Trade and other receivables	6	5,362	6,844	4,469
Loans to members	7-8	1,171,631	1,315,847	1,181,540
Property, plant & equipment	9	36,509	43,541	39,749
Capital Notes	10	135,000	135,000	135,000
TOTAL ASSETS		<u>3,450,282</u>	<u>3,527,576</u>	<u>3,483,341</u>
LIABILITIES				
Trade and other payables	11	48,176	51,140	59,031
Members' deposits	12	2,467,439	2,541,561	2,490,063
TOTAL LIABILITIES		<u>2,515,615</u>	<u>2,592,701</u>	<u>2,549,094</u>
NET ASSETS		<u>934,667</u>	<u>934,875</u>	<u>934,247</u>

These Financial Statements are authorised for issue by:


 Director Vivien Rush

23/6/16
 Date:


 Director Zyla Robinson

23/6/16
 Date:

CAXTON EMPLOYEES CREDIT UNION

STATEMENT OF CASH FLOWS

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	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		113,099	130,274
Other income		23,297	13,349
Interest paid		(19,758)	(22,163)
Payments to suppliers and employees		(122,478)	(130,754)
Net movement in members deposits		(29,677)	(137,137)
Net movement in members' loans		193,471	33,938
		<u>157,954</u>	<u>(112,493)</u>
Net cash (used in)/provided by operating activities	24		
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		459	-
Deposits made at NZACU and trading banks		8,317	20,214
Deposits matured at NZACU and trading banks		(97,925)	(100,000)
		<u>(89,149)</u>	<u>(79,786)</u>
Net cash used in investing activities			
Total net increase/(decrease) in cash and cash equivalents held		68,805	(192,279)
Cash and cash equivalents at the beginning of the period		191,195	338,862
		<u>191,195</u>	<u>338,862</u>
Cash and cash equivalents at the end of the period	5	<u>260,000</u>	<u>146,583</u>

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

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

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Reporting Entity

Caxton Employees Credit Union ("The Credit Union") is a registered Credit Union under the Friendly Societies and Credit Unions Act 1982. The Credit Union is an issuer FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013. The Credit Union is a public benefit entity.

Nature of Business

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

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

Trust Deed

To meet the requirements of The Financial Markets Conduct Act 2013, a Trust Deed was entered into on the 28 November 2013 between the Trustees of the Credit Union and Foundation Corporate Trust, who as the Prudential Supervisor was appointed to act in the interests of the members of the Credit Union by monitoring the compliance by the Credit Union of its obligations, its rules, the Trust Deed and the Friendly Societies and Credit Unions Act 1982. In addition, the Prudential Supervisor is under duty to exercise reasonable diligence to ascertain whether the Credit Union has:

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

1 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Financial Reporting Act 2013, the Friendly Societies and Credit Unions Act 1982 and the Financial Markets Conduct Act 2013.

These financial statements were authorised for issue by the Directors on 23 June 2016

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 (PBE)" and other applicable Financial Reporting Standards as appropriate for Tier 1 public benefit entities.

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

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

(b) Revenue

Loans Interest Revenue

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

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

(c) 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.

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 31 MARCH 2016

(d) Goods & Services Tax

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

(e) Income Tax

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

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

Buildings and Plant and equipment are measured at cost, less accumulated depreciation and impairment losses. Cost includes 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 profit or loss during the financial period in which they are incurred.

Depreciation

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

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

Buildings	5%
Plant and Equipment	20% - 33%

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

(g) Leases

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

(h) Impairment Testing of Non Financial Assets

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

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

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

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

(i) Employee Benefits

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

(j) Financial Instruments Recognition

A financial instrument is recognised if the Credit Union becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Credit Union'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 the risks and rewards of the asset. Financial liabilities are derecognised if the Credit Union's obligations specified in the contract expire or are discharged or cancelled.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue. Subsequent to initial recognition, financial instruments are measured as described below.

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

The Credit Union does not hold any derivative financial instruments.

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 31 MARCH 2016

J) Financial Instruments Recognition (continued)

Cash and cash equivalents

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

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

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

Trade and Other Receivables

These are classified as loans and receivables financial assets. These amounts represent amounts due for interest owing and other services performed by the Credit Union prior to the end of the financial period which are not received. The amounts are expected to be received within a year of recognition. They are subsequently measured at amortised cost, using the effective interest method, less any impairment allowance. Trade and other receivables are of a short term nature and are not discounted. The method for assessing impairment is detailed in note 1(k).

Loans to Members

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

Base Capital Notes

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

Dividend income from available-for-sale assets is recognised in the profit or loss as part of other income when the 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 other comprehensive income. However, as the Capital Notes are equity instruments that do not have a quoted market price in an active market and the fair value cannot be measured reliably, they are measured at cost price less impairment losses in terms of the accounting standard NZ IAS 39 (Financial Instruments - Recognition and Measurement).

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

Members' Shares (Deposits)

Members' deposits are the members' shares in the Credit Union. For the purposes of financial reporting, members' shares are recognised as debt instruments as they are essentially savings accounts in nature. They are recorded initially at fair value plus directly attributable transaction costs 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 meetings of the Credit Union, regardless of the number of shares held. Interest on deposits is brought to account on an accrual basis. Interest accrued at reporting date is shown as part of deposits.

Trade and Other Payables

Trade and other payables (excluding employee entitlements) are classified as financial liabilities. These amounts represent liabilities for goods and services provided to the Credit Union prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are subsequently measured at amortised cost using the effective interest method. Trade payables of a short term nature are not discounted.

(k) Impairment - Loans and Receivables

All loans and receivables are subject to regular 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, and is recorded in an impairment allowance account.

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

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

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

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 6 MONTH PERIOD ENDED 31 MARCH 2016

(k) Impairment – Loans and Receivables (continued)

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

Key assumptions in determining the allowance for impairment

In the first instance, and where practical, the likely impairment is calculated on an individual basis taking into account the ability of the member to continue making payments and the value of the security. Thereafter, on the balance of loans not assessed individually, the Credit Union makes a collective assessment of impairment using the length of time the loan is in arrears and the historical losses arising in past years. The circumstances may vary for each loan over time resulting in higher or lower impairment losses. An estimate is based on the period of impairment.

Period of Impairment	% of Balance
31 days to 90 days	20%
91 days to 180 days	40%
181 days to 270 days	60%
271 days to 365 days	80%
Over 365 days	100%
Unauthorised Overdraft savings	100%
Authorised Overdraft	1%

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

The various components of impaired loans are as follows:

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

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

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

Assets acquired through the enforcement of security are assets acquired in full or partial settlement of a loan 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 which are not impaired loans.

(l) Statement of Cash Flows

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

Definitions of Terms Used in the Statement of Cash Flows:

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

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

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

Netting of Cash flows

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

(m) 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 allowance for doubtful loans. The Credit Union makes estimates and assumptions concerning the future when assessing the impairment allowance on loans. (refer note 8). Credit Union reviews its loan portfolio to assess impairment at least monthly. The impairment allowance is adjusted based on evidence relating to borrowers circumstances including the period that loans are in arrears. The resulting accounting estimates will seldom equal the related actual results and there is 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, and valuing capital notes at fair value. Refer Note 10.

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 31 MARCH 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED).

(n) Accounting standards issued but not yet effective

The Minister of Commerce approved a new Accounting Standards Framework (Incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Credit Union is classified as a Tier 1 reporting entity and will be required to apply Public Benefit Entity (PBE) Accounting Standards (PAS). The Credit Union will be required to comply with PBE Accounting Standards (PAS) as applicable to Not for Profit Entities for periods beginning on or after 01 April 2015, which for the Credit Union will be 1 October 2015. Management do not expect there to be an impact from the adoption of PAS.

Due to the change in the accounting standards framework for Public Benefit Entities, the XRB has effectively frozen the financial reporting requirements for Public Benefit Entities up until 31 March 2015. All new or amendments to existing NZ IFRS issued after 1 June 2011 will not be applicable to Public Benefit Entities.

Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

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

2 REVENUE AND EXPENDITURE

REVENUE

Interest Revenue on Loans and Receivables

Interest on Loans

Interest on Investments

Interest Revenue on Available for Sale Financial Assets

Interest on Base Capital Notes

Total Interest Revenue

Other Income

Cost Recoveries

Commissions

Other Income

Total Other Income

TOTAL INCOME

	2016	2015
	\$	\$
Interest on Loans	79,645	67,713
Interest on Investments	30,140	38,052
Interest Revenue on Available for Sale Financial Assets		
Interest on Base Capital Notes	3,314	4,509
Total Interest Revenue	113,099	130,274
	2016	2015
	\$	\$
Cost Recoveries	19,574	14,647
Commissions	3,736	3,154
Other Income	25	20
Total Other Income	23,335	17,821
TOTAL INCOME	136,434	148,095

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

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EXPENDITURE	2016	2015
<i>Interest Expenditure on Liabilities at amortised cost</i>	\$	\$
Interest on Members Deposits (Call Shares)	15,213	16,484
Interest on Members Deposits (Term Shares)	4,545	5,605
Interest on Overdraft from NZACU	85	92
	<hr/>	<hr/>
Total Interest Expenditure	19,843	22,181
	<hr/>	<hr/>
<i>Other Expenditure</i>	\$	\$
Accrued Audit Fees (2016)	5,000	6,000
External Audit of Financial Statements	1,058	3,532
Internal Audit	799	933
Leasing and Rental Costs	-	-
Directors Expenses and Training	-	-
Education / Promotion	-	-
Accesscard Costs	5,905	6,127
Data Processing & Support	17,758	17,041
Trust Deed	11,493	8,578
Members Savings & Loan Insurance	5,117	5,494
NZACU Dues	3,902	4,495
Legal Fees	2,814	2,901
Other Expenses	11,704	13,111
	<hr/>	<hr/>
Total Other Expenditure	65,550	68,212
	<hr/>	<hr/>
<i>Employee benefits</i>		
Salaries and wages	50,085	51,214
Staff Training		
Employer contribution to Kwisaver	1,885	1,560
Total Employee benefits	51,970	52,774
	<hr/>	<hr/>
<i>Loan Impairment Expense</i>		
Release of Allowance		(1,053)
Increase in allowance for impaired loans	(5,254)	-
	<hr/>	<hr/>
Total Loan Impairment Expenses	(5,254)	(1,053)
	<hr/>	<hr/>
<i>Depreciation Expenditure</i>		
Buildings	2,707	2,707
Plant and Equipment	992	1,066
	<hr/>	<hr/>
Total Depreciation Expenditure	3,699	3,773
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CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

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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:

	2016	2015
Call Shares		
Ordinary , Special Purpose Shares	0.00%	0.00%
Loan Provider Shares and Serious Saver Shares	0.00-3.00%	0.00-3.00%
Christmas Club	2.00%	2.00%
Freedom and Super Saver Shares	0.00-3.00%	0.00-3.00%
Term Shares		
11 Term Deposit (1 month)	2.00 - 2.5%	2.00-2.65%
13 Term Deposit (3 months)	2.25-3.16%	2.75-3.45%
16 Term Deposit (6 months)	2.75-3.2%	3.00-3.60%
112 Term Deposit (12 months)	2.95-3.25%	3.00-3.75%

4 MEMBERS' FUNDS

Members' Funds at 31 March 2016

	Retained Earnings \$	Total Members' Funds \$
Balance brought forward	934,247	934,247
Profit for the year attributable to members	420	420
Balance carried forward	934,667	934,667
The Reserve % to Total Assets	27.09%	27.09%

Members' Funds at 31 March 2015

	Retained Earnings \$	Total Members' Funds \$
Balance brought forward	933,516	933,516
Profit for the year attributable to members	1,359	1,359
Balance carried forward	934,875	934,875
The Reserve % to Total Assets	26.50%	26.50%

Members' Funds

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

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

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5 CASH AND CASH EQUIVALENTS AND SHORT TERM INVESTMENTS

	Interest Rates	2016	2015
Current		\$	\$
Cash & Bank - Current and Call Account	0.00 - 2.25%	232,571	89,467
Bank of New Zealand - Current and Call Account	0.00 - 1.00%	27,429	57,116
Total Cash and Cash Equivalents		<u>260,000</u>	<u>146,583</u>
Deposits at NZ Association of Credit Unions	2.28 - 3.08%	1,616,780	1,659,582
Deposits at Bank of New Zealand	2.75 - 2.96%	225,000	220,179
Total Short Term Investments		<u>1,841,780</u>	<u>1,879,761</u>
Total Cash and Cash Equivalents and Short Term Deposits		<u>2,101,780</u>	<u>2,026,344</u>

The deposits with the NZACU's central banking facility are excess funds held by the Credit Union. The NZACU minimises its exposure to credit risk by maintaining a diversified portfolio with controls over maturity, counter party and concentration of investment risks.

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

6 TRADE AND OTHER RECEIVABLES

	2016	2015
	\$	\$
Sundry Debtors	361	4,857
Prepayments	5,001	1,987
	<u>5,362</u>	<u>6,844</u>

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

7 LOANS TO MEMBERS

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

(a) Loans to members comprises:

	2016	2015
	\$	\$
Neither Past Due nor Impaired	1,105,920	1,246,446
Past due but not Impaired (1-30 days)		
1-30 days	40,279	65,287
Past due and impaired		
1-30 days	-	-
31-60 days	-	-
61-90 days	30,134	-
over 90 days	2,208	15,707
Gross Loans	<u>1,178,539</u>	<u>1,327,440</u>
Less:		
Allowance for impairment individually	6,908	11,593
Allowance for impairment collectively	-	-
NET LOANS	<u>1,171,631</u>	<u>1,315,847</u>

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

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7 LOANS TO MEMBERS - Continued

(b) Current vs Non Current

	2016	2015
	\$	\$
Current	558,805	554,579
Non Current	619,734	772,861
Gross Loans	<u>1,178,539</u>	<u>1,327,440</u>

(c) Credit quality - Security dissection

	2016	2015
	\$	\$
Secured by first mortgage over real estate		2,906
Secured by members shares	375,246	371,899
Unsecured Loans	157,431	339,188
Partially secured by vehicles and other collateral	645,862	613,449
Gross Loans	<u>1,178,539</u>	<u>1,327,440</u>

It is impractical to provide a valuation of the security held against loans due to the large number of assets to be valued to arrive at the amount. A breakdown of the quality of the security on a portfolio basis is as follows:

	2016	2015
	\$	\$
Security held as mortgage against real estate is on the basis of:		
- loan to valuation ratio of less than 80%	-	2,906
- loan to valuation ratio of more than 80% but mortgage insured	-	-
- loan to valuation ratio of more than 80% but not mortgage insured	-	-
TOTAL	<u>-</u>	<u>2,906</u>

(d) 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 concentrated to individuals and principally within the common bond of the Credit Union which includes anyone living or working in a 50 km radius of the Caxton Employees Credit Union office which is sited on the premises of Asaleo Care Ltd.	100%	100%
(iii) Loans to members are concentrated solely in New Zealand and principally within the common bond of the Credit Union.	100%	100%

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 31 MARCH 2016

8 IMPAIRMENT OF LOANS AND ADVANCES

(a) Impairment of Loans

Loans Individually Impaired	Restructured Loans	Other Individually Impaired Loans	Total
	\$	\$	\$
Additions to Class	10,180	30,403	40,583
Written Off	-	2,206	2,206
Deletions from Class	(1,226)	(270)	(1,496)
Carrying Amount at 31 March 2016	<u>8,954</u>	<u>32,339</u>	<u>41,293</u>
Individual Impairment Allowance			
Impairment at 1 October 2015	-	12,162	12,162
Additions to Class	-	-	-
Written Off	-	-	-
Deletions from Class	-	(5,254)	(5,254)
Impairment at 31 March 2016	-	<u>6,908</u>	<u>6,908</u>
Net Loans at 31 March 2016	<u>8,954</u>	<u>25,431</u>	<u>34,385</u>
Loans Individually Impaired			
Carrying Amount at 1 October 2014	4,881	66,467	71,348
Additions to Class	-	4,443	4,443
Written Off	-	-	-
Deletions from Class	(4,481)	(66,467)	(70,948)
Carrying Amount at 31 March 2015	<u>400</u>	<u>4,443</u>	<u>4,843</u>
Individual Impairment Allowance			
Impairment at 1 October 2014	-	12,646	12,646
Additions to Class	-	1,080	1,080
Written Off	-	-	-
Deletions from Class	-	(2,133)	(2,133)
Impairment at 31 March 2015	-	<u>11,593</u>	<u>11,593</u>
Net Loans at 31 March 2015	<u>400</u>	<u>(7,150)</u>	<u>(6,750)</u>

Loans with no indicators of impairment or arrears total \$1,146,199 (2015:\$1,300,140). There are no indicators to suggest a collective impairment allowance is required.

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 31 MARCH 2016

8 IMPAIRMENT OF LOANS AND ADVANCES (continued)

	2016	2015
	\$	\$
<i>(b) Fair value of assets acquired through enforcement of Security</i>		
Assets acquired through the enforcement of security	-	-
<i>The policy is to sell the assets via auction at the earliest opportunity after measures to assist the Member</i>		
<i>(c) Interest and Other Revenue recognised and foregone</i>		
Gross Interest revenue	1,407	50
Interest forgone	(1,407)	(50)

9 PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Buildings	Plant & Equipment	Total
	\$	\$	\$
2016			
Cost			
Balance at Beginning of Period	71,653	35,525	107,178
Additions	-	459	459
Disposals	-	-	-
Balance at end of period	71,653	35,984	107,637
Accumulated Depreciation			
Balance at Beginning of Period	37,481	29,948	67,429
Depreciation	2,707	992	3,699
Disposals	-	-	-
Balance at End of Period	40,188	30,940	71,128
Carrying Amount March 2016	31,465	5,044	36,509
2015			
Cost			
Balance at beginning of Period	71,653	35,525	107,178
Additions	-	-	-
Disposals	-	-	-
Balance at end of period	71,653	35,525	107,178
Accumulated Depreciation			
Balance at Beginning of Period	32,067	27,797	59,864
Depreciation	2,707	1,066	3,773
Disposals	-	-	-
Balance at End of Period	34,774	28,863	63,637
Carrying Amount March 2015	36,879	6,662	43,541

(b) Impairment Losses

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

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 31 MARCH 2016

10 CAPITAL NOTES

NZACU Capital Notes are classified as "available for sale" financial assets and issued by the New Zealand Association of Credit Unions' Business Services Division as Trust Base Capital Notes (Capital Notes). These represent monies invested with the NZACU Business Services Division Trust and rank equally and without priority or preference among themselves. The Capital Notes rank after creditors in the event of the winding up of the NZACU Business Services Division Trust. Capital Notes may only be sold or transferred to another Credit Union that is a member of the NZACU Business Services Division Trust and with consent of the NZACU Business Services Division Trust Board of Directors. The Credit Union has no intention to dispose of the equity investment within the next 12 months.

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

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

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

Capital Notes are non current assets.

	2016	2015
Capital Notes at Amortised Cost	\$ 135,000	\$ 135,000
Less Impairment	-	-
	<u>135,000</u>	<u>135,000</u>

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

11 TRADE AND OTHER PAYABLES

	2016	2015
Trade Payables	\$ 18,148	\$ 20,527
Resident Withholding Tax	551	442
Sundry Creditors and Accrued Expenses	15,827	18,615
Employee Entitlements	6,392	7,936
ACCESSCARD Settlement	7,258	3,620
	<u>48,176</u>	<u>51,140</u>

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

12 MEMBERS' DEPOSITS

	2016	2015
Call Shares	\$	\$
Savings Accounts	1,190,547	1,070,090
Christmas Club	58,812	48,801
Loan Provider Account	931,625	1,111,109
Total Call Shares	<u>2,180,984</u>	<u>2,230,000</u>
Term Shares:		
Original Maturity Terms:		
0-3 months	69,423	76,849
6 months	70,835	50,000
12 months	146,197	184,712
Greater than 12 months	-	-
Total Term Shares	<u>286,455</u>	<u>311,561</u>
Total Members' Deposits	<u><u>2,467,439</u></u>	<u><u>2,541,561</u></u>

Refer to Note 3 for interest rates on members shares. All members shares are current liabilities.

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

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

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 31 MARCH 2016

13 COMMITMENTS

(a) Future Capital Commitments

The Credit Union has not entered into any capital commitments at 31 March 2016. (2015, nil)

(b) Operating Lease Commitments

The Credit Union has entered into a lease agreement from 04 September 2001 to lease land at \$1 per year from Asaleo Care (formerly SCA Hygiene Australasia) on which to site its office. (2015, \$1)

(c) Outstanding Loan Commitments

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

	2016 \$	2015 \$
Loans approved but not funded	450	500
Undrawn Line of Credit	19,019	19,322
	<u>19,469</u>	<u>19,822</u>

14 STANDBY BORROWING FACILITIES

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

	Approved Facility \$	Current Borrowing \$	Net Available \$
2016			
Overdraft Facility	30,000	-	30,000
Stand by Facility	-	-	-
	<u>30,000</u>	<u>-</u>	<u>30,000</u>
2015			
Overdraft Facility	30,000	-	30,000
Stand by Facility	-	-	-
	<u>30,000</u>	<u>-</u>	<u>30,000</u>

Currently the unused overdraft facility is for \$30,000 (2015 \$30,000). The interest rate is 5.65% p.a (2015: 5.65%) and the penalty rate is 8.50% p.a (2015: 8.50%). There are no material terms of use.

15 CONTINGENT LIABILITIES

There are no contingent liabilities at reporting date. (2015, Nil)

16 EVENTS OCCURRING AFTER REPORTING DATE

There are no known events that have occurred subsequent to reporting date which would materially affect these financial statements. (2015, Nil)

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
- Capital adequacy management

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

Market Risk and Hedging Policy

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

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

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 31 MARCH 2016

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The practice of the Credit Union to manage the risk is to maintain a balanced "on book" strategy by ensuring the net interest rate gaps between members loans and members shares are not excessive. The measured gap in each 3 month range to be maintained is between 10-12% of the difference between loans and members deposits. The gap is measured monthly to identify any large exposures 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 practice of the Credit Union is not to undertake derivatives to match the interest rate risks. The Credit Unions exposure to interest rate risk is set out in Note 19 which details the contractual interest change profile.

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

	2016 - Interest Rate Risk			2015 - Interest Rate Risk		
	Carrying Amount	-1% Profit & Equity	+1% Profit & Equity	Carrying Amount	-1% Profit & Equity	+1% Profit & Equity
Financial Assets						
NZACU and Bank deposits	1,841,780	(20,818)	20,818	1,879,761	(19,210)	19,210
Loan receivables	1,178,539	(11,784)	11,784	1,327,440	(13,237)	13,237
		(32,582)	32,582		(32,447)	32,447
Financial Liabilities						
Member deposits	2,467,439	(24,485)	24,485	2,541,561	(22,099)	22,099
Total Increase / (Decrease)		(8,097)	8,097		(10,348)	10,348

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

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

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

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

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

Credit Risk - Loans

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the entity. There is a concentration of credit risk with respect to loans and receivables as the Credit Union has a large number of members within the employment of Asaleo Care. The credit policy is that loans and investments are only made to members that are credit worthy.

The Credit Union has established policies or procedures over the:

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

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

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken.

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 31 MARCH 2016

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

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

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

Credit Risk - Liquid Investment

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

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

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

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

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

Credit Risk - Equity Investments

The Credit Union does not have investments in equity investments.

Liquidity Risk

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.

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

- 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
- Regularly monitoring loan repayments and comparing forecast cash flows

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

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

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

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 31 MARCH 2016

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital Management

The Credit Union is regulated under the Friendly Societies and Credit Union Act 1982. There is no longer a statutory requirement over the minimum reserves required to be maintained. In addition the Credit Union operates under a trust deed which requires the minimum reserves to be held by the Credit Union to be 10% of total assets. The Credit Union reserves as the end of the reporting period is stated in note 4.

The Credit Union's capital is determined as follows:

	2016	2015
Tier 1	\$	\$
Retained earnings & other revenue reserves	934,667	934,875
Total reserves	934,667	934,875

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

18 MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

2016	On Call	Within 1 Month	1-3 Months	3 - 6 Months	6 - 12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
<i>Financial Assets Receivable</i>										
Cash and cash equivalents	260,000	-	-	-	-	-	-	-	-	260,000
Deposits at NZACU and trading banks	-	555,695	1,286,085	-	-	-	-	-	-	1,841,780
Trade & other receivables	-	361	-	-	-	-	-	-	-	361
Loans to members	-	53,310	101,842	144,863	258,791	411,699	189,634	18,400	-	1,178,539
Capital Notes	-	-	-	-	-	-	-	-	135,000	135,000
Future Interest Receivable	-	15,650	29,437	32,250	50,767	56,157	11,364	-	-	195,625
Total Financial Assets Receivable	260,000	625,016	1,417,364	177,113	309,556	467,856	200,998	18,400	135,000	3,611,305

2016	On Call	Within 1 Month	1-3 Months	3 - 6 Months	6 - 12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
<i>Financial Liabilities Payable</i>										
Trade and other payables	-	41,233	-	-	-	-	-	-	-	41,233
Members Deposits	2,180,984	98,408	35,703	44,364	107,980	-	-	-	-	2,467,439
Future Interest Payable	-	14,510	333	626	2,396	-	-	-	-	17,867
Total Financial Liabilities Payable	2,180,984	154,151	36,036	44,992	110,376	-	-	-	-	2,526,539

Net Gap	(1,920,984)	470,865	1,381,328	132,121	199,182	467,856	200,998	-	135,000	1,084,766
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CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTH PERIOD ENDED 31 MARCH 2016

18 MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES (continued)

2015	On Call	Within 1 Month	1-3 Months	3 - 6 Months	6 - 12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
<i>Financial Assets Receivable</i>										
Cash and cash equivalents	146,583	-	-	-	-	-	-	-	-	146,583
Deposits at NZACU and trading banks	-	799,761	1,080,000	-	-	-	-	-	-	1,879,761
Trade & other receivables	-	8,844	-	-	-	-	-	-	-	8,844
Loans to members	-	52,440	95,281	142,274	264,584	509,275	263,586	-	-	1,327,440
Capital Notes	-	-	-	-	-	-	-	-	135,000	135,000
Future Interest Receivable	-	15,406	32,959	36,794	60,333	70,818	14,445	-	-	230,755
Total Financial Assets Receivable	146,583	874,451	1,208,240	179,068	324,917	580,093	278,031	-	135,000	3,726,383
2015	On Call	Within 1 Month	1-3 Months	3 - 6 Months	6 - 12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
<i>Financial Liabilities Payable</i>										
Trade and other payables	-	43,204	-	-	-	-	-	-	-	43,204
Members Deposits	2,213,879	106,597	70,982	10,899	118,989	-	-	-	-	2,521,366
Future Interest Payable	-	4,664	2,019	396	4,435	-	-	-	-	11,516
Total Financial Liabilities Payable	2,213,879	154,465	73,011	11,297	123,424	-	-	-	-	2,576,076
Net Gap	(2,067,296)	719,986	1,135,229	167,771	201,493	580,093	278,031	-	135,000	1,150,307

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 6 MONTH PERIOD ENDED 31 MARCH 2016

19 INTEREST RATE RISK

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

	Repricing period at 31 March 2016																				Weighted average effective interest rate*					
	Floating interest rate		Fixed Interest Rate Maturing in:												Non-interest sensitive		Set six monthly in arrears		Total Across							
			0 to 3 months		3 to 6 months		6 to 12 months		1 to 2 years		2 to 5 years		Over 5 years													
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015						
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	2016	2015					
Monetary Assets																										
Cash & cash equivalents	260	146																			260	146	1.80%	3.68%		
Deposits at NZACU Bank			1,842	1,879																	1,842	1,879	2.98%	3.68%		
Trade & other receivables															0	0					0	0	nil	nil		
Loans to members			154	148	145	142	259	285	412	509	190	264	18	0							1,178	1,328	13.43%	13.01%		
Capital Notes																	135	135			135	135	4.91%	6.68%		
Total Monetary Assets	260	146	1,996	2,027	145	142	259	285	412	509	190	264	18	0	0	0	135	135			3,415	3,488				
Monetary Liabilities																										
Deposits - Call	2,181	2,214																					2,181	2,214	1.39%	1.46%
Deposits - Term			69	178	71	11	148	119															288	308	3.12%	3.30%
Other payables															0	0							0	0	nil	nil
Total Monetary Liabilities	2,181	2,214	69	178	71	11	148	119	0	0	0	0	0	0	0	0	0	0			2,487	2,522				

* 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 in arrears subject to the profitability of the NZACU Business Services Division Trust. Interest payment for 6 month period ending 31 March 2016 was 4.91% (2015 - 6.68%) per annum.

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

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 31 MARCH 2016

20 OTHER CREDIT RISKS

(a) Maximum Credit Risk Exposure

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

(b) Concentrations of Credit Risk

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

(c) Large Counterparties

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

	Number of Counter-parties	
	2016	2015
Greater than 100% of equity	1 (N.Z. Association of Credit Union)	1 (N.Z. Association of Credit Union)
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	1 (Bank of New Zealand)	1 (Bank of New Zealand)
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 11% to 15.50% p.a. (2015 11% to 15% 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.

	2016	2015
The proportion of loans with repayments in arrears in excess of three months is:	0.19%	1.18%
Other than loans, there are no other monetary assets in arrears.		

	2016	2015
The monthly repayments on the loans for the past period represent an average loan of:	14.39 months	14.16 months
Loans are for varying terms but the standard loan contract includes an "on demand" clause.		

	2016	2015
The proportion of loans owed in aggregate by the debtors who owe the six largest amounts is:	21.81%	17.87%

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

The Credit Union does not offer an overdraft facility.

21 CONCENTRATION OF FUNDING

The Credit Union's source of funding is members' deposits. Accordingly, the funding is concentrated in and limited to the area of the 'common bond' and consequently the Credit Union funding is almost exclusively from individuals working in the Bay of Plenty region for Asaleo Care Ltd. The funding from members is recorded as Members' Deposits in the Statement of Financial Position.

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

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22 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Directors consider the carrying value to be a reasonable approximation of the fair value except for Base Capital Notes as there is no active market to assess the value of Capital Notes, refer note 1(j). All of the financial instruments except for Capital Notes are at call or able to be recovered or settled in the short term. fair value has been determined on the basis of the present value of expected future cash flows under terms and conditions of each financial asset and financial liability

	31 March 2016	31 March 2015	31 March 2015	31 March 2015
	Carrying Value	Fair Value	Carrying Value	Fair Value
LOANS & RECEIVABLES				
Cash & Cash Equivalents	\$ 260,000	\$ 260,000	\$ 146,583	\$ 146,583
Deposits at NZACU and Trading Banks	\$ 1,841,780	\$ 1,841,780	\$ 1,879,761	\$ 1,879,761
Trade and Other Receivables	\$ 361	\$ 361	\$ 4,857	\$ 4,857
Loans to Members	\$ 1,178,539	\$ 1,178,539	\$ 1,327,440	\$ 1,327,440
FINANCIAL LIABILITIES AT AMORTISED COST				
Trade and Other Payables \$	\$ 41,233	\$ 41,233	\$ 43,204	\$ 43,204
Members Deposits	\$ 2,467,439	\$ 2,467,439	\$ 2,541,561	\$ 2,541,561
AVAILABLE FOR SALE				
Capital Notes	\$ 135,000	\$ 135,000	\$ 135,000	\$ 135,000

23 DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

a. Remuneration of Key Management Persons (KMP)

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

Key management persons (KMP) has been taken to comprise the Directors and one member of the executive management responsible for the day to day financial and operational management of the Credit Union.

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

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

	2016 Directors \$	2016 Other KMP \$	2015 Directors \$	2015 Other KMP \$
(a) short-term employee benefits	-	31,980	-	31,980
(b) post-employment benefits - superannuation contributions	-	1,280	-	1,280
(c) other long-term benefits - net increases in long service leave provision	-	-	-	-
(d) termination benefits	-	-	-	-
(e) share-based payment	-	-	-	-
TOTAL	-	33,260	-	33,260

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

The Directors received no fees or honoraria for their services

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

CAXTON EMPLOYEES CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

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

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

2016	Owing to (Shares) \$	Owing from (Loans) \$	Interest paid (Shares) \$	Interest received (Loans) \$
Owing to Directors/KMP	20,037	56,378	0	4,123
Connected Parties	42,257	34,978	0	2,748
	<u>42,257</u>	<u>91,356</u>	<u>0</u>	<u>6,871</u>
2015	Owing to (Shares) \$	Owing from (Loans) \$	Interest paid (Shares) \$	Interest received (Loans) \$
Owing to Directors/KMP	18,943	57,534	11	4,056
Connected Parties	48,333	46,126	0	3,194
	<u>67,276</u>	<u>103,660</u>	<u>11</u>	<u>7,250</u>

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

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

Loans disbursed to Directors and KMP was \$16,430 (2015: \$17,175) and total loans repaid was \$16,978 (2015: \$21,097).

Funds invested on Term Deposit by Directors/KMP was \$nil (2015: Nil)

All loans and term deposits were on standard terms and interest rates. There are no shares from Directors and other Key Management Personnel exceeding 12 months and all other Directors/KMP loans are repayable on demand.

24 RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES WITH OPERATING PROFIT

	2016 \$	2015 \$
Profit for the period	420	1,359
<i>Non Cash Items</i>		
Depreciation	3,699	3,773
Allowance for Loan Impairment	(5,254)	(1,053)
	<u>(1,555)</u>	<u>2,720</u>
<i>Changes in working capital</i>		
Movements in Accounts Receivable	(903)	(3,508)
Movements in Accounts Payable	(3,802)	(9,865)
Net Movement in members deposits	(29,677)	(137,137)
Net Movement in members loans	193,471	33,936
	<u>159,089</u>	<u>(116,572)</u>
Net Operating Cashflows	<u>157,954</u>	<u>(112,493)</u>

25 CREDIT RATING

From 1 March 2010, the Reserve Bank of New Zealand Act 1999 required every deposit taker (unless otherwise exempted), including Credit Unions to have a current rating of its credit worthiness given by an approved rating agency.

The Credit Union is not required to obtain a credit rating as it operates under the exemption contained in the Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2009. The credit worthiness of the Credit Union is therefore not rated by an approved rating agency under the above Act. The Exemption Notice applies to the Credit Union because it has liabilities of less than 20 million and it would be unduly onerous and burdensome for the Credit Union to comply with the requirements to have a credit rating. The exemption is conditional on the Credit Union providing to the Reserve Bank annually prior to March in each year, a statement from the directors of the Credit Union that the Credit Union meets the requirements of the exemption and that the Credit Union will be operating on the basis of the exemption for that forthcoming year. Figures supporting the Director's statement must be attached to the statement.

26 FINANCIAL ADVISERS ACT

On 23 November 2010 the Credit Union was registered as a Financial Service Provider.

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