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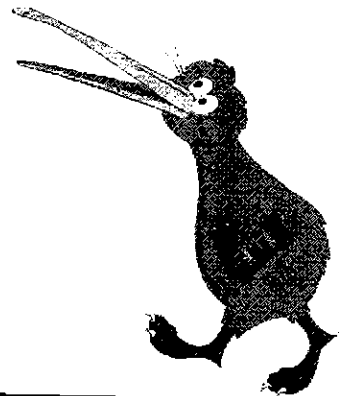


# *Credit Union Taranaki*

## *2007 Annual Report* *to Members*

*(as at 31 August 2007)*

*(36th Annual General Meeting)*



*Giving you Credit where it's due*

## AGENDA

1. Welcome, Apologies & Respects to "Past Members"
2. Confirm Quorum
3. Confirm the Minutes of the 35th Annual General Meeting
4. Matters Arising from the Minutes of the 35th AGM
5. Receipt & adoption of the Reports of:
  - (a) the Directors (presented by the Chairman);
  - (b) the Treasurer, including presentation of the Audited Financial Statements;
  - (c) the Trustees;
  - (d) the Internal Audit Committee;
  - (e) any Others.
6. Unfinished Business from the previous AGM
7. New Business, other than that listed below:
  - (a) Appointment of External Auditor;
  - (b) Remuneration of the Directors;
  - (c) Rule Changes.
8. Elections.
9. Adjournment & refreshments.



# **Credit Union Taranaki**

**REGISTERED OFFICE:** 190-192 Devon Street East, New Plymouth

**BRANCHES:** 205A High Street, Hawera 32 Queen Street, Waitara 135 Egmont Street, Patea

**AGENCIES:** *Tegel Foods Ltd.*, Paraita Road, Bell Block *Carter Products (NZ) Inc.*, 51 Port View Crescent, New Plymouth

<b>BOARD OF DIRECTORS:</b>	<u>Board Meeting</u> Attendance, of 12	<b>STAFF:</b>	
<b>Chairman:</b> Graham Clouston	12	<b>General Manager:</b>	Nigel Davis
<b>Vice-Chair:</b> Steven Tanner	7	<b>Lending Manager:</b>	Gail Adamson
<b>Secretary:</b> Leora Chancellor	11	<b>Banking Services Mgr:</b>	Donna Parkes
<b>Trustees:</b> Maureen Berentson	11	<b>Investments Officer:</b>	Ann Easter
Peter Hewett	10	<b>Hawera Manager:</b>	Christine O'Dwyer
Steven Tanner		<b>Member Services:</b>	Huia Davis
<b>Directors:</b> Sandra Julian*	7		Carol Hicks
(*replacing Tiki Raumati)	4		Serena Thompson
<b>TREASURER:</b> James Seerup	9		Beryl Woodhead
			<i>Coral Wiltshire</i>

**BANKERS:** *New Zealand Association of Credit Unions*, Parnell, Auckland  
*Westpac Banking Corporation*

**AUDITORS:** *BDO Spicers*, Chartered Accountants, Hamilton (*External Auditor*)  
James Seerup, Maureen Berentson, Annabelle Sutton (*Internal Audit Committee*)

**SOLICITORS:** *Young Carrington Shera*, New Plymouth  
*Stace Hammond*, Auckland

**PRUDENTIAL SUPERVISOR:** *Trustees Executors Limited*, Auckland

**MINUTES OF THE 35TH ANNUAL GENERAL MEETING OF  
CREDIT UNION TARANAKI  
HELD AT 5.45P.M. ON THURSDAY 2ND NOVEMBER 2006  
AT THE QUALITY HOTEL – PLYMOUTH INTERNATIONAL, NORTHGATE, NEW PLYMOUTH.**

**Present:**

G.Clouston (Chairman); S.Tanner (Treasurer); L. Buxton (Scribe); L.Chancellor (Secretary); N.Davis (GM); P.Guild (guest speaker); A.Parkes; M.Matsubara; K.Matsubara; M.Berentson; W.Raumati; T.Raumati; D.Parkes; P.Hewett; G.Adamson; T.Davis; S.Davis; S.Thompson; S.Thompson; J.Thompson; S.Thompson; J.Pokere; C.Davey; P.Bodger; A.Couchman; B.Woodhead; A.Easter; J.Seerup.

**Confirm Quorum:**

The Secretary, L.Chancellor, confirmed, from the meeting register, that a quorum of at least 15 Members was present.

**Welcome:**

The Chairman welcomed those present to the 35th A.G.M. of *Credit Union Taranaki*.

**Apologies:**

Doug McLaren (NZACU); Bernard Lamusse (BDO Spicers); Ray Edwin (TEL); C.O'Dwyer; D.Williams.  
*Moved – D.Parkes; Seconded – N Davis; Carried.*

**Respects to Past Members:**

The Chairman called for a moment's silence in respect of members, and those of their families, who had passed away since the last AGM.

**Minutes of the 34th Annual General Meeting:**

The Minutes of the 34th Annual General Meeting were read & confirmed as a true & correct record.

*Moved – T.Raumati; Seconded – S. Tanner; Carried.*

**Matters arising from the Minutes of the 34th Annual General Meeting:**

There were no matters arising from the minutes of the 34th Annual General Meeting.

**Directors' Report:**

G.Clouston presented his report to the meeting on behalf of the Board of Directors. The report is filed in the Credit Union AGM File.

*Moved – G.Clouston.*

**Treasurers Report:**

S. Tanner presented his report (including the audited Annual Financial Statements) to the meeting. The report is filed in the Credit Union AGM File.

*Moved – S.Tanner.*

**Trustees' Report:**

M.Berentson presented this report to the meeting on behalf of the Trustees. The report is filed in the Credit Union AGM File.

*Moved – M.Berentson.*

**Internal Audit Sub-Committee Report:**

J.Seerup presented this report to the meeting on behalf of the Internal Audit Sub-Committee. The report is filed in the Credit Union AGM File.

*Moved – J.Seerup.*

**Any Other Reports:**

There were no other reports.

*All reports were seconded by G.Adamson; Carried.*

**Matters Arising from the Reports:**

There were no matters arising from any of the reports.

**Unfinished Business:**

There was no unfinished business from the previous meeting.

**Specific Business:**

Appointment of External Auditor; G Clouston moved that "*Credit Union Taranaki* retain *BDO Spicers*,

Chartered Accountants, Hamilton, as their external auditors during the next financial year.”

*Seconded by A.Couchman; Carried.*

Director Remuneration; G.Clouston moved that “Director remuneration payments be increased to a maximum of \$20,000 per annum.”

*Seconded by D.Parkes; Carried.*

Rule Change - Treasurer; G Clouston moved that “*Credit Union Taranaki* amends existing Rule 33 (a) to read:

“Within seven days following each Annual Meeting, the Directors shall elect from their own number a Chair, Vice-Chair, and Secretary. A Treasurer shall also be appointed provided that no person who is 19 years of age or younger shall hold the office of Treasurer.”

*Seconded by T.Raumati; Carried.*

Rule Change – Conflicts Register; G Clouston moved that “*Credit Union Taranaki* remove the existing Conflict of Interest from the Conflicts Register as the GM has now resigned as a Director.

*Seconded by S.Tanner; Carried.*

#### **Elections:**

The following nominations were tabled:

Standing for Re-election: Maureen Berentson; Lee Chancellor; Tiki Raumati.

New Nominations: None.

*Moved – S.Tanner; Seconded – J.Seerup. Carried.*

G.Clouston commented on the current size of the Board of Directors of *Credit Union Taranaki*, restating its alignment with current corporate governance practice.

All nominees were declared duly elected as Directors of *Credit Union Taranaki*, G.Clouston being re-elected as Chairman.

*Moved – S.Tanner; Seconded – M.Berentson; Carried.*

S.Tanner was re-elected as Vice-Chairman.

*Moved – L.Chancellor; Seconded – T.Raumati; Carried.*

J. Seerup was elected as Treasurer.

*Moved – G.Clouston; Seconded – S.Tanner; Carried.*

L.Chancellor was re-elected as Secretary.

*Moved – P.Hewitt; Seconded – M.Berentson; Carried.*

The following Directors were nominated & duly re-elected as Trustees of *Credit Union Taranaki*:

Maureen Berentson;

Peter Hewitt;

Steven Tanner.

*Moved – G.Clouston; Seconded – T.Raumati; Carried.*

The following were nominated & duly re-elected as the Audit Sub-Committee of *Credit Union Taranaki*:

Jim Seerup (Chair);

Maureen Berentson;

Steven Tanner.

*Moved – G.Clouston; Seconded – T.Raumati; Carried.*

#### **Speakers:**

Peter Guild gave an inspirational speech to the meeting on his journey towards becoming an artist.

#### **Close of Meeting:**

The Chairman adjourned the meeting at 6.15pm & thanked those present for their attendance.



# **Credit Union Taranaki**

## **DIRECTORS' REPORT**

### **Annual Report to Members for the Financial Year Ended 31 August 2007**

It is my pleasure to report on the last year.

The last 12 months have seen growth in Assets and Loans by more than 20%. Compared to many of our peers this puts Credit Union Taranaki into the "high growth" group of Credit Unions. Whilst our net surplus is down on last year we have achieved growth and profitability at a time when the non-bank finance sector has been scarred by 10 finance company failures. We have maintained our deposit rate and a satisfactory level of Reserves of 12.2% at year end.

During the course of the year we have adopted the NZCU model for Credit Unions. This will result in a change of look and operation to a common model. Benefits will include shared access amongst NZCU Credit Unions which will enable our members to transact business anywhere in New Zealand at other NZCU Credit Unions. We will trade as "NZCU Taranaki".

The highlight of the year has been the opening of our branch at Patea with the support of local hapu and business. Patea is equipped with our first "hole in the wall" ATM and is in NZCU livery. The resulting smart appearance is pleasing and the ATM which accepts some other bank cards is being very well supported.

This year will see us consolidating our position in Patea, continuing with the very successful flyer promotions, and leveraging off our success to date to achieve growth through the efficient use of our assets.

The volatility in the non-bank finance sector has resulted in some attention from the regulators and there will be change for Credit Unions. At the time of writing this report it is likely that the Reserve Bank will become our regulator and we will be required to obtain a credit rating. In addition there will be greater scrutiny of Boards and Directors with the "fit and proper person" rule applying. Your Board recognises the change required, and will position Credit Union Taranaki to meet all change.

As in previous years we have enjoyed the support of the New Zealand Association of Credit Unions (NZACU). This year NZACU established the CU Group Trust into which have been placed the NZACU trading subsidiaries of Patinum Direct Ltd, Facts Ltd and Pioneer Insurance Company Ltd. CU Group Trust provides us with additional opportunity and facilities for our members and we support NZACU in expanding the activities of the Trust.

This last year has been very satisfactory and next year will be even better. I thank you all for your support, particularly Management, consultants, staff and my fellow Directors.



Graham Clouston  
**Chairman of the Board of Directors**  
31 October 2007



# Credit Union Taranaki

## TREASURER'S REPORT For The Financial Year Ended 31 August 2007

The regulatory outlook indicated at the commencement of the year encouraged Credit Union Taranaki to plan to significantly increase its total assets. This was given priority recognizing that growth would come at some cost. Given that background, in the last financial year Credit Union Taranaki made a satisfactory surplus and achieved significant growth. A lower **annual surplus**, of income over expenditure, of **\$48,880** (Last Year: \$119,516) was achieved. This was transferred to **Reserves**, these being **12.2% of Total Assets** as at 31 August 2007. This maintains Reserves comfortably above the required 10.0% prudential requirement.

**Total Assets**, of \$6.194M (Last Year: \$5.175M) as at 31 August 2007, have increased 20% compared to this time last year meeting our objective to significantly increase Assets over the period.

**Income & expenditure** performed similarly to last year, the major differences being:

**Interest on Loans** increased 14% (\$604,941 vs. last year's \$529,978). Growth in Loans to Members was accompanied by a lift of 1.0% p.a. in effective interest rate. The cost of promotional interest rebates to Members was \$38,338.

**Investment income** decreased 20% (\$72,582 vs. last year's \$90,310), last year's result being significantly influenced by a special income distribution from the *NZACU Base Capital Notes*. No equivalent special income distribution was made this year;

**Fees & Commissions** increased 5% (\$567,936 vs. last year's \$543,408), generally matching growth;

**Administration Costs** increased 10% (\$585,014 vs. last year's \$530,623) due to the impact of:

**Advertising & Promotions**, which increased 56% (\$104,226 vs. last year's \$66,643), the increase being costs associated with significantly increased promotion to achieve asset growth;

**AGM/Other Meeting Expenses**, which increased 223% (\$15,138 vs. last year's \$4,685), due to our hosting costs associated with the NZACU AGM/Conference in New Plymouth;

**Trust Deed Costs**, which increased 67% (\$15,665 vs. last year's \$9,383), reflecting the increased costs of compliance and reporting, essential for the protection of Members' funds.

**Bad Debts Written Off** increased 102% (\$27,127 vs. last year's \$13,396) due to an increase in unsecured lending with its inherent higher bad debt profile.

**Provision for Doubtful Debt** decreased by \$16,027 (vs. last year's \$0) despite our lending to Members growing during the year. Analysis shows that for several years this provision has been excessively conservative. After discussion with External Auditors Doubtful Debt Provision has been reduced to the specific provision for impairment calculated in accordance with NZACU Prudential Standards and the additional general provision has been removed.

In last year's report your Credit Union's strategic objectives were described as "Growth, Credibility, Best Practice". I believe these objectives have been significantly met in the Year Ended 31 August 2007. Our goals continue to be growth both in Membership and Assets whilst maintaining a broader local public profile aligned to delivering you the best products and services we can.

In closing, I warmly congratulate and sincerely thank those involved, both internal (Staff, Board, Committees and Consultants) and external (NZACU, BDO Spicers, Stace Hammond, Trustees Executors Limited and our wider NZ Credit Union family) to Credit Union Taranaki, for their contribution toward the year's performance.

Finally, I thank you, the Members, for your continued support and encourage you all to take the opportunity to let Credit Union Taranaki be your Number One financial services provider. We will continue to see you as our reason for growing throughout Taranaki!

I move that the attached, audited, Financial Statements, including the BDO Spicers' Annual Audit Report, be accepted by this meeting.

J. F. Seerup  
Treasurer

05 November 2007



# **Credit Union Taranaki**

## **FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31-AUG-2007**

*We, the undersigned, hereby confirm that these  
Financial Statements (pages 1 to 12 inclusive)  
are a certified, correct, copy of the  
**Audited Financial Statements**  
of **Credit Union Taranaki** for the  
Financial Year Ended 31-Aug-2007.*

.....  
Chairman

A handwritten signature in black ink, appearing to read "J. Beard", written over a dotted line.

.....  
Treasurer

**9th November 2007**  
.....

Dated



*Giving you Credit where it's due*

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# AUDITED FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE FINANCIAL YEAR ENDED:

<b>INCOME</b>	<b>Note</b>	<b>31-Aug-07 (Audited)</b>	<b>31-Aug-06 (Audited)</b>
Interest on Investments		43,447	36,983
Interest on Capital Notes		29,135	53,327
Interest on Loans to Members	3	604,941	529,978
Other Income - Administration Fees		3,147	3,112
Loan Establishment Fees		125,948	105,461
Service Fees	4	411,909	397,732
Commissions		26,932	37,103
Sundry		3,916	4,122
Recovery of Loans previously written-off		9,024	6,888
<b>Total Income:</b>	<b>1</b>	<b>1,258,399</b>	<b>1,174,706</b>
<b>EXPENDITURE</b>	<b>Note</b>	<b>31-Aug-07 (Audited)</b>	<b>31-Aug-06 (Audited)</b>
<b>Operating Costs:</b>			
Depreciation	13	26,298	23,065
Depreciation Recovered		(6,499)	-
Audit Fees paid to Auditor		14,145	12,010
Administration Costs	8	585,014	530,623
Officers & Employees Costs	8	308,375	265,012
Directors' Remuneration	9	19,580	16,220
Accommodation Costs	10	54,236	54,531
Bad Debts Written-off	5	27,127	13,396
Provision for Doubtful Debts	5	(16,027)	-
<b>Total Operating Costs:</b>	<b>1</b>	<b>1,012,249</b>	<b>914,857</b>
<b>Funding Costs:</b>			
Dividend on Call Shares - Ordinary Shares	6	-	-
Interest on Call Shares - Christmas Club/Hamper	6	421	11,305
Lock-away	6	4,550	3,180
Special Purpose	6	196	300
Jimmy Jumper	6	431	329
Interest on Term Shares	6	191,672	125,219
<b>Total Funding Costs:</b>		<b>197,270</b>	<b>140,333</b>
<b>Total Operating &amp; Funding Costs:</b>		<b>1,209,519</b>	<b>1,055,190</b>
Net Surplus/(Deficit) from Operations		48,880	119,516
<b>Net Surplus/(Deficit):</b>		<b>48,880</b>	<b>119,516</b>
Transfer to General Reserve		48,880	119,516
Transfer to Other Reserves		-	-
<b>Total Transfers:</b>		<b>48,880</b>	<b>119,516</b>
<b>Balance to Retained Earnings:</b>		<b>-</b>	<b>-</b>



**STATEMENT OF MOVEMENTS IN EQUITY FOR THE FINANCIAL YEAR ENDED:**

	<u>31-Aug-07</u> <u>(Audited)</u>	<u>31-Aug-06</u> <u>(Audited)</u>
Members' Equity at Beginning of Financial Year	707,797	588,281
Net Surplus/(Deficit) for the period	48,880	119,516
<b>Members' Equity at End of Financial Period</b>	<u><b>756,677</b></u>	<u><b>707,797</b></u>
Members' Equity as a Percentage of Total Assets	12.2	13.7

**STATEMENT OF FINANCIAL POSITION AT:**

**MEMBERS' RESERVES & LIABILITIES**

	Note	<u>31-Aug-07</u> <u>(Audited)</u>	<u>31-Aug-06</u> <u>(Audited)</u>
<b>General Reserve</b>			
Balance at beginning of period		707,797	588,281
Add Transfer from Revenue		48,880	119,516
<b>Balance of General Reserve:</b>	12	<u><b>756,677</b></u>	<u><b>707,797</b></u>
Members' Equity as a Percentage of Total Assets		12.2	13.7
<b>Retained Earnings</b>			
Balance at beginning of period		-	-
Less Transfer from Revenue		-	-
Extraordinary Transfer from General Reserve		-	-
<b>Balance of Retained Earnings:</b>		<u>-</u>	<u>-</u>
<b>Members' Reserves:</b>		<u><b>756,677</b></u>	<u><b>707,797</b></u>

**Term Liabilities**

Members' Term Shares	11	1,887,625	857,373
<b>Total Term Liabilities:</b>		<u><b>1,887,625</b></u>	<u><b>857,373</b></u>

**Current Liabilities**

Members' Funds - Term Shares	11	1,230,083	1,172,238
Ordinary Shares	14	2,145,974	2,249,682
<b>Total Members' Funds:</b>		<u>3,376,057</u>	<u>3,421,920</u>
Accounts Payable	30	127,432	153,770
Interest Payable		45,845	34,539
<b>Total Current Liabilities:</b>		<u><b>3,549,334</b></u>	<u><b>3,610,229</b></u>
<b>TOTAL MEMBERS' RESERVES &amp; LIABILITIES:</b>		<u><b>6,193,636</b></u>	<u><b>5,175,399</b></u>

**ASSETS**

		<u>31-Aug-07</u> <u>(Audited)</u>	<u>31-Aug-06</u> <u>(Audited)</u>
<b>Current Assets</b>			
Cash on Hand & in ATMs	31	169,426	129,224
Cash at Bank – Westpac	31	7,187	145,918
NZACU Central Fund Deposits	31	600,000	550,000
Interest Receivable		16,266	11,016
Accounts Receivable & Pre-Payments		74,580	85,213
Loans to Members	16	5,089,525	4,089,262
Less Provision for Doubtful Debts	18	(33,956)	(49,983)
<b>Total Current Assets:</b>		<u><b>5,923,028</b></u>	<u><b>4,960,650</b></u>

**Term Assets**

NZACU Base Capital Notes	15	194,233	168,768
<b>Total Term Assets:</b>		<u><b>6,117,261</b></u>	<u><b>5,129,418</b></u>

**Fixed Assets**

Fixed Assets	13	76,375	45,981
<b>Total Fixed Assets:</b>		<u><b>76,375</b></u>	<u><b>45,981</b></u>
<b>TOTAL ASSETS:</b>		<u><b>6,193,636</b></u>	<u><b>5,175,399</b></u>



## **STATEMENT OF CASHFLOWS FOR THE FINANCIAL YEAR ENDED:**

### **OPERATING ACTIVITIES**

	Note	31-Aug-07 (Audited)	31-Aug-06 (Audited)
<u>Cash was provided from:</u>			
Interest Received from Loans to Members	3	599,691	526,789
Interest Received from Investments		43,447	36,983
Income from Capital Notes		29,135	53,327
Fees & Commissions		567,936	543,408
Other Income		3,916	4,122
Bad Debts Recovered		9,024	6,888
		<u>1,253,149</u>	<u>1,171,517</u>

#### Cash was applied to:

Term Shares Interest Paid to Members		185,964	133,250
Ordinary Shares Interest Paid to Members		-	-
Interest on Borrowings		-	-
Cash to Suppliers		669,100	585,721
Cash to Directors & Employees		327,955	281,232
		<u>1,183,019</u>	<u>1,000,203</u>

**Net Cashflows Used/(Received) in Operating Activities** 25 **(70,130)** **(171,314)**

### **INVESTING ACTIVITIES**

<u>Cash was provided from:</u> Loan Repayments		3,262,326	3,008,747
Sale of Assets		6,499	-
		<u>3,268,825</u>	<u>3,008,747</u>

<u>Cash was applied to:</u> New Loan Advances		4,289,716	3,078,103
Purchase of Fixed Assets		56,692	25,630
Increase in Capital Notes		25,465	-
		<u>4,371,873</u>	<u>3,103,733</u>

**Net Cashflows Used/(Received) in Investing Activities** **1,103,048** **94,986**

### **FINANCING ACTIVITIES**

<u>Cash was provided from:</u> Deposits of Members' Term Funds		11,982,765	6,723,693
Deposits of Members' Call Funds		10,232,223	13,238,303
		<u>22,214,988</u>	<u>19,961,996</u>

<u>Cash was applied to:</u> Withdrawal of Members' Term Funds		11,451,785	6,490,491
Withdrawal of Members' Call Funds		9,778,814	13,483,155
		<u>21,230,599</u>	<u>19,973,646</u>

**Net Cashflows Used/(Received) in Financing Activities** **(984,389)** **11,650**

**NET CASHFLOWS Used/(Received) IN ALL ACTIVITIES** **48,529** **(64,678)**

Net increase/(decrease) in Cash held		(48,529)	64,678
Opening Cash brought forward		825,142	760,464
Closing Cash carried forward	32	<u>776,613</u>	<u>825,142</u>

#### Closing Cash Balance Reconciliation:

Cash on Hand & in ATMs		169,426	129,224
Cash at Bank – Westpac		7,187	145,918
NZACU Central Funds		600,000	550,000
		<u>776,613</u>	<u>825,142</u>

## **STATEMENT OF REPORTING AND ACCOUNTING POLICIES:**

### **BASIS OF REPORTING**

The financial statements presented here are for the reporting entity *Credit Union Taranaki*. *Credit Union Taranaki* is a Credit Union 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*. These Financial Statements have been prepared in accordance with both of these acts and relevant *Securities Regulations*. The Credit Union operates predominantly in one industry, being the investment of Members' funds. All operations are based in New Zealand.

### **NATURE OF BUSINESS**

The Credit Union's primary activity has been to provide a co-operative saving facility for members to form a loan fund. The Credit Union makes loans to its members or invests funds on the members' behalf. Interest & other income are received by the Credit Union and interest is paid to depositing members in the form of dividends on shares. The Credit Union is restricted in its borrowing 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.



## TRUST DEED

To meet the amended requirements of the *Securities Act 1978* a Trust Deed was entered into on 29 November 2001 between the *Trustees Executors and Agency Company of New Zealand* (trading as *Trustees Executors Limited*) & the Credit Union. This was registered on 21 December 2001 in accordance with Section 46(3) of the *Securities Act 1978*. *Trustees Executors Ltd.*, as the Prudential Supervisor, was appointed to act in the interest 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*. Also, the Prudential Supervisor is under 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.

At 31 August 2007 the Credit Union meets its obligations to members as defined in the Trust Deed.

## GENERAL ACCOUNTING POLICIES

**Measurement Base:** The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed.

**Members' Shares:** Members' shares in the Credit Union have characteristics of both debt and equity instruments. For the purposes of financial reporting, members' shares have been treated as debt instruments.

## SPECIFIC ACCOUNTING POLICIES

The following particular accounting policies, which materially affect the measurement of income and expenditure and the assets and liabilities, have been applied:

**Recognition of Revenues:** Unless otherwise stated, interest income is accounted for on a daily accrual basis.

**Investments:** Investments are stated at cost.

**Loans to Members:** Loans to members are stated in the financial records at the original loan value less repayments and write-offs to date. To meet the "true and fair view" required by generally accepted accounting practices, the *Financial Reporting Act 1993* and the *Securities Regulations 1983*, a provision has been made for doubtful loans. Loans are written off in accordance with policy set by Directors. The provision for doubtful loans has been based on a review of loans and reference to the prudential guidelines as promoted by the *New Zealand Association of Credit Unions*.

**Fixed Assets & Depreciation:** All fixed assets are initially recorded at cost. Fixed assets have been depreciated at rates estimated to write off the cost over the useful life of each class of asset. The annual rates used are:

Furniture & Fittings	33.3% straight line;
Computer Equipment - hardware & software	33.3% straight line;
Motor Vehicles	25% straight line;
Automated Teller Machines	20% straight line.

**Goods and Services Tax:** All amounts are inclusive of GST as the Credit Union is treated as an end user for GST purposes.

**Income Tax:** No amounts have been provided for Income Tax as the Credit Union income from members is exempt under Section CW37 of the *Income Tax Act 2004*. Income other than from members does not produce a taxable surplus.

**Statement of Cash Flows:** The Statement of Cash Flows is prepared inclusive of GST, which is consistent with the method used in the Statement of Financial Performance. Definitions of the terms used in the Statement of Cash Flows:

"Cash" includes coins & notes, demand deposits and other highly liquid investments readily convertible into cash used by the Credit Union as part of its day-to-day cash management;

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

"Financing Activities" are those activities relating to changes in the equity and debt capital structure of the Credit Union;

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

**Financial Instruments:** Financial instruments, such as loans to members, member shares, receivables and deposits are generally recorded at fair values. The Credit Union does not carry any off balance sheet risk. Loans to members are analysed as follows:

"Non-accrual assets" are those loans to members for which the Credit Union expects it will not be able to collect all amounts owing in accordance with the terms of the contract with those members.

"Past Due Assets" are those loans to members (not having classified as any other type of asset), which have not been operated by the member outside of the terms of the contract beyond 90 days.

"Real Estate and enforced security assets" are assets acquired through the enforcement of a security.

"Restructured Assets" – The Credit Union occasionally restructures loan terms and amended terms are generally comparable with the new loan's criteria, however there are instances when a member's changing financial circumstances, mainly due to the economic climate, dictate that loan repayments be extended over a greater period of time than would normally be the case. The Credit Union has included in this definition loans that are being collected under terms of a Court Order. The amount of the Provision for Doubtful Debts is based on an actual review of the restructured loans.

**Method for Calculation of the Doubtful Debt Provision:** Provision has been made to reflect the expectation that some recorded loans will not be recovered in full in the future. The specific and general provision has been calculated in accordance with NZACU Prudential Standards.

**Lease:** The Credit Union leases its premises. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease terms, are included in the determination of the net surplus in equal installments over the period of the lease.



## CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting procedures during the period.  
All policies have been applied on bases consistent with prior years.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31-AUG-07:

### 1. Recognition of Income & Expense

The Statement of Financial Performance has been prepared on a fully-accrued basis with the exception of interest on loans to members to the extent that interest received from non-accrual assets, as defined by Section 4.27 of FRS33, is treated on a cash-received basis.

### 2. Revenue & Expense Categories

There are no other categories or sub-categories of Revenue or Expense requiring disclosure pursuant to Paragraph 6.3 of FRS33.

### 3. Interest on Loans to Members

Interest on loans to members is earned at rates from 8.5% to 25% in line with 2006\*.

### 4. Service Fees

Service Fee income, of \$411,909 received in the Financial Year Ended 31 August 2007, is from account service fees and transaction charges on members' activity for the period and is comparatively 3.3% higher compared to 2006.

### 5. Provision for Doubtful Debts & Bad Debts Written Off

After the recognition, and write-off of Bad Debts totaling \$27,127, in the Financial Year Ended 31 August 2007 a decrease of \$16,027 was required to maintain this Provision at the NZACU Prudential Operating Standard.

### 6. Dividends & Interest

Dividends on ordinary shares, when applicable, are accounted for by provision under current liabilities and credited to members following the Annual General Meeting. No such dividends were declared in either 2006 or 2007.

Interest on ordinary shares is credited to the member's share account at balance date except for Christmas Club/Hamper account interest which is accrued at balance date and credited on 30 November each year. There was no significant change in the total interest on ordinary shares compared to 2006.

Interest on term shares is paid at completion of the fixed term as defined in the individual contract & accrued at balance date. In the Financial Year Ended 31 August 2007 there was a 53% increase in the cost of interest expense on term shares compared to 2006.

### 7. Dividend & Interest Rates (in % p.a.)

	31-Aug-07	31-Aug-06	31-Aug-05	31-Aug-04	31-Aug-03	31-Aug-02	31-Aug-01
<b>Dividend Rates*</b>							
Ordinary Shares	-	-	-	-	-	-	-
<b>Interest Rates</b>							
Ordinary Shares - Jimmy Jumper	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Xmas Club/Hamper	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Youth Target	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Bonus Lock-Away	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Special Purpose	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Term Shares - 30-day	4.50 - 5.50	3.25 - 4.75	3.00 - 4.25	3.00 - 4.00	3.00 - 4.00	3.00 - 5.00	3.00 - 5.50
60-day	4.50 - 5.50	3.25 - 4.75	3.00 - 4.25	3.00 - 4.00	3.00 - 4.00	3.00 - 5.00	3.00 - 5.50
3-month	4.50 - 5.50	4.25 - 6.75	4.00 - 6.50	4.00 - 6.00	3.50 - 4.50	4.00 - 6.00	4.00 - 6.00
6-month	5.50 - 8.00	4.25 - 6.75	4.00 - 6.50	4.00 - 6.00	3.50 - 4.50	4.00 - 6.00	4.00 - 6.00
9-month	5.50 - 8.00	4.25 - 6.75	4.00 - 6.50	4.00 - 6.00	3.50 - 4.50	4.00 - 6.00	4.00 - 6.00
12-month	6.50 - 8.50	5.25 - 7.25	5.50 - 7.00	5.00 - 6.50	4.00 - 5.00	5.00 - 7.00	5.00 - 6.50
18-month	6.50 - 8.50	5.25 - 7.25	5.50 - 7.00	5.00 - 6.50	4.00 - 5.00	5.00 - 7.00	5.00 - 6.50
24-month	6.50 - 8.50	5.25 - 7.25	5.50 - 7.00	5.00 - 6.50	4.00 - 5.00	5.00 - 7.00	5.00 - 6.50

\* Dividends are subject to earnings & are not fixed.

### 8. Administration Costs and Officers & Employees Costs

Administration Costs and Officers & Employees Costs, of \$893,389 paid in the Financial Year Ended 31 August 2007, are 12% higher compared to 2006.

### 9. Directors' Remuneration

For the Financial Year Ended 31 August 2007 Directors' Remuneration was \$19,580 (2006: \$16,220).

### 10. Accommodation Costs

For the Financial Year Ended 31 August 2007 Accommodation Costs were \$54,236 (2006: \$54,531).

### 11. Members' Term Shares

Members have invested in term shares in the following proportions:

Credit Union Taranaki - Financial Statements for the Financial Year Ended 31-Aug-2007





## 16. Members' Loans

	<u>31-Aug-07</u>	<u>31-Aug-06</u>
Personal Loans, Secured (by mortgage &/or savings)	2,332,249	3,770,560
Personal Loans, Unsecured	2,757,276	318,701
<b>Gross Loan Receivables</b>	<b>5,089,525</b>	<b>4,089,262</b>
Less Provision for Doubtful Debts	33,956	49,983
<b>Gross Loan Receivables</b>	<b>5,055,569</b>	<b>4,039,272</b>
Opening Balance of Provision for Doubtful Debts	49,983	49,983
Increased Expense to Statement of Financial Performance	(16,027)	-
Closing Balance of Provision for Doubtful Debts	33,956	49,983
<b>Debts Written Off including Bad Overdrafts</b>	<b>27,127</b>	<b>13,396</b>

Loans are made in accordance with the Lending policy of the Credit Union and are repayable on demand.

A specific provision for doubtful loans has been made at balance date. Bad Loans are written off against income in the Statement of Financial Performance in the period in which they are deemed irrecoverable.

To comply with the requirements of *Financial Reporting Standard FRS33* the following analysis of Loans to Members is:

	<u>Gross Amount</u>		<u>Provision for Losses</u>		<u>Net Amount</u>	
	<u>31-Aug-07</u>	<u>31-Aug-06</u>	<u>31-Aug-07</u>	<u>31-Aug-06</u>	<u>31-Aug-07</u>	<u>31-Aug-06</u>
Non-accrual Assets at Start of Period	49,983	49,983	49,983	49,983	-	-
Non-accrual Assets Recovered in Period	9,024	6,888	9,024	6,888	-	-
Non-accrual Assets Added in Period	2,076	6,508	2,076	6,508	-	-
Non-accrual Assets Written-Off in Period	(27,127)	(13,396)	(27,127)	(13,396)	-	-
<b>Non-accrual Assets at End of Period</b>	<b>33,956</b>	<b>49,983</b>	<b>33,956</b>	<b>49,983</b>	<b>Nil</b>	<b>Nil</b>
Restructured Assets	-	-	-	-	-	-
Real Estate Assets	-	-	-	-	-	-
Other Assets on Enforced Security	-	-	-	-	-	-
Past-due Assets at Start of Period	Nil	Nil	-	-	-	-
Past-due Assets Recovered in Period	Nil	Nil	-	-	-	-
Past-due Assets Written-Off in Period	Nil	Nil	-	-	-	-
Past-due Assets at End of Period	Nil	Nil	Nil	Nil	Nil	Nil
<b>Total Impaired Assets &amp; Past-due Assets</b>	<b>33,956</b>	<b>49,983</b>	<b>33,956</b>	<b>49,983</b>	<b>Nil</b>	<b>Nil</b>
<u>Other Loan Assets</u>	5,055,569	4,039,279	Nil	Nil	5,055,569	4,039,279
	<b>5,089,525</b>	<b>4,089,262</b>	<b>33,956</b>	<b>49,983</b>	<b>5,055,569</b>	<b>4,039,279</b>

Non-accrual assets are those loans to members for which the Credit Union expects it will not be able to collect all amounts owing in accordance with the terms of the contract with those members.

Past Due Assets are those loans to members (not having classified as any other type of asset), which have not been operated by the member outside of the terms of the contract beyond 90 days.

Real Estate and enforced security assets are assets acquired through the enforcement of a security.

Restructured Assets – The Credit Union occasionally restructures loan terms and amended terms are generally comparable with the new loans criteria, however there are instances when a members changing financial circumstances mainly due to the economic climate dictate that loan repayments be extended over a greater period of time than would normally be the case. The Credit Union has included in this definition loans that are being collected under terms of a Court Order. The amount of the Provision for Doubtful Debts is based on an actual review of the restructured loans.

## 17. Related Parties

The total amounts owing from, and to, the Directors of the Credit Union as at the date of these Financial Statements are:

	<u>31-Aug-07</u>	<u>31-Aug-06</u>
Loans owing from:	53,409	61,479
Shares owing to:	38,544	6,042

All Directors' shares and loans are at normal commercial interest rates and terms. There are no shares from Directors for terms exceeding 12 months and all Directors' loans are repayable on demand.

Directors' remuneration of \$19,580 was paid in the Financial Year Ended 31 August 2007 (2006: \$16,220).

## 18. Method of Calculation of Doubtful Debts Provision

Provision has been made to reflect the expectation that some recorded loans will not be recovered in full in the future. The general and specific provision has been calculated in accordance with NZACU Prudential Standards.

General Provision – in previous years the Doubtful Debts Provision has been calculated in a manner that included some general provisioning as well as that required under the NZACU Prudential Standard. The adequacy of the Doubtful Debt Provision over the last 5 years has been reviewed in detail and discussed with External Auditors. This general provisioning is now unnecessary.

There is no longer any general provision made in respect of any single category of impaired assets.

Specific Provision – is based on those loans 90 days or more in arrears. An estimate of the adjustment required to bring these assets to fair value is calculated as per the NZACU Prudential Standard which provides a percentage of the outstanding balance of any given loan for which any repayment or installment is in arrears, such percentage being based



on the period in arrears as follows:	31 to 90 days delinquent.....	20% of loan balance
	91 to 181 days delinquent.....	40% of loan balance
	182 to 272 days delinquent.....	60% of loan balance
	273 to 364 days delinquent.....	80% of loan balance
	365 days and over delinquent.....	100% of loan balance
	Overdrawn savings .....	100%

No adjustment is made for securities or collateral held on these loans.

The Directors believe the above adjustments to the carrying values reasonably reflect the fair value of Loans to Members.

To the extent, that any category of impaired assets contains any outstanding balances which are included in the calculation of the specific provision, then the total within the specific provision relating to such balances is shown as a provision for losses against the sum of all impaired assets and past due assets.

## 19. Financial Instruments

The Credit Union is a party to financial instruments as part of its day-to-day operations.

### Risk Management Policies

#### a) Maximum Credit Risk

Financial instruments, which potentially subject the Credit Union to credit risk, principally consist of:

	<u>31-Aug-07</u>	<u>31-Aug-06</u>
Loans to Members	5,089,525	4,089,262
Bank Balances	169,426	129,224
Cash Investments	607,187	695,918
Accounts Receivable	74,580	85,213
NZACU Base Capital Notes	194,233	168,768

The Credit Union has no "off balance sheet" financial instruments.

#### Loans to Members

Loans can only be made to Credit Union members. Loan interest rates range from 9.25% to 25% p.a. (2006: 8.5% to 25% p.a.). The Credit Union has a lending policy that requires various levels and types of security for loans and includes that a portion of loans may be secured over the borrowing member's 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 maximum term;

Secured Loan – 10% of the value of the assets of the Credit Union and 10 Years maximum term.

The Registrar of *Friendly Societies and Credit Unions* approved, on 14 October 2002, an extension of the secured loan term from 10 to 20 Years.

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

#### Cash Investments

The Credit Union's management policies comply with Sections 49 and 117 of the *Friendly Societies and Credit Unions Act 1982* in regard to investments made by Trustees. Details of investments are outlined in Note 15. The composite total of both cash investments and NZACU Base Capital Notes is not considered by the Directors to be high-risk investment. No collateral securities are held on the bank balances and investments.

#### Receivables

Receivables comprise interest accrued on investments, payroll direct credits and rent due and there is no perceived credit risk associated with this asset. Receivables are recorded at expected realisable value.

#### Collateral

Current management policy generally requires collateral to be in place prior to a loan being made. Collateral securities include mortgage over real property and instruments by way of security over assets – predominantly motor vehicles and chattels. Loans can only be made to members and Credit Union shares are thus available for security.

#### b) Liquidity Risk

##### Investments

The Trust Deed requires that liquid assets be equal to at least 8% of total assets. The Credit Union has an overdraft facility in place with the NZACU Central Fund. It is not expected that this facility will be drawn upon but it can be included in the calculation of the ratio. The Prudential Supervisor has approved the facility. The liquidity risk is minimised with the short-term nature of the majority of Credit Union's cash investments. With the exception of NZACU Capital Notes, these are either on-call investments or can be converted into cash within 5 working days.

##### Loans to Members

Loans are for varying terms but the standard loan contract includes an "on demand" clause. Refer to Notes 26, 27 & 28 for other risk detail.

##### Member Shares

Member share deposits may be withdrawn at any time but the Credit Union has the right to require members to give 60 days notice of their intention to withdraw the whole, or part of, the shares deposited.

##### Overdraft

The Credit Union has an overdraft facility of \$28,000. The amount drawn down at Financial Year End is: Nil (2006: Nil). Interest is paid at 9.10% on the facility and at 13.65% on amounts exceeding the facility.



**c) Concentration of Credit Risk**

Financial instruments, which potentially subject the Credit Union to concentrations of credit risk, principally consist of:

	<u>31-Aug-07</u>	<u>31-Aug-06</u>
Bank Balances	169,426	129,224
Cash Investments	607,187	695,918
Accounts Receivable	74,580	85,213
NZACU Base Capital Notes	194,233	168,768
Loans to Members	5,089,525	4,089,262

The Credit Union places its cash and short-term investments with high quality financial institutions and sovereign bodies and limits the amount of credit exposure to any one financial institution.

Concentration of credit risk with respect to loans to members is limited due to the large number and varied membership base that are from a wide range of financial and employment backgrounds. The membership is drawn from the Taranaki region and the Credit Union is exposed to the risk of a regional natural disaster. The Directors do not consider the risk to exceed normal business risk.

**d) Large Counter-parties**

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

	<u>Assets</u>	<u>Number of Counter-parties</u>	<u>Liabilities</u>
Greater than 100% of equity	-		-
Between 90 and 100% of equity	-		-
Between 80 and 90% of equity	-		-
Between 70 and 80% of equity	-		-
Between 60 and 70% of equity	-		-
Between 50 and 60% of equity	-		-
Between 40 and 50% of equity	-		-
Between 30 and 40% of equity	-		-
Between 20 and 30% of equity	1		4
Between 10 and 20% of equity	4		5
Between 0 and 10% of equity	1		1

**(e) 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 subsequently the Credit Union funding is almost exclusively from individuals residing within Taranaki. The funding from members is recorded as Members' Shares in the Statement of Financial Position.

**(f) Currency Risk**

The Credit Union has no currency risk given that all financial instruments it deals with are in New Zealand dollars.

**(g) Interest Rate Risk**

Loans to Members

The Credit Union standard loan agreement provides for adjustments to interest rates on existing loans upon written notice to members. Loans vary from 1 month to 20 years. Loan Agreements include a clause allowing the Credit Union to demand repayment of the loan at any time. Given the nature of the loan portfolio the Credit Union does not face any material interest rate risk on loans.

Cash Investments

The policy requiring that cash investments be able to be converted into cash in 5 working days limits the interest rate risk on investments due to market fluctuations.

Shares

The Credit Union intends to pay no dividends on Ordinary Shares until Members' Equity reaches a minimum of 10% of Total Assets. At 31 August 2007 Members' Equity is 12.2% of Total Assets.

When dividend payments recommence dividend rates payable on members' shares will be set by the Board of Directors and as a management policy generally on par with market indicators. These rates, and their effect on the Credit Union's overall return, are to be kept under constant review. Term shares are generally limited to terms less than 12 months to allow for re-pricing.

**(h) Fair Values**

**Financial Assets**

Loans to Members

As detailed in the accounting policies, loans are carried at estimated realisable value after providing for doubtful loans. The Directors believe this reflects the fair value.

Cash and Bank Balances

The reported amount is equal to the 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.



## Investments

Investments are disclosed on the basis of the face value at the time of purchase. Any variance between current market value and cost price is not material.

## Financial Liabilities

### Shares

Members' shares 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 are deemed to be subscriptions for shares and add to the member's share balance in the Credit Union. The Directors believe the reported values reflect fair value.

Members' shares are secured by a first-ranking equitable assignment by way of security over the whole of the Credit Union's present and future undertaking, property, assets and revenues, including the proceeds received for the subscription shares and unpaid capital (if any). The equitable assignment by way of security was granted in favour of *Trustees Executors Limited*, (the Prudential Supervisor of the Credit Union) under a Trust Deed dated 29 November 2001, which has been registered with the Registrar of Companies.

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

### Other Liabilities

Accounts Payable are carried at fair value.

## 20. Capital Commitments

The following Capital Commitments have not been provided for in the Financial Statements:  
NZCU-related exterior upgrade of premises, currently estimated at \$57,000, to be completed by August 2008.  
Purchase and installation of ATM in Patea, quoted cost \$49,000, to be completed in September 2007.  
(2006: Nil).

## 21. Contingent Liabilities

Contingent liabilities at Financial Year End were \$28,430, being Loans approved but not yet disbursed to Members (2006: \$106,980).

## 22. Segment Reporting

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

## 23. Liquidity Management

If, for whatever reason, the Credit Union is unable to meet members' demand for funds, then the Credit Union will cease lending until all current demand for repayment of deposits has been met.

## 24. Reconciliation of Operating Surplus to Cash Inflow from Operating Activities

	<u>31-Aug-07</u>	<u>31-Aug-06</u>
Reported Surplus/(Deficit) for the Period:	48,880	119,516
<u>Items Not Involved in Cash Flows:</u>		
Depreciation	19,799	23,065
Bad Debts Written-off	27,127	13,396
Provision for Doubtful Debts	(16,027)	-
Loss on Disposal	-	-
<u>Impact of Changes in Working Capital Items:</u>		
(Decrease)/Increase in Accounts Payable	(15,032)	67,122
(Increase)/Decrease in Prepayments	10,633	(48,596)
(Increase)/Decrease in Accounts Receivable	(5,250)	(3,189)
<b>Net Cash Flows from Operating Activities:</b>	<b><u>70,130</u></b>	<b><u>171,314</u></b>

## 25. Special Provisions relating to Financial Institutions

Statement matching monetary assets receivable and liabilities payable –

### At 31-Aug-07:

<u>Monetary Assets</u>	<u>Total</u>	<u>0-6mths</u>	<u>&gt;6- 12mths</u>	<u>&gt;12- 18mth</u>	<u>&gt;18- 24mth</u>	<u>&gt;24- 60mth</u>	<u>&gt;60mth</u>	<u>Effective Interest Rate</u>
<u>Receivable:</u>								
Loans to Members	5,089,525	5,089,525	-	-	-	-	-	14.0% p.a.
Accounts Receivable	90,846	90,846	-	-	-	-	-	0.0% p.a.
Cash on Hand	169,426	169,426	-	-	-	-	-	0.0% p.a.
Cash at Bank	7,187	7,187	-	-	-	-	-	0.0% p.a.
Central Fund Investments	600,000	600,000	-	-	-	-	-	7.6% p.a.
Capital Notes 1 & 2	194,233	-	-	-	-	-	194,233	16.1% p.a.
<b>Total Receivables</b>	<b><u>6,151,217</u></b>	<b><u>5,956,984</u></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b><u>194,233</u></b>	



<u>Liabilities:</u>	<u>Total</u>	<u>0-6mths</u>	<u>&gt;6-12mths</u>	<u>&gt;12-18mth</u>	<u>&gt;18-24mth</u>	<u>&gt;24-60mth</u>	<u>&gt;60mth</u>	<u>Effective Interest Rate</u>
Accounts Payable	173,277	173,277	-	-	-	-	-	0.0% p.a.
Cash at Bank	-	-	-	-	-	-	-	-
Call Shares	1,899,121	1,899,121	-	-	-	-	-	0.3% p.a.
Term Shares	3,117,708	375,777	854,306	1,542,671	676	-	344,278	7.5% p.a.
Xmas Club/Hamper	246,853	246,853	-	-	-	-	-	3.5% p.a.
<b>Total Payables</b>	<b>5,436,959</b>	<b>2,695,028</b>	<b>854,306</b>	<b>1,542,671</b>	<b>676</b>	<b>-</b>	<b>344,278</b>	

**At 31-Aug-06:**

<u>Monetary Assets Receivable:</u>	<u>Total</u>	<u>0-6mths</u>	<u>&gt;6-12mths</u>	<u>&gt;12-18mth</u>	<u>&gt;18-24mth</u>	<u>&gt;24-60mth</u>	<u>&gt;60mth</u>	<u>Effective Interest Rate</u>
Loans to Members	4,089,262	4,089,262	-	-	-	-	-	13.0% p.a.
Accounts Receivable	96,229	96,229	-	-	-	-	-	0.0% p.a.
Cash on Hand	129,224	129,224	-	-	-	-	-	0.0% p.a.
Cash at Bank	145,918	145,918	-	-	-	-	-	0.0% p.a.
Central Fund Investments	550,000	550,000	-	-	-	-	-	7.0% p.a.
Capital Notes 1 & 2	168,768	-	-	-	-	-	168,768	16.5% p.a.
<b>Total Receivables</b>	<b>5,179,401</b>	<b>5,010,633</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>168,768</b>	

<u>Liabilities:</u>	<u>Total</u>	<u>0-6mths</u>	<u>&gt;6-12mths</u>	<u>&gt;12-18mth</u>	<u>&gt;18-24mth</u>	<u>&gt;24-60mth</u>	<u>&gt;60mth</u>	<u>Effective Interest Rate</u>
Accounts Payable	188,309	188,309	-	-	-	-	-	0.0% p.a.
Cash at Bank	-	-	-	-	-	-	-	-
Call Shares	2,010,560	2,010,560	-	-	-	-	-	0.2% p.a.
Term Shares	2,029,611	341,564	830,674	445,594	86,237	-	325,542	6.6% p.a.
Xmas Club/Hamper	239,122	239,122	-	-	-	-	-	5.0% p.a.
<b>Total Payables</b>	<b>4,467,602</b>	<b>2,779,555</b>	<b>830,674</b>	<b>445,594</b>	<b>86,237</b>	<b>-</b>	<b>325,542</b>	

Repayment of Members' Loans is shown based upon periodic repayments as set out in loan documentation. Separately from these periodic repayments the Credit Union has the contractual right to require repayment of all loans on demand.

The Credit Union has the right to offset amounts due from members against amounts due to them.

In the event that members require their shares repaid and insufficient funds are available, the Credit Union will make no further loans until all applications for share withdrawals are honoured.

**26. The monthly repayments on loans for the past Financial Year represents an average loan term of:**

14 months (2006: 13 months).

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

0.4% (2006: 0.7%).

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

13.7% (2006: 11.6%).

**29. Lease Commitments:**

<u>As at 31-Aug-07</u>	<u>\$ 24,867:</u>
0 – 1 year	\$ 16,146;
1 – 2 years	\$ 8,721;
2 – 3 years	Nil;
3 – 4 years	Nil;
4 – 5 years	Nil.

**30. Accounts Payable and Provisions:**

	<u>31-Aug-07</u>	<u>31-Aug-06</u>
Resident Withholding Tax	2,439	612
Provision for Employee Entitlements	27,584	24,243
Trade Creditors	56,039	57,216
NEW ZEALAND ACCESSCARD® Settlement	30,120	60,739
Sundry Payables	11,250	10,960
<b>TOTAL</b>	<b>127,432</b>	<b>153,770</b>
Increase/(Decrease) in Provision for Employee Entitlements	(26,341)	5,889

**31. Bank and Cash Investments:**

	<u>Interest Rates</u>	<u>31-Aug-07</u>	<u>31-Aug-06</u>
Cash & Bank	0.00 to 2.00% p.a.	169,426	129,224
Westpac Banking Corporation	0.00 to 5.00% p.a.	7,187	145,918
New Zealand Association of Credit Unions	5.00 to 7.50% p.a.	600,000	550,000
<b>TOTAL</b>		<b>776,613</b>	<b>825,142</b>



### 32. Commodity Instruments:

Commodity instruments are defined by FRS33 to include any contracts that provide for settlement only by receipt or delivery of a physical asset. The Credit Union has no commodity instruments at balance date.

### 33. Events Subsequent to Balance Date:

No known events have occurred subsequent to balance date which could materially affect these financial statements.

### 34. The Total Nominal Value for the Securities of that Class that have not been Allocated:

Nil.

### 35. Restrictions on Allotment:

Shares may only be allotted to members.

### 36. Amount of Cumulative Dividends in Arrears:

Nil. There are no dividends in arrears.

### 37. Impact of First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS):

The Credit Union will be required to prepare Financial Statements in compliance with International Financial Reporting Standards (IFRS) effective for financial years commencing on 01 September 2007 This requires the production of accounting data for future comparative purposes.

The Credit Union's management, along with its auditors, has assessed the significance of these changes and are preparing for their implementation.

The Directors are of the opinion that the key differences in the Credit Union's accounting policies which will arise from the adoption of IFRS are:

1. There is a new standard dealing with revenue recognition. In the past the Credit Union would return all its revenue in the year that a service was rendered. The requirement under IFRS is to spread the revenue recognition over the period of the service. In particular, in respect of fees charged on loans, there is a requirement for this to be spread over the period of the loan. The Credit Union management has calculated the financial impact of this change which has been found to be immaterial and therefore no adjustments have been made.
2. There is a requirement now for the impairment of loans to be individually calculated on each loan. The Credit Union has a mechanism in place to do so and the financial impact is shown in (b) below, where applicable.
3. Provisioning for Doubtful Debts. There is no further ability for Credit Unions to make general provisions. The requirement under IFRS for specific provisions has been calculated at (a) below, where applicable.

The impact on the Credit Union is set out below:

ASSETS	Note	GAAP at 01-Sep-07	Adjustment	NZIFRS at 01-Sep-07
Cash & Cash Equivalents		776,613	0	776,613
Trade & Other Receivables		90,846	0	90,846
Loans to Members	a,b	5,055,569	0	5,055,569
Other Financial Assets		0	0	0
Property, Plant & Equipment		76,375	0	76,375
Intangible Assets		0	0	0
Capital Notes		194,233	0	194,233
<b>TOTAL ASSETS</b>		<b>6,193,636</b>	<b>0</b>	<b>6,193,636</b>
<b>LIABILITIES</b>				
Trade & Other Payments		173,277	0	173,277
Member Deposits		5,263,682	0	5,263,682
Short-term Borrowings		0	0	0
Provisions		0	0	0
<b>TOTAL LIABILITIES</b>		<b>5,436,959</b>	<b>0</b>	<b>5,436,959</b>
<b>NET ASSETS</b>		<b>756,677</b>	<b>0</b>	<b>756,677</b>
<b>EQUITY</b>				
Retained Earnings	a,b	0	0	0
General & Prudential Reserve		756,677	0	756,677
<b>TOTAL EQUITY</b>		<b>756,677</b>	<b>0</b>	<b>756,677</b>
<b>(a) Loans – General Provision</b>				
Change in General Provision is:			(33,956)	
Increase/decrease in Retained Earnings is:			<u>33,956</u>	
			<u>0</u>	
<b>(b) Loans – Specific Provision for Impairment</b>				
Change in Provision for Doubtful Debts is:			33,956	
Increase/decrease in Retained Earnings is:			<u>(33,956)</u>	
			<u>0</u>	



**AUDIT REPORT**  
**TO THE MEMBERS OF CREDIT UNION TARANAKI**

We were appointed in accordance with Section 122 of the *Friendly Societies and Credit Unions Act 1982* to act as Auditors of the Credit Union. We are qualified in accordance with Section 123 of that Act to act as Auditors and hold a Certificate of Public Practice.

We report on the Financial Report, on pages 1 to 12.

The Financial Report provides information about the financial performance and cash flows of the Credit Union for the year ended, and its financial position as at 31 August 2007, stated in accordance with the accounting policies as set out in Notes to the Accounts on pages 3 to 5.

**Directors' Responsibilities**

The Directors are responsible for the preparation of the Financial Report which gives a true and fair view of the financial performance of the Credit Union as at balance date, and of results of operations and cash flows for the year ended 31 August 2007.

**Auditors' Responsibilities**

It is our responsibility to express an independent opinion on the Financial Report presented by the Directors and to report our opinion to you.

**Basis of Opinion**

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

- ★ the significant estimates and judgements made by the Directors in the preparation of the Financial Report; *and*
- ★ whether the accounting policies are appropriate to the Credit Union's circumstances consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary. We obtained sufficient evidence to give reasonable assurance that the Financial Report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall accuracy of the presentation of information in the Financial Report.

Other than in our capacity as auditors, our firm has no interest in the Credit Union.

**Unqualified Opinion**

We have obtained all the information and explanations we have required. In our opinion:

- ★ The Credit Union has kept proper accounting records throughout the year and has maintained a satisfactory system of control over transactions.
- ★ The Financial Report on pages 1 to 12.
  - has been prepared in accordance with generally accepted accounting practice;
  - complies with requirements of the *Friendly Societies and Credit Unions Act 1982*;
  - is in agreement with the accounting records of the Credit Union; and
  - gives a true and fair view of the financial position of Credit Union Taranaki as at 31 August 2007 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 9 November 2007 and our unqualified opinion is expressed as at that date.

*BDO Spicers*

**BDO SPICERS**  
Hamilton



# Credit Union Taranaki

## TRUSTEES' REPORT For The Financial Year Ended 31 August 2007

I hereby present this report to the Members of Credit Union Taranaki on behalf of your Trustees – Peter Hewett, Steven Tanner & myself.

The past twelve months has seen lending performance improve significantly over last year, with Loans Disbursed to Members **exceeding \$4 million** for the first time in our history!

For the Financial Year ended 31 August 2007, there were 1,990 loans outstanding (10% lower than last year's 2,219) in a total loan portfolio of \$5,089,525 (up 25% vs. last year's \$4,089,262).

The main purposes for which our Members sought loans were for:

**Vehicle Purchase, Repairs and Maintenance** (26%);

**Debt Consolidation/Repayment** (23%);

**Miscellaneous/Personal** (22%);

**Home Purchase and Improvements** (14%); and

**Travel, Holidays and Recreation** (5%).

Further lending details are shown below:

	<u>For Y/E 31-Aug-07</u>	<u>For Y/E 31-Aug-06</u>	<u>% Variance</u>
Total Number of Loan Applications:	6,677	7,950	(16)
Total Number of Loans Disbursed:	6,537	7,828	(16)
Total Value of Loans Disbursed:	\$4,289,711	\$3,078,099	25
Total Number of Loans Declined:	140	122	15
Total Value of Loans Declined:	\$316,465	\$235,431	34
Loan Application Approval Rate:	97.9%	98.5%	(1)
Average Loan Amount:	\$656	\$393	67
Average Monthly Loan Balance:	\$4,654,188	\$3,931,535	18

Delinquency control has been maintained at previous years' levels with Bad Debts Written Off, totaling \$27,127 for the year, an increase of 102% against last year's total of \$13,396 while the Provision for Doubtful Debts was reduced by \$16,027 (32%) to \$33,956, against last year's balance of \$49,983. This financial year's Recovery of Previously Written-Off Bad Debts, totaling \$9,024 (31% higher than last year's \$6,888), reinforces the excellent debt recovery processes used to return these funds to Members. The main reasons that 140 loan applications were declined were those Members' **insufficient security to support the loan** (76) and/or **adverse credit history** (54).

The Board's Annual Review of the Lending Policy has again maintained our Staff's ability to meet our Members' ongoing lending requirements. The uptake of ACCESSCREDIT® (65 accounts at year end), our very successful "Interest Rebate" promotions and the ongoing partnerships with local business continues to broaden the availability and uptake of Credit Union Taranaki lending products.

Last year's pledge to be your first choice for the "best loan deal in town" is being delivered! We promise even greater service levels with our commitment to the nationwide NZCU re-branding initiative heralded by the opening of our new Patea branch in September 2007.

In closing, I extend my thanks to the Board, Staff and my fellow Trustees for their able assistance, and especially to you, our Members, for your continued support of our loan products during the past year.

Maureen Berentson

Trustee

05 November 2007



# **Credit Union Taranaki**

## AUDIT COMMITTEE REPORT FOR THE YEAR ENDED 31 AUGUST 2007

The appointment and duties of the Audit Committee of Credit Union Taranaki are covered by Rules 42 to 45, inclusive, of the Registered Rules as filed with the Registrar of Friendly Societies and Credit Unions on 30th January 2001 together with amendments similarly filed on 6th September 2002.

Members of the Audit Sub-Committee, appointed under Rule 42, are:

Jim Seerup – Chairman;  
Maureen Berentson; and  
Annabelle Sutton.

The Audit Sub-Committee has carried out the duties as set out in Rules 43 to 45, inclusive, which address inspection of, and reporting on, a range of matters including Financial Statements and interface with External Auditors. The Internal Audit requirements of Rule 43 have continued to be directly addressed by the Audit Sub-Committee after discussions with External Auditors as to frequency and completion detail of each Internal Audit task. This is a continuation of the structured approach to the role of this Committee, which has proven its effectiveness over the last several years.

The Audit Sub-Committee met regularly and is pleased to report that all scheduled Internal Audit tasks were completed as scheduled to 31 August 2007. Further, all tasks scheduled in September 2007 and relevant to activities for the Year Ended 31 August 2007 were completed. Detailed reports to Board were provided monthly. Additionally, these reports were copied to External Auditors and the Prudential Supervisor.

In the course of its work the Audit Sub-Committee made a modest number of recommendations to both the General Manager and the Board. All recommendations made were acted upon to our complete satisfaction.

Discussions with External Auditors, as part of their examination of Credit Union Taranaki records for the Year Ended 31 August 2007, confirmed that the Audit Sub-Committee work was being completed to a high standard and was at least comparable to standards expected of, and achieved by, other credit unions using the FACTS programme.

The work, dedication and ability of my fellow Sub-Committee members have enabled me to again report the year's activities with satisfaction. I wish all Credit Union members to be made aware of my personal thanks to those concerned.

Your Sub-Committee is, once again, proud of its achievements.

A handwritten signature in black ink, appearing to read "J.F. Seerup".

**J.F. Seerup**  
**Audit Sub-Committee Chairman**  
05 November 2007



# Credit Union Taranaki

## GENERAL MANAGER'S REPORT for the Financial Year Ended 31 August 2007

It gives me enormous personal pleasure to report to the Members of Credit Union Taranaki on the last Financial Year's performance.

Last year produced some quite exceptional results, not least the 25% increase in Loans to Members that now exceed \$5M for the first time in our history! There was also corresponding growth in Members (4%), Shares (23%) and Assets (20%) during the last year. Finally, despite the upheaval in the non-bank finance sector, the past year saw a 54% increase in Term Shares, these now exceeding \$3M.

This very successful year was definitely due to more effective marketing. Our ongoing "loan interest rebate" promotion continued throughout the year producing over \$1M in "extra" loans for your credit union. This campaign has proven very popular throughout Taranaki and continues to be well supported by all sectors of the population. We will continue to deliver "easy, great value loans" as we continue to grow.

Operationally, I can report further enhancements to our comprehensive Members' products & service suite. This has included the upgrade to a new ACCESSTELLER™ unit that allows Members to pick from a much wider range of activities when accessing their accounts via telephone. We also offer an improved website ([www.cutaranaki.org.nz](http://www.cutaranaki.org.nz)), Internet Banking package, ACCESSTXT® facility and have introduced the CREDIT UNION KIWISAVER® retirement savings scheme. I hereby acknowledge the contribution of your credit union's staff who delivered these new products & services to its Members so effectively that we often attained a top 5 position in NZACU reports, especially for ACCESSCARD™ and ACCESSCREDIT® cards issued, LOANMINDER® loan insurance, CARMINDER® vehicle insurance and CREDIT UNION HOME LOANS® mortgages.

Looking forward, the highlight of the coming year will be our conversion to "NZCU Taranaki", this being aptly demonstrated by the opening of our new Patea office in September. This re-branding will come at some expense but I see its benefits far outweighing the cost as we join with 15 other NZ credit unions to present a cohesive, national, credit union image to the public of New Zealand. No longer will credit unions be the "best kept secret in town".

In closing I thank you all for your support over the past year. I also express my personal gratitude to our credit union's directors, staff, consultants, business partners, suppliers, as well as to our association, the NZACU, and fellow credit unions who continue to support us into the future. I look forward to an equally successful year ahead.

A handwritten signature in black ink, appearing to read "Nigel Davis".

Nigel Davis  
General Manager  
30 October 2007

## Notes to the Agenda

### **SPECIFIC BUSINESS**

#### **Agenda Item 7(a)**

Appointment of External Auditor: The Board of Directors recommends to the meeting that Credit Union Taranaki retain the external audit services of **BDO Spicers, Chartered Accountants, Hamilton**, during the next financial year.

#### **Agenda Item 7(b)**

Remuneration of the Directors: The Board of Directors recommends to the meeting that Credit Union Taranaki retain Director Remuneration payments **to a maximum of \$24,000**, during the next financial year.

#### **Agenda Item 7(c)**

##### Rule Changes:

The Board of Directors recommends to the meeting that the amendments to its Rules (see pages over) be adopted. Changes to **Rules 5, 7, 21A, 23 & 67** have been made in response to legislative change. Changes to **Rules 16, 20, 30, 30A, 34A & 60** have been made in the interest of best practice. Changes to **Rules 36 & 37** have been made in line with the NZACU "Model Rules" template and are supported by both our external auditor and prudential supervisor.

### **RULES Pertaining to these Agenda Items:**

#### **Agenda Item 7(a) "APPOINTMENT OF EXTERNAL AUDITOR";**

46. The Credit Union shall appoint a properly qualified and independent external auditor to audit the Financial Statements of the Credit Union each year in accordance with *Sections 65 and 123* of the Act and six-monthly in accordance with the *Securities Act 1978*. Where the Credit Union qualifies as an 'exempt Credit Union' as defined by *Section 122* of the Act the Credit Union may at its option, appoint two or more persons who are not qualified auditors to audit the financial statements for that year.

#### **Agenda Item 7(b) "REMUNERATION OF THE DIRECTORS";**

32. Fees, Honoraria and Meeting payments (other than the remuneration of the Treasurer) may be paid to the directors (including any associate director) in such amounts and manner as the Board, in its absolute discretion, may decide provided however that the total fees, honoraria, and meeting payments so paid shall not exceed that sum which has been approved at an immediately preceding Annual Meeting (or adjourned Annual Meeting) of the members of the Credit Union.

#### **Agenda Item 7(c) "RULE CHANGES" – refer to "Notes to the Agenda" above for explanations;**

### MEMBERSHIP

#### **5. Admission to membership of the Credit Union shall be limited to:**

##### To amend:

(a) Any person working, or residing, within the region ~~(at the date of this resolution)~~ administered by the Taranaki Regional Council, including any such person aged 16 years or younger.

##### To now read:

(a) Any person working, or residing, within the North Island of New Zealand ~~(at the date of this resolution)~~, including any such person aged 16 years or younger.

##### And insert:

- (ba) A charitable entity as defined by the Charities Act 2005.
- (bb) An incorporated society registered under the Incorporated Societies Act 1908.

##### Also:

7. A person, [Insert "charitable entity, or incorporated society"] that fails to hold, at least one fully paid-up share in the Credit Union, or such higher number as may be determined by the Board but not exceeding \$10 in fully paid-up shares, shall not be permitted to become or to remain a member of the Credit Union.

## FEES AND ACCOUNT CHARGES

### **16. Members shall pay, for services provided by the Credit Union:**

#### To amend:

- (a) *Fees and charges of the amounts as determined by the Directors from time to time but not exceeding the sums set out in Schedule "A" of these rules, which schedule shall form part of these rules. Any amendment to fees and charges approved by members shall not become valid until registered by the Registrar.*

#### To now read:

- (a) **Fees, levies, and charges as determined by the Board, provided that such fees, levies and charges and any changes thereto shall not come into force until such time as they are sent by notice to all members.**

## MEETINGS OF MEMBERS

### **20. The business at Annual Meetings shall be:**

#### To insert:

- (d) **Presentation of the Audited Financial Statements;**  
(k) **Appointment of Auditor;**
- 21A. A charitable entity or incorporated society that is a member of the Credit Union under these rules shall be entitled to appoint by notice in writing, signed by the Chair and Secretary of the entity or society, its representative at a meeting of members. Such representative if so appointed shall be entitled to vote on behalf of that entity or society, provided that the notice shall not be effective unless it specifies whether the appointment is for a particular meeting or a specified term and a copy of the notice is delivered to the Credit Union not less than 24 hours before the stated commencement time of the meeting.**

## ELECTIONS

### **23. The procedure for the nomination and election to office of the Directors and Trustees shall be as follows:**

#### To amend:

- (a) At least 60 days prior to each Annual Meeting the Chair shall appoint a Nominating Committee of three members. It shall be the duty of the Nominating Committee to nominate one member for each vacancy for which elections are being held and to forward such nominations to the Secretary at least 30 days prior to each Annual Meeting.

#### To now read:

- (a) **At least 60 days prior to each Annual Meeting the Chair shall appoint a Nominating Committee of three members. It shall be the duty of the Nominating Committee to nominate at least one member for each vacancy for which elections are being held and to forward such nominations to the Secretary at least 30 days prior to each Annual Meeting. Such nominations should be of members who are likely to pass a "fit and proper" assurance check and the Nominating Committee will circulate at the Annual General Meeting, a written Curriculum Vitae detailing their relevant skills and experience.**
- (aa) **No charitable entity or incorporated society that is a member under these Rules may be nominated for or elected to, any office in the Credit Union provided that this shall not prevent a person appointed to represent under Rule 21A from being nominated and elected to office if a member of the Credit Union in their own right.**
- (b) **At least 21 days before the Annual Meeting the Secretary shall cause to be given to each member of the following:**

#### To amend:

- (iv) That further nominations for each vacancy are invited from the members;  
(v) That any such nomination should be in writing and placed in the hands of the Secretary no later than seven days prior to the Annual Meeting.

#### To now read:

- (iv) **That further nominations for each vacancy, of members who are likely to pass a "fit and proper" assurance check, are invited from the members;**

- (v) That such further nominations, together with the candidates' Curriculum Vitae detailing their relevant skills and experience, be in writing and placed in the hands of the Secretary no later than seven days prior to the Annual Meeting.

#### DUTIES OF THE BOARD OF DIRECTORS

30. The Board shall determine, promulgate and implement the policies of the Credit Union and shall be responsible for the general management of the affairs and records of the Credit Union. In addition to the duties customarily performed by a Board of Directors, the Board shall:

To insert:

- (ra) Ensure that the officers and any managers employed in the capacity of chief executive officer, general manager or senior manager become members of the Credit Union Institute of New Zealand Incorporated and retain membership of that institute and abide by its code of ethics whilst holding office.
- 30A. The Board may, subject to Section 108(1) of the Act, enter into agreements (whether with the Association, or any other person) for the provision of direct credit, direct debit and cheque account facilities to members.
- 34A. The Board may, subject to section 108(1) of the Act, enter into agreements (whether with the Association or any other person) for the provision of direct credit, direct debit and cheque account facilities to members.

#### DUTIES OF THE TREASURER

27. The Treasurer shall:

- (a) Make or cause all payments received by the Credit Union [insert "and all cash held that is surplus to its cash operating requirements as may be determined by the Board"] to be deposited within 3 working days in such Bank Accounts as are authorised by the Board.

#### APPOINTMENT OF EXTERNAL AUDITOR

28. The Credit Union shall appoint a properly qualified and independent external auditor to audit the Financial Statements of the Credit Union each year in accordance with Sections 65, [insert "122"] and 123 of the Act and six-monthly in accordance with the Securities Act 1978. Where the Credit Union qualifies as an 'exempt Credit Union' as defined by Section 122 of the Act the Credit Union may at its option, appoint two or more persons who are not qualified auditors to audit the financial statements for that year.

#### DISQUALIFICATION OF DIRECTORS, TRUSTEES AND AUDIT COMMITTEE MEMBERS

60. A Director, Trustee, or Audit Committee member shall vacate his/her office immediately he/she:

To insert:

- (d) Is barred from holding office under legislation affecting financial institutions, or if any public disclosure is required to be made by the Credit Union in respect of that officer concerning previous bankruptcy, conviction for a crime of dishonesty, prohibition as a director or manager by a Court or Tribunal, or conviction for failing to make such a disclosure.

#### SERVICE OF NOTICES TO MEMBERS

To insert:

67. Where notice of any meeting is required to be given to a member, notice shall be deemed to have been duly given if, within the time prescribed by these Rules, written notice of the meeting and the business to be transacted at such meeting [is delivered, whether by post or otherwise, to the member's last address which appears in the records of the Credit Union. Where a previous communication delivered by the Credit Union in such manner to a member has been returned unclaimed notice shall be deemed to have been duly given to such member if, within the time prescribed by these Rules, written notice of such meeting] is advertised at least once in the "Public Notices" column of "The Daily News" newspaper.

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END

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