



AOTEAROA CREDIT UNION

Prospectus for the Offer of Debt Securities

Dated 24 March 2011

As amended by an instrument to amend the prospectus dated 29 June 2011

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Directory

Credit Union

(and place where Register of Members is kept)
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Botany Junction
Auckland 2016
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Prudential Supervisor

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Ph (04) 901 4400 (04) 470 9623

Auditors

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Auckland 1140
Ph (09) 309 0463 Fax (09) 309 4544

Companies Office

Ministry of Economic Development
("MED")
Level 18, ASB Bank Centre
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Private Bag 92061
Auckland 1141
Ph 0508 266 726 Fax (09) 912 7787

Solicitors To The Credit Union

Burke Melrose
Level 7, 52 Swanson Street
PO Box 5142
Auckland 1141
Ph (09) 356 2630 Fax (09) 356 2631

Directors of the Credit Union

Robert Alfred Anderson JP <i>Auckland</i>	Director, Trustee
Darryl Vincent Evans JP <i>Auckland</i>	Director, Audit Committee Member
Bryan David Hemi <i>Auckland</i>	Director, Vice-Chairman, Trustee
Gail Kura Hohaia <i>Auckland</i>	Director, Secretary
Kristen Jane Kohere-Soutar <i>Auckland</i>	Director, Audit Committee Member
Diana Marie Puketapu <i>Auckland</i>	Director, Treasurer, Audit Committee Member
John Muru Walters <i>Auckland</i>	Director, Chairman

The directors may be contacted through the Credit Union's registered office.

1. Main Terms of Offer

Name and Address of the Credit Union

Name of Credit Union: Aotearoa Credit Union ("Credit Union")

Registered Office: Unit B/123 Ormiston Road, Botany Junction, Auckland 2016

Postal Address: PO Box 200-175, Papatoetoe, Auckland 2156

Ordinary Office Hours: 9.00 am – 4.30 pm Monday to Friday, 10 am to 1 pm Saturday.

The Credit Union also has branches in Whangarei, Clendon, Glen Innes, Otahuhu, Otara, Wanganui, Mangere, Papakura, Botany Junction, Hamilton and Porirua. Opening times and contact details for these branches can be found on the Credit Union's website www.aotearoacu.co.nz.

Details of Registration of the Credit Union

The Credit Union is a financial co-operative registered as a credit union under the Friendly Societies and Credit Unions Act 1982 ("Act"). The Credit Union was registered on 26 January 1990 (registration number 1802887). The Act, and all other legislation referred to in this Prospectus, are available on the New Zealand legislation website at www.legislation.govt.nz.

The Credit Union operates under rules prepared in accordance with the Act ("Rules") which are registered with the Registrar of Friendly Societies and Credit Unions ("Registrar").

Creditworthiness Not Rated

The creditworthiness of the Credit Union is not rated by a rating agency approved by the Reserve Bank of New Zealand under section 157J of the Reserve Bank of New Zealand Act 1989 ("Reserve Bank Act").

The Offer

This Prospectus details an offer to subscribe for \$1.00 fully paid-up redeemable shares ("shares") in the Credit Union. Shareholders in the Credit Union are termed "members". The offer of the shares is an offer of debt securities under and subject to the terms of the Securities Act 1978.

The Credit Union has appointed Perpetual Trust Limited ("Prudential Supervisor") as statutory trustee of the offer under this Prospectus for the purposes of the Securities Act 1978. Please refer to the paragraph headed "*Details of Trust Deed and Other Restrictions on the Credit Union*" on page 11, for further details on this appointment.

The offer of shares in the Credit Union is made to a section of the public that falls within the Credit Union's membership criteria - its "common bond" - being:

- Those persons residing or working within the territory of the Te Tai Tokerau, Tamaki Makaurau, Hauraki-Waikato, Waiariki, Te Tai Hauauro or Ikaroa Rawhiti electoral districts and the main centres of the Te Tai Tonga electorate.
- A charitable entity as defined by the Charities Act 2005;
- An incorporated society registered under the Incorporated Societies Act 1908.

Description of the Activities of the Credit Union

The Credit Union's objectives are the promotion of thrift amongst its members by the accumulation of their savings, the use and control of members' savings for their mutual benefit and the training and education of members in the wise use of money and management of their financial affairs.

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

The principal assets of the Credit Union consist of furniture and fittings, office equipment, computer equipment and loans to members. The principal assets are used solely for the purpose of furthering the Credit Union's objectives. The principal assets are subject to an equitable assignment and a security interest in favour of the Prudential Supervisor as more particularly described on page 11. The Credit Union has not granted any other charges over the principal assets.

2. Shares

Share Characteristics

Members contribute to the Credit Union by subscribing for shares. The shares offered under this Prospectus rank equally with all other shares issued or to be issued by the Credit Union.

The shares are of a fixed amount, being \$1.00, and cannot be allotted to a member until fully paid-up in cash. Payments for shares not in whole dollar amounts are credited to the member's account and are deemed to be an advance payment on a subscription for an additional share.

Subscriptions for shares are payable in the manner required by the Credit Union. This may include payment: in cash, by way of personal or bank cheque, direct credit, automatic payment or salary or wage deduction. Work and Income New Zealand and a number of local businesses may, by prior agreement, deduct share subscriptions directly from a member's salary, wage or benefit upon request and direct credit the payment to the member's share account(s) with the Credit Union.

A member must hold a minimum of \$10 in fully paid-up shares and a member's shareholding cannot exceed the lesser of \$250,000 or 10% of the total tangible assets of the Credit Union. If a member fails to hold at least \$10 in fully paid up shares that member shall not be permitted to remain a member of the Credit Union.

Shares may be held by two or more members jointly. The person named first in the Credit Union's register of members will be deemed to be the member to whom the shares were allotted.

Shares in the Credit Union are not transferable. However, a member may nominate a person to receive up to a maximum of \$2,000 of the member's shareholding on that member's death. This nomination must be in writing, signed by the member and sent to the Credit Union's registered office.

The Credit Union does not issue share certificates to members. On request, and not less than every six months during the period of membership, the Credit Union will forward an account statement to each member.

A member may use the Credit Union's automated telephone service or cellular TXT service to check the balance of their accounts. A member must obtain a log-in

identification and password from the Credit Union to use the automated telephone service.

Application for Shares

To apply to subscribe for shares, prospective members must complete the Credit Union's standard application form, which is available from any of the Credit Union's branches. On application, the prospective member must provide proof of their identity and pay for their initial share subscription.

The Credit Union will only accept applications from those persons who fall within the Credit Union's common bond. The board of directors of the Credit Union ("Board") reserves the right to decline a prospective member's application without giving any reason.

The application form will also govern subsequent share subscriptions by the member.

Voting Rights

On each matter to be determined by members' votes, each member has only one vote, regardless of the number of shares held by that member. Where a share is held by two or more members jointly, the first person named on the register of the members of the Credit Union is the member entitled to vote. A member who is a charitable entity or an incorporated society may appoint a representative to vote on its behalf.

Types of Meetings

- **Annual general meeting**

To be held prior to the last business day in December of each year. At this meeting, members may vote on matters such as the election of directors and trustees and amendments to the Rules.

- **Special general meeting**

The Chairman of the Board must call a special general meeting on application of at least 100 members to consider the business set out by the members in their application. The Board or the trustees may also resolve to call a special general meeting.

- **Meeting called by Prudential Supervisor**

The Prudential Supervisor may call a meeting of members to raise and discuss any issue relating to the administration of the affairs of the Credit Union.

- **Meeting called by Credit Union**

At the request in writing of the Prudential Supervisor or not less than one-tenth of the number of its members, the Credit Union must summon a meeting of its members for the purpose of considering the financial statements of the Credit Union for its last preceding financial year or giving directions to the Prudential Supervisor in relation to the exercise of its powers.

Members must be given notice of any meeting as prescribed by the Rules, the Trust Deed and the Securities Act (Credit Unions) Exemption Notice 2010.

Cessation of Membership

- **Withdrawal**

A member may withdraw from membership of the Credit Union at any time.

- **Expulsion**

A member may be expelled from membership by a two thirds majority vote of members present at a special general meeting called for that purpose.

- **Non-Qualifying Members**

If a member ceases to fall within the Credit Union's common bond, that member is deemed to be a "non-qualifying member". Subject to the Rules and the Act, a non-qualifying member may purchase shares and receive loans.

However, if the number of non-qualifying members exceeds 10% of the total membership of the Credit Union, the Board shall terminate the membership of as many non-qualifying members as is necessary to reduce the number of non-qualifying members back to 10% of the total members.

All amounts paid on shares, plus any returns owed and less all amounts due from the member to the Credit Union, will be paid to an expelled, withdrawing or non-qualifying member as funds become available.

The restrictions set out in the paragraph headed "*Withdrawals*" on page 9 will apply to payments made to withdrawing, expelled or non-qualifying members.

Death, Bankruptcy or Insolvency

- **Death**

Where an individual member who was a sole holder of shares dies, the executors or administrators of the deceased member's estate will (subject to any applicable laws) be the only persons recognised by the Credit Union as having any right to the proceeds of that deceased member's shares.

When an individual member who was a joint holder of shares dies, the survivor or survivors of the joint shareholding will be the only persons recognised by the Credit Union as having title to the deceased member's interest in the shares.

- **Bankruptcy**

If an individual member becomes bankrupt, that member's shares will come under the control of the Official Assignee in bankruptcy.

There are restrictions on the amount that a bankrupt member can retain in his or her account and on a bankrupt member's ability to obtain credit.

- **Insolvency**

Where an incorporated society or a charitable entity member winds up or becomes insolvent shares will be dealt with in accordance with the constitutional documents of that incorporated society or charitable entity or otherwise as prescribed by law.

Amounts representing share entitlements will only be paid out following a member's death, bankruptcy or insolvency on production of such evidence of death and/or entitlement to share proceeds, as may be required by the Board and under generally applicable laws. The payment of such proceeds will also be subject to the terms set out in the paragraph headed "*Withdrawals*" on page 9.

3. Share Accounts

Members' shares must be held in one or more of the share accounts operated by the Credit Union ("share accounts").

Each share account may offer differing terms and conditions as to: return, the minimum number of shares required to be held in that account, the term of investment, the timing of repayment, methods of subscription and withdrawal and the fees and charges payable ("Terms and Conditions").

The Board reserves the right (subject to any restriction contained in the Act, Trust Deed, Rules or otherwise at law) to vary the Terms and Conditions of the share accounts. Notice of any such variation will be included in the Credit Union's newsletter which is distributed to all members. Any changes to fees and charges will not come into force until they are notified to members.

Types of Share Accounts

The Credit Union offers four different types of share accounts, being Term Share Accounts, On Call Share Accounts, Notice of Withdrawal Share Accounts and Special Share Accounts

Details of these share accounts, as at the date of this Prospectus, are set out in Schedule Two.

It is the Credit Union's policy not to make repayments prior to maturity for Term Share Accounts or Special Share Accounts. However, in the event of financial hardship or extraordinary circumstances, written application may be made to the Credit Union, which may exercise its discretion to repay the funds in whole or in part. Any returns payable will be subject to adjustment in accordance with the terms of the share account.

Returns

Returns payable on a share account will be credited to the member's share accounts at such intervals as is provided for in the terms and conditions of that account.

The rate of return is largely dependent on annual surpluses being earned through the profitability of the Credit Union. The amount of any surplus available for distribution to members is subject to the obligation of the Credit Union to maintain a general reserve (at 5% of the total assets of the Credit Union) and a risk weighted capital ratio of not less than 11%. These reserves cannot generally be used to pay returns.

Withdrawals

Subject to the provisions of the Act, members operate their share accounts in a similar manner to bank accounts. Call Account shares are usually available to be withdrawn at call, however, the Rules and the Act provide that the Credit Union has the right at any time to require a 60-day notice period for withdrawal.

The methods of withdrawal that may be available in respect of each share account, as at the date of this Prospectus, are set out in Schedule Two.

If a withdrawal of shares would reduce a member's paid-up share holding in the Credit Union to less than the member's total liability (including any contingent liability) to the Credit Union, then, for a non-qualifying member, the withdrawal will not be permitted, and in all other cases, the withdrawal will be permitted at the Credit Union's discretion.

The Credit Union is not entitled at law, to consent to any withdrawals when the Credit Union is unable to meet its debts as they fall due.

Maturity

Shares in term share accounts and special share accounts will mature on their respective maturity dates as described in this Prospectus in Schedule Two or as otherwise varied from time to time by the Credit Union.

If a member has given instructions for any moneys held in a share account to be automatically reinvested at the end of the term, the reinvestment funds will earn the return applicable at the time of reinvestment to the share account nominated. The Credit Union will not be required to give a member notice of the reinvestment of their funds, unless the Credit Union has received notice in writing from the member that notice of reinvestment is required.

Subject to the right of the Credit Union to require a 60 day notice period, shares in on call and notice of withdrawal accounts are available for withdrawal on call or on notice, as described in Schedule Two, and do not have a maturity date.

Taxation

The Credit Union is required by law, to deduct Resident Withholding Tax ("RWT") from any returns paid or credited to any person resident in New Zealand and to account for this deduction to the Inland Revenue Department ("IRD"). For members who supply the Credit Union with their IRD number and nominate a RWT rate, RWT will be deducted at the rate nominated. In the event that an individual member:

- omits to notify the Credit Union of their IRD number, the Credit Union will deduct RWT at 33%, or such other amount as required by law; or
- has notified the Credit Union of their IRD number, but omits to nominate the rate they wish RWT to be deducted, RWT will be deducted at 17.5% for existing share accounts or 33% for new share accounts, or such other amount as required by law.

For members who are incorporated societies, the Credit Union will deduct RWT at 33% or such other amount as required by law.

The Credit Union is not required to deduct RWT from any member who holds a valid Certificate of Exemption. Members who hold a valid Certificate of Exemption from RWT issued by the IRD are required to forward a copy to the Credit Union. Members who are charitable entities are exempt from income tax.

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

4. Loans to Members

The Credit Union makes loans from the share capital of the Credit Union to its members. The availability of loans to members is dependent upon the availability of funds to the Credit Union from its share capital at any particular time. Loans to members are subject to the terms of the Act, the Rules and the Trust Deed.

Loan applications must be made on the form prescribed by the Board from time to time. The member will be required to detail in the application form the purpose of the loan, any security offered and such other information as the Board may require. A loan application form and details on the Credit Union's terms and conditions of lending can be obtained from the Credit Union's office.

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

The indebtedness of a member to the Credit Union must not exceed 10% of the total tangible assets of the Credit Union for secured loans, 5% of the total tangible assets of the Credit Union for unsecured loans or such lesser amount as the Board may from time to time determine.

The maximum period within which a loan by the Credit Union to a member must be repaid must not exceed thirty years, for secured loans, five years for unsecured loans or such other period as may from time to time be authorised by the Act or approved by the Registrar.

5. Ranking of Securities

No securities are secured by a mortgage or charge over any of the assets of the Credit Union that rank in point of security ahead of the shares being offered under this prospectus.

As at 30 September 2010, the aggregate amount of securities, being shares previously issued by the Credit Union to its members, that ranked in point of security equally with the shares being offered under this Prospectus was \$10,791,090.

6. Details of Trust Deed and Other Restrictions on the Credit Union

Trust Deed

The shares offered by this Prospectus are issued in accordance with a trust deed entered into between Perpetual Trust Limited, as the Prudential Supervisor, and the Credit Union dated 18 October 2001, as modified by deeds of modification dated 31 October 2002 and 30 November 2010 ("Trust Deed").

A full copy of the Trust Deed can be obtained from the Credit Union or the Companies Office (refer to the paragraph headed "*Places of Inspection of Documents*" on page 21 for further details). A summary of the main provisions of the Trust Deed is set out below.

• Equitable Assignment by Way of Security

To secure the repayment of moneys owing on members' shares, to the extent permitted by law, the Credit Union has granted the Prudential Supervisor a first ranking equitable assignment by way of security ("Equitable Assignment") over all of the Credit Union's present and after acquired property ("Property").

The Credit Union may exercise all rights, powers and remedies in relation to the Property for the purposes of complying with its obligations in relation to the shares or for any other purpose in its ordinary business (having regard to any restrictions in the Trust Deed and in the Act). However, the Credit Union's right to deal with the Property will be revoked upon the occurrence of an Event of Default (as defined in the Trust Deed).

The Credit Union has covenanted not to grant any charges or other security interests that rank ahead of, or equal to, the Equitable Assignment without the Prudential Supervisor's prior written consent.

• Security Interest in Personal Property

The Credit Union has also granted the Prudential Supervisor a security interest over all its present and after-acquired personal property.

- **Financial Ratios**

The Credit Union has covenanted, subject to the terms and conditions contained in the Trust Deed, not to:

- > At any time permit its creditor liabilities to exceed 10 per cent of its total liabilities;
- > At any time permit its capital ratio to be less than 11 per cent. The capital ratio is calculated by measuring the Credit Union's capital against specified weightings for credit, market and operational risks that the Credit Union is exposed to in the course of its business, in accordance with the requirements of the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010;
- > At any time permit its exposure to related parties to exceed a maximum limit ratio of 15 per cent of the Credit Union's capital. This ratio is also calculated in accordance with the provisions of the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010. Related parties to the Credit Union include directors, senior management and relatives of directors or senior managers; and
- > At any time permit its Liquid Assets to fall below 10 per cent of its Total Assets (as those terms are defined in the Trust Deed).

- **Further Covenants**

The Credit Union has also covenanted:

- > Not to borrow money or lend other than as permitted by the Act;
- > Not to make any alteration to the nature of its business;
- > To comply with the Act and the Rules;
- > To immediately notify the Prudential Supervisor in writing if the Credit Union breaches the minimum capital, related party exposure or liquidity ratios set out above;
- > To immediately notify the Prudential Supervisor in writing of the commencement of any legal proceedings that could materially affect the interest of its members;
- > To establish, maintain and operate its business in accordance with lending and investment policies that detail the nature, terms and procedures to be adopted for lending and investment by the Credit Union.
- > To keep proper accounting records in accordance with the Act and Financial Reporting Act 1993 and all other applicable laws and regulations;

The Credit Union is also required to provide the Prudential Supervisor with:

- > half-yearly unaudited and annual audited financial statements prepared in accordance with generally accepted accounting practice;
- > a quarterly certificate detailing the Credit Union's compliance with the Trust Deed and the Act, its business performance and financial stability; and

- > monthly directors' certificates certifying that the Credit Union is in compliance with the minimum capital, related party exposure and liquidity ratios set out above.

- **Prudential Supervisor's Obligations**

The Prudential Supervisor is appointed to act in the interests of the members of the Credit Union by monitoring the Credit Union's compliance with the Rules, the Trust Deed and the Act. The Prudential Supervisor must:

- > exercise reasonable diligence to ascertain whether or not any breach of the terms of the Trust Deed or of the offer of securities has occurred;
- > do all the things that it is empowered to do to cause any breach of those terms to be remedied (except if it is satisfied that the breach will not materially prejudice the security (if any) of the securities or the interests of the holders of securities); and
- > exercise reasonable diligence to ascertain whether or not the assets of the Credit Union that are or may be available are sufficient or likely to be sufficient for the Credit Union to meet its obligations to members.

The Trust Deed gives the Prudential Supervisor wide ranging powers to enforce the Credit Union's obligations under the Trust Deed, including the power to appoint a receiver, following an Event of Default (as defined in the Trust Deed).

Prudential Supervisor's Statement

A statement by the Prudential Supervisor that the offer of shares in the Credit Union complies with any relevant provisions of the Trust Deed and that the Prudential Supervisor does not guarantee the repayment of shares in the Credit Union or interest payable on those shares, is set out in Schedule Four.

Other Restrictions on the Credit Union

A number of statutory restrictions are imposed by the Act on the Credit Union. Those principal restrictions not addressed elsewhere in this Prospectus are outlined below:

- **Borrowing**

The Act contains the following restrictions on the Credit Union's ability to borrow. The Credit Union may not:

- > Take any action or do anything unless that action or thing is in direct pursuance of the Credit Union's objects or incidental to them and is authorised by the Rules and the Act.
- > Accept deposits except by way of subscription for its shares.
- > Borrow money from any person, except for an overdraft facility from a bank with a term not exceeding six months or borrowing from another Credit Union or the New Zealand Association of Credit Unions ("NZACU"), for a term not exceeding 12 months. These terms may only be extended by the written consent of the Registrar.
- > Borrow and not repay any amount or amounts which exceed 30% of its paid up capital.

- **Land and Buildings**

The Credit Union may only hold an interest in land or buildings for the purpose of conducting its business.

If the Credit Union acquires an interest in land by exercising a security given by a member, the Credit Union must dispose of that interest as soon as possible and in any case within six months, unless the Registrar has consented to the land being held for a longer period.

- **Investment**

The Credit Union may only invest its surplus funds in accordance with the Trustee Act 1956 or with the NZACU or a bank.

7. Names, Addresses and Other Information

The names and contact details of the Credit Union's directors, trustees, audit committee members, auditor and solicitors, as at the date this Prospectus was amended, are set out in the Directory on page 4.

Directors

The Rules require that the Credit Union have no less than five and no more than seven directors. The directors elect from their number a Chairman, Vice-Chairman, Secretary, and Treasurer.

It is the responsibility of the directors to determine and implement the policies of the Credit Union. The directors are also responsible for the general management of the affairs and records of the Credit Union.

The directors are elected by members at the annual general meeting. The directors serve a term of three years, retire by rotation, and are eligible for re-election. Directors must be members of the Credit Union.

The Rules provide that the directors may appoint Associate Directors. Associate Directors attend Board meetings but do not form part of the quorum and do not have the right to vote at meetings.

No director of the Credit Union is also an employee of the Credit Union.

Trustees

The Rules require that the Credit Union have two trustees. Trustees are elected by the members from the Board at the annual general meeting. Trustees must be aged 20 or older. The Credit Union's secretary and treasurer cannot be trustees.

Trustees serve a one year term and are eligible for re-election. .

All property belonging to the Credit Union is vested in the trustees for the use and benefit of the members. The trustees are responsible for supervising all loans made by the Credit Union to members.

Audit Committee

The Rules require the Credit Union to have an audit committee comprising two or more members appointed by the Board, at least two of whom shall be a Board member. The audit committee monitors the trustees' and directors' compliance with the Act, the Rules and all other applicable operating procedures and legislation.

Auditor

The Credit Union has appointed Staples Rodway as its auditor. Staples Rodway's auditor's report, together with its consent to the report appearing in this Prospectus, is attached as Schedule Three.

Solicitors

The Credit Union's solicitors involved in the preparation of this Prospectus are Burke Melrose.

8. Other Terms of Offer And Securities

Risks

The principal risks for a member investing in shares in the Credit Union, which are not disclosed elsewhere in this Prospectus, are as follows:

- **General Market Risk**

The Credit Union may be affected by the state of the New Zealand and international economies. Economic slowdowns or recessions may have a negative impact on potential and existing members' saving and borrowing habits, which may have a consequential flow-on effect on the growth and profitability of the Credit Union.

In particular, if there is an economic slowdown and a high number of members become unemployed, or otherwise unable to meet their loan repayment obligations, this may affect the profitability and solvency of the Credit Union.

- **Members' Returns**

The rate of return on members' shares is dependent on annual surpluses being earned through the ongoing profitability of the Credit Union. The rate of return on the members' shares is therefore dependent on the ability of the Board and senior management to prudently manage the Credit Union and generate an operating surplus for its members. Should the Credit Union's profitability be threatened then the Credit Union may reduce the rate of return on members' shares, or even pay no return.

The financial statements for the year ended 30 September 2010 note that the NZACU Group has incurred losses, resulting in a reduction in the net tangible assets of the Group and the net tangible assets backing for the capital notes falling below par. The financial statements note that this has been considered as an indicator of potential impairment for the capital notes but that the recent financial performance of the Group has indicated a return to sustainable profits and that consequently, the Board has determined that there is not impairment in the carrying value of the capital notes as at 30 September 2010.

- **Competition**

The Act restricts the class of persons to whom the Credit Union may offer shares, to those who fall within the Credit Union's common bond (as set out in the paragraph headed "*The Offer*" on page 5).

As the Credit Union is competing with banks and other financial institutions operating in the national savings and loans market, restrictions on membership may affect the Credit Union's profitability and the returns payable to members.

- **Compliance Risk**

Compliance risk is the risk of legislative or regulatory changes impacting on the Credit Union. If the Credit Union had to make changes to comply with new

legislation this would be likely to increase the Credit Union's compliance costs, which could affect the Credit Union's profitability and the returns payable to members. In particular, the Credit Union has been impacted upon by the costs involved in complying with the Financial Advisers Act 2008 and the Financial Service Providers (Registration and Dispute Resolution) Act 2008.

- **Government Policy Risk**

Policies and decisions of the Government and other local or national regulatory bodies may also impact on the Credit Union's potential and existing membership or saving and borrowing habits with a consequential flow-on-effect on the growth and profitability of the Credit Union.

A significant number of the Credit Union's members receive Government benefits. There is a risk that, if the Government decided to substantially reduce the level of benefit payments, some members may be unable to meet their loan repayment obligations to the Credit Union.

- **Credit Risk**

Credit risk is the risk of members not repaying their loans or making interest payments on the due date.

The Credit Union has a credit policy which is used to manage its exposure to credit risk. Such security includes chattels, motor vehicles and members' deposits. As part of this policy, credit evaluations are made on members who wish to borrow money and limits on exposures are set. Lending is subject to defined criteria and is monitored and controlled by prudent credit measures.

The Credit Union takes security over assets to secure most of the loans it makes. Over 50% of loans are secured solely by members' share accounts. If a member fails to repay a loan on the due date and the value of the secured asset is insufficient to cover the outstanding payments, or if the loan is unsecured, the Credit Union may make a loss on that loan. This may adversely affect the Credit Union's profitability.

The Credit Union has had an increase in the amount of impaired advances and has increased the provisioning for impairment from the financial year ended 30 September 2009 to 30 September 2010. The total amount of impaired advances increased from \$112,796 as at 30 September 2009 to \$1,235,265 as at 30 September 2010. The provisioning for impairment increased from \$68,797 as at 30 September 2009 to \$290,655 as at 30 September 2010. The amount of impaired advances has further increased to \$2,084,337 in the period from 30 September 2010 to 28 February 2011. The provisioning for impairment has increased to \$467,152 during this same period. The increase in the provisioning for impairment relates to the Whangarei Venture (described in the paragraph headed "Whangarei Venture" on page 19).

As at 31 December 2010 the Credit Union had \$1,340,000 invested through the NZACU's central banking deposit scheme and \$352,688 of capital notes issued by the NZACU. These investments are permitted under the Trust Deed as investments in a "Prime Debtor". There are no security or trust arrangements governing such deposits. Accordingly, there is a concentration of credit risk with respect to investments by the Credit Union in the NZACU.

In addition, loans made pursuant to the Whangarei Venture, referred to in the paragraph headed "Whangarei Venture" on page 19, are advanced through a joint bank account able to be operated by either the Credit Union or Profile Finance. As this account is not under the sole control of the Credit Union there is a

potential credit risk on Profile Finance in connection with funds in the account. It should also be noted that Profile Finance guarantees repayment of the loans to the Credit Union, should the member default. The Credit Union makes no representations about the creditworthiness of the guarantor nor any recoverability under the guarantee.

- **Liquidity Risk**

Liquidity risk is the risk of the Credit Union not having sufficient cash to meet obligations to members. This risk requires the Credit Union to manage the maturity of loans and balance this with the repayment of members' shares.

It does this by making loans to members repayable on demand. The Credit Union also has the right to require a sixty-day notice period for the repayment of members' shares held at call. The Credit Union also has a \$200,000 standby borrowing facility with the NZACU.

- **Insolvency**

The Credit Union must remain solvent, meaning that its assets must exceed its liabilities and it must be able to meet its debts as they fall due.

The Credit Union could become insolvent and/or be wound up if a significant amount of the loans due for repayment remain unpaid for an extended period of time, or if the Credit Union is, for any reason, unable to pay its debts as they fall due.

If the Credit Union becomes insolvent:

- > Members will not be required to pay any additional money, other than that already owing to the Credit Union;
- > The Credit Union is legally obliged to reject all requests for withdrawals from members' share accounts, and shall not be entitled to make any further loans;
- > All members' claims will rank equally (including those who invest under a later prospectus); and
- > Some specific claims will rank ahead of member's claims, for example, employees' unpaid wages insolvency costs and Prudential Supervisor's fees.

- **Winding Up**

On a dissolution or winding up of the Credit Union, members will receive no more than \$1.00 per share plus any returns owed. Members do not share in any surplus arising from the sale of the Credit Union's assets. Such surplus will be applied in accordance with the Rules and paid to either another credit union, the NZACU or, subject to members' votes, be applied to charitable purposes.

Surety and Insurance

The Act requires that the Credit Union be insured against fraud or dishonesty and that the officers of the Credit Union give security for the proper performance of their duties. Both of these matters are covered by the Credit Union's insurance policy with Vero Insurance Liability Limited.

Other Terms

All the terms of the offer of shares in the Credit Union are set out in this Prospectus, other than those terms implied by law or set out in a document that is referred to in this Prospectus, registered with a public official and available for public inspection.

9. Guarantors

No persons guarantee the repayment of the value of the shares, or the payment of any returns payable on shares held in the Credit Union.

10. Material Contracts

The following material contracts ("Material Contracts") were entered into by the Credit Union from the two years preceding the Specified Date to the date this Prospectus was amended:

Lease of Porirua Premises

The Credit Union has entered into a lease for its Porirua branch premises, being 18 Hartham Place Porirua, with Mahmood Ali and Nazmas Begum Ali (trading as M & N Ali Partnership). The Deed of Lease is dated 8 December 2009. The lease is for a term of 6 years from 1 November 2009 with three rights of renewal of three years each.

Lease of Wanganui Premises

The Credit Union has entered into a lease for its Wanganui branch premises, being 147 Victoria Avenue, Wanganui, with Magan Unka Ranchhod and Nalinibahen Magan Ranchhod. The Deed of Lease is dated 27 January 2010. The lease is for a term of 6 years from 15 October 2009 with two rights of renewal of three years each.

Whangarei Venture

The Credit Union has entered into a deed of loan administration and guarantee with Melville & Ellis Limited and Profile Finance Limited ("Profile Finance") dated 9 February 2010. This deed provides for Profile Finance to manage loan advances made by the Credit Union to customers of Melville & Ellis Limited's Whangarei department store. Under the deed Profile Finance guarantees repayment of the loans to the Credit Union in the event of default. The Credit Union makes no representations about the creditworthiness of the guarantor nor any recoverability under the guarantee (see the paragraph headed "*Whangarei Venture*" on page 19 for further details).

Deed of Amendment

A Deed of Amendment to the Trust Deed was entered into on 30 November 2010 between the trustees of the Credit Union and the Prudential Supervisor in order to modify the Trust Deed to include matters required by the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010 and the Deposit Takers (Liquidity Requirements) Regulations 2010.

Lease of Whangarei Premises

The Credit Union has entered into a lease for its Whangarei branch premises, being 23-27 Robert Street, Whangarei, with Denise and Company Limited. The Deed of Lease is dated 31 March 2011. The lease is for a term of three years from 1 March 2011 with two rights of renewal of three years each.

11. Pending Proceedings

As at the Specified Date, there are no pending legal proceedings or arbitrations that may have a material adverse effect on the Credit Union.

12. Acquisition of Business or Subsidiary

The Credit Union has not acquired a business, and no entity has become a subsidiary of the Credit Union, during the two years preceding the Specified Date.

13. Summary Financial Statements

A summary of the financial statements of the Credit Union in respect of the five consecutive accounting years ended 30 September 2010, being the date of the last audited financial statements of the Credit Union, are set out in Schedule One.

14. Financial Statements

The most recent audited financial statements of the Credit Union are for the financial year ended 30 September 2010. The audited financial statements were registered under the Financial Reporting Act 1993 on 20 January 2011.

15. Other Material Matters

Securities Act (Credit Unions) Exemption Notice 2010

In registering this Prospectus, the Credit Union has relied on the exemptions contained in the Securities Act (Credit Unions) Exemption Notice 2010. Under this exemption notice, and subject to the conditions set out in the notice, the Credit Union is exempted from compliance with sections 37A(1)(d), 51, 52 and 54 of the Securities Act 1978, clauses 1(3) and 12 of Schedule 2 of the Securities Regulations 2009 and regulation 40 of the Securities Regulations 2009 (insofar as that regulation deems clauses 1(2) and 3 of the Schedule 15 of the Securities Regulations 2009 to be contained in the Credit Union's Trust Deed).

Not a Registered Bank

The Credit Union is not a registered bank in terms of the Reserve Bank Act.

Credit Rating Exemption

Under Reserve Bank Act, every deposit taker, including credit unions, is required to have a current rating of its creditworthiness given by an approved rating agency (unless otherwise exempted).

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 creditworthiness 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 directors' statement must be attached to the statement.

Whangarei Venture

In February 2010, the Credit Union entered into a new business venture in Whangarei.

Under this venture, the Credit Union provides loan advances to customers of a local Whangarei department store, provided those customers first become members of the Credit Union. The Credit Union has appointed Profile Finance to manage the loan advances on behalf of the Credit Union, assist with completion of loan applications and assessments and collect the loan payments. Profile Finance guarantees repayment of the loans to the Credit Union, should the member default. Loan

advances are made through a joint bank account able to be operated by either the Credit Union or Profile Finance.

In consideration of Profile Finance providing this guarantee and the other services referred to above, the Credit Union pays Profile Finance an administration fee based on a percentage of the interest collected on the loans.

Regulatory Reform Bill

The Credit Union will be impacted upon by proposed amendments to the Act contained in the Regulatory Reform Bill (number 269-1). The amendments proposed by the Bill include:

- Removing the maximum limit on members' shareholdings.
- Removing the requirement that credit unions only accept deposits by way of subscription for shares and enabling credit unions to issue other types of securities.
- Removing statutory restrictions on the ability of credit unions to borrow money, but linking these to such restrictions as may be in a credit union's rules and trust deed.
- Removing the limitations on the amount and the term of the loans credit unions make to their members.
- Removing the restriction that credit unions may only hold land for the purposes of conducting their business.
- Requiring the provisions dealing with the investment of surplus funds to be as prescribed by a credit union's rules and trust deed.
- Removing the requirement to maintain a general reserve.

The Bill has been referred to the Commerce Select Committee, which is due to report to Parliament on 15 August 2011. If the Bill passes in its current form, it is likely that there will be consequential amendments to the Rules and the Trust Deed.

Trust Deed Breaches

Directors' Certificates

Clause 8.1(da) of the Trust Deed requires the Credit Union to provide a directors' certificate to the Prudential Supervisor within seven days of the end of each month confirming that the Credit Union is in compliance with the ratios set out in clauses 7.2(a), 7.2(d) and 7.2(f) of the Trust Deed.

The requirement to provide this certificate was added to the Trust Deed by way of a deed of amendment dated 30 November 2011. The Credit Union did not provide the Prudential Supervisor with the certificates for the period from 30 November 2010 to 1 June 2011 and was therefore in breach of the Trust Deed.

On 23 June 2011, the Prudential Supervisor noted the late and non-receipt of the monthly certificates and also noted that the outstanding certificates had, at that date, been received.

Liabilities Ratio

Under Clause 7.1(e)(ii) of the Trust Deed the Credit Union covenants not to permit its creditor liabilities to exceed 10% of its total liabilities.

In March 2011 the Credit Union breached this Clause as its creditor liabilities were 10.15% of its total liabilities.

On 23 June 2011, the Prudential Supervisor noted this breach, that it had subsequently been remedied and that no further action was required.

No Other Material Matters

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

16. Places of Inspection of Documents

Copies of the Rules, this Prospectus, the Trust Deed, the Material Contracts and the Credit Union's audited financial statements are included in the public file relating to the registration of the Credit Union, which can be viewed online on the Companies Office website www.business.govt.nz/companies under "Search Other Registers". Copies may also be obtained (a fee may be payable) by telephoning the MED Business Service Centre on 0508 266 726.

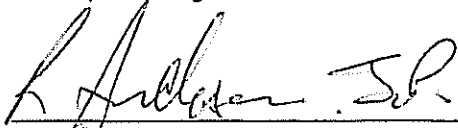
Copies of these documents, along with the register of the members of the Credit Union, are also available for inspection or copying, free of charge, at the Credit Union's registered office during office hours.

17. Directors' Statement

In the opinion of the directors, after due enquiry by them, none of the following has materially and adversely changed during the period between the balance date of the latest financial statements referred to in this Prospectus, being 30 September 2010, and the Specified Date:

- The trading or profitability of the Credit Union;
- The value of the Credit Union's assets; or
- The ability of the Credit Union to pay its liabilities due within the next twelve months.

THIS PROSPECTUS has been duly signed by each of the directors of Aotearoa Credit Union or by their agent authorised in writing.



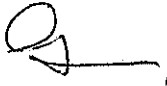
Robert Alfred Anderson



Darryl Vincent Evans



Bryan David Hemi



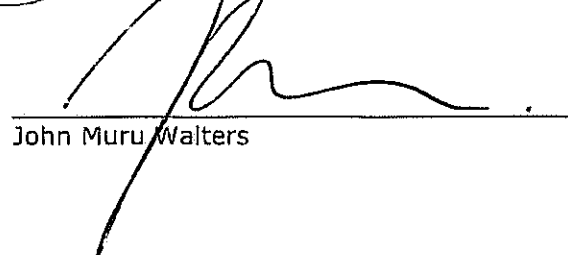
Gail Kura Hohaia



Kristen Jane Kohere-Soutar



Diana Marie Puketapu



John Muru Walters

THIS PROSPECTUS has been duly signed by each of the directors of Aotearoa Credit Union or by their agent authorised in writing.

Robert Alfred Anderson

Darryl Vincent Evans

Bryan David Hemi

Gail Kura Hohaia

Kristen Jane Kohere-Soutar

Diana Marie Puketapu

John Muru Walters

**Index of Matters Required to be Disclosed by the
Second Schedule of the Securities Regulations 2009**

Clause	Page
1 - Main Terms of Offer	5
2 - Name and Address of Offeror	N/A
3 - Details of Registration of Issuer	5 & 21
4 - Guarantors	18
5 - Names, Addresses and Other Information	4 & 14
6 - Restrictions on Directors' Powers	N/A
7 - Description of the Activities of the Borrowing Group*	6
8 - Summary Financial Statements	19
9 - Acquisition of Business or Subsidiary	18
10 - Material Contracts	18
11 - Pending Proceedings	18
12 - Issue Expenses	N/A
13 - Ranking of Securities	11
14 - Provisions of Trust Deed and Other Restrictions on the Borrowing Group*	11
15 - Other Terms of Offer and Securities	15
16-18- Requirements in Respect of Financial Statements	19
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* The "Borrowing Group" comprises only the Credit Union

Schedule One

Summary Financial Statements

Aotearoa Credit Union

Statement of Financial Position as at 30 September (in \$)

	2010 (NZ IFRS)	2009 (NZ IFRS)	2008 (NZ IFRS)	2007 (NZ IFRS)	2007 (NZ FRS)	2006 (NZ FRS)
Members Funds	3,078,148	2,966,471	2,356,251	2,160,684	2,160,684	1,728,096
Represented by:						
Assets						
Cash and cash equivalents	834,607	1,282,001	955,504	506,374	506,374	174,858
Bank deposits	2,740,000	3,910,000	2,950,000	3,200,000	3,200,000	2,300,000
Trade and other receivables	170,250	197,061	186,334	204,669	204,669	161,796
Loans to members	10,012,632	8,641,744	6,140,204	5,184,202	5,184,202	4,113,809
Plant & equipment	918,394	801,018	947,418	790,529	790,529	516,017
Capital notes	352,688	352,688	300,778	300,778	300,778	300,778
Total assets	15,028,571	15,184,512	11,480,238	10,186,552	10,186,552	7,567,258
Liabilities						
Trade and other payables	1,159,333	986,563	832,709	728,969	443,963	313,619
Members' deposits	10,791,090	11,231,478	8,291,278	7,296,899	7,581,905	5,525,543
Total liabilities	11,950,423	12,218,041	9,123,987	8,025,868	8,025,868	5,839,162
Net assets	3,078,148	2,966,471	2,356,251	2,160,684	2,160,684	1,728,096

Statement of Comprehensive Income for the year ended 30 September (in \$)

	2010 (NZ IFRS)	2009 (NZ IFRS)	2008 (NZ IFRS)	2007 (NZ IFRS)	2007 (NZ FRS)	2006 (NZ FRS)
Interest revenue	1,486,695	1,441,886	1,321,697	1,109,176	1,153,071	868,834
Other revenue	4,771,303	4,352,367	3,396,318	3,216,952	3,173,047	2,662,093
Total Revenue	6,257,998	5,794,253	4,718,015	4,326,128	4,326,128	3,530,927
Interest expenditure	278,516	340,374	304,728	286,431	286,431	208,459
Administrative expenses	5,867,805	4,843,659	4,217,720	3,607,109	3,607,109	2,988,434
Total Expenditure	6,146,321	5,184,033	4,522,448	3,893,540	3,893,540	3,196,893
Profit for the year attributable to members	111,677	610,220	195,567	432,588	432,588	334,034
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period attributable to members	111,677	610,220	195,567	432,588	432,588	334,034

Statement of Cash Flows for the year ended 30 September (in \$)

	2010 (NZ IFRS)	2009 (NZ IFRS)	2008 (NZ IFRS)	2007 (NZ IFRS)	2007 (NZ FRS)	2006 (NZ FRS)
Net cash flows from (or used in) operating activities	(1,163,067)	1,446,140	599,176	711,406	997,837	623,647
Net cash flows from (or used in) investing activities	688,147	(1,183,756)	(985,008)	(2,377,611)	(2,399,588)	(1,485,549)
Net cash flows from (or used in) financing activities	27,526	(21,024)	834,962	1,997,721	1,733,267	758,752
Total net increase (decrease) in cash held	(447,394)	241,360	449,130	331,516	331,516	(103,150)
Cash at beginning of the financial period	1,282,001	955,504	506,374	174,858	174,858	278,008
Cash received from acquisition of operation	-	85,137	-	-	-	-
Cash at the end of the financial period	834,607	1,282,001	955,504	506,374	506,374	174,858

Statement of Changes in Equity for the year ended 30 September (in \$)

	2010 (NZ IFRS)	2009 (NZ IFRS)	2008 (NZ IFRS)	2007 (NZ IFRS)	2007 (NZ FRS)	2006 (NZ FRS)
Retained earnings						
Balance at start of year	2,157,107	1,781,251	1,650,684	1,348,096	1,348,096	1,076,062
Total comprehensive income for the year	111,677	610,220	195,567	432,588	432,588	334,034
Transfers (to) / from reserves	-	(234,364)	(65,000)	(130,000)	(130,000)	(62,000)
Balance at end of year	2,268,784	2,157,107	1,781,251	1,650,684	1,650,684	1,348,096
General Reserves						
Balance at start of year	809,364	575,000	510,000	380,000	380,000	318,000
Movement in reserves for the year	-	234,364	65,000	130,000	130,000	62,000
Balance at end of year	809,364	809,364	575,000	510,000	510,000	380,000
Total Reserves						
Balance at start of year	2,966,471	2,356,251	2,160,684	1,728,096	1,728,096	1,394,062
Total comprehensive income for the year	111,677	610,220	195,567	432,588	432,588	334,034
Balance at end of year	3,078,148	2,966,471	2,356,251	2,160,684	2,160,684	1,728,096

Notes to Summary Financial Statements

1. The Summary Financial Statements are for the public benefit entity Aotearoa Credit Union ("the Credit Union").
2. The Summary Financial Statements have been extracted from the audited full Financial Statements for the years ended 30 September 2006, 2007, 2008, 2009 and 2010 which were authorised for issue on 11 December 2006, 9 November 2007, 7 November 2008, 21 December 2009 and 20 December 2010 respectively and are presented in New Zealand dollars which is the Credit Union's functional and presentation currency. All values are rounded to the nearest dollar. The Summary Financial Statements have been prepared in accordance with FRS-43 Summary Financial Statements subject to the Securities Regulations 2009.
3. The Summary Financial Statements have been authorised for issue by the Board on the date of this Prospectus.
4. The Credit Union is a public benefit entity domiciled in New Zealand and registered under the Friendly Societies and Credit Unions Act 1982.
5. The Summary Financial Statements cannot be expected to provide as complete an understanding as provided by the full Financial Statements. A copy of the full

Financial Statements can be obtained by referring to paragraph 16 headed "Places of Inspection of Documents" on page 21 for details.

6. The full Financial Statements have been audited and Staples Rodway issued an unqualified opinion in respect of the years ended 30 September 2006, 2007, 2008, 2009 and 2010 on 11 December 2006, 9 November 2007, 7 November 2008, 21 December 2009 and 20 December 2010 respectively.
7. Aside from the implementation of New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") (described in Note 10 below), the only change in accounting policies throughout the years presented relates to the classification of loans to members and loan repayments from members within the Statement of Cash Flows. For the years ended 30 September 2009 and 2010, these amounts have been presented as operating activities, whereas in the previous years they were presented as investing activities. The Credit Union determined that the operating cash flow classification is a more appropriate classification of these cash flows. There have been no other changes to accounting policies and these policies have been consistently applied throughout the years presented.
8. The full Financial Statements, from which these Summary Financial Statements have been extracted, have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). The full Financial Statements for the years ended 30 September 2008, 2009 and 2010 comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities. The full Financial Statements for the years ended 30 September 2008, 2009 and 2010 also comply with International Financial Reporting Standards ("IFRS"). The full Financial Statements have been prepared under the historical cost convention, with the exception of some liabilities which are measured at fair value, and revaluations to fair value for certain classes of assets as described in the accounting policies.
9. For the years under review there have been no amounts derived using the equity method.
10. For the year ended 30 September 2008 Aotearoa Credit Union implemented NZ IFRS ("New Zealand Equivalent International Financial Reporting Standards). The figures for the year ended 30 September 2007 were restated to reflect NZ IFRS accounting. The 2007 figures are provided in both NZ IFRS and NZ FRS (being New Zealand Generally Accepted Accounting Practice that applied prior to the adoption of NZ IFRS).
11. The assets, liabilities and reserves of the Hamilton Industrial and Clerical Credit Union ("HICCU") were transferred to the Credit Union on 1 October 2008. In accordance with NZ IFRS 3, the acquisition of the net assets of HICCU was treated as a "bargain purchase" because no consideration was paid by the Credit Union for the assets and liabilities of the operation. The gain on acquisition of HICCU is included in the Statement of Comprehensive Income as "Other Income" in the full financial statements for the year ended 30 September 2009.
12. Events occurring after the balance sheet date: No significant events have occurred between the balance date and the date of the authorisation of the full Financial Statements or between the date of the authorisation of the full Financial Statements and the date of the authorisation of the Summary Financial Statements which would impact on the financial position of the Credit Union disclosed in the Summary Statement of Financial Position as at 30 September 2006, 2007, 2008, 2009 and 2010 or on the results and cash flows of the Credit Union for the years ended on those dates.

Schedule Two

Share Accounts

The terms and conditions of each share account are as set out on application and as generally described in this Prospectus. The rate of return for each share account will be that rate set by the Credit Union from time to time. Details of the current rate of return for each share account are available from the Credit Union (refer to the Directory on page 4 for contact details).

The Board reserves the right (subject to any restriction contained in the Act, the Trust Deed, the Rules or otherwise at law) to vary the rate of return, the terms and conditions of each account, or the timing of repayments. Notice of any such change will be provided to members by way of inclusion in the Credit Union's newsletter.

The following information is given as at the Specified Date.

<u>Term Share Accounts</u>	
<i>Term Investment Accounts</i>	
Term:	Fixed terms of 1, 3, 6, 9, 12 or 24 months
Rate of Return (or method of calculation):	Returns payable monthly, quarterly or at the end of term at member's option. 1 month 3.0% p.a. 3 months 4% p.a. 6 months 5.25% p.a. 9 months 5% p.a. 12 months 7.00% p.a. 24 months 8.10% p.a.
Minimum Shareholding:	\$500
Timing of Repayments:	At the end of the term
Method of Withdrawal:	Cash or cheque withdrawal, account transfer
Fees and Charges:	Early Redemption Fee – usual rate of return reduced by 1%

<u>On Call Accounts</u>	
<i>Access Account</i>	
Rate of Return:	0%
Minimum Deposit:	\$10
Timing of Repayments:	On demand
Method of Withdrawal:	Cash or cheque withdrawal, account transfer, ACCESSCARD, automatic payment, direct debit.
Fees and Charges:	See the schedule of fees and charges below.

Junior Saver Account	
Rate of Return:	Up to \$499 2% p.a. \$500 to \$999 3% p.a. Over \$1,000 4% p.a. Returns payable monthly
Minimum Deposit:	\$10
Timing of Repayments:	On demand
Method of Withdrawal:	Cash or cheque withdrawal, account transfer
Fees and Charges:	No fees or charges are payable in respect of this account

Serious Saver Account	
Rate of Return:	Up to \$499 2% p.a. \$500 to \$999 3% p.a. Over \$1,000 4% p.a. Returns payable monthly
Minimum Deposit:	\$10
Timing of Repayments:	On demand
Method of Withdrawal:	Cash or cheque withdrawal, account transfer
Fees and Charges:	No fees or charges are payable in respect of this account

Notice of Withdrawal Accounts

Loan Provider Account	
Members must deposit a minimum of \$5 per week into this account.	
Rate of Return:	2% p.a. Returns payable annually
Minimum Deposit:	\$10
Timing of Repayments:	On 14 working days' notice of withdrawal
Method of Withdrawal:	Cash or cheque withdrawal, account transfer, electronic transfer
Fees and Charges:	No fees or charges are payable in respect of this account

Special Share Accounts

Christmas Club Account	
Rate of Return:	5% p.a.
Minimum Deposit:	\$10
Timing of Repayments:	Open for withdrawals on demand from 1 December to 31 January
Method of Withdrawal:	Cash or cheque withdrawal, account transfer, electronic transfer
Fees and Charges:	No fees or charges are payable in respect of this account

Golden Years Package

This is a package for members who receive National Superannuation payments. To qualify for this package all of the member's National Superannuation must be credited to Credit Union accounts.

This package includes:

- Exemption from EFTPOS/ATM Transaction fees
- 1 free EFTPOS/ATM card (lost/stolen/damaged EFTPOS/ATM Card will incur a replacement fee of \$5.00)
- Exemption from transaction fees
- Exemption from account monthly maintenance fee
- Free telephone banking service
- Members will still be liable for all loan fees and charges, third party costs including the cost of replacement EFTPOS/ATM cards and any costs applicable to the delinquency and/or dishonouring of transactions.

Schedule of Fees and Charges

Debit Card Fees (per transaction)	
*ATM withdrawal/enquiry-non ACU	\$2.00
*ATM withdrawal/enquiry-ACU	\$1.00
International ATM withdrawal	\$7.00
International ATM enquiry	\$0.80
*EFTPOS	\$0.50
International EFTPOS withdrawal	\$0.80
ACCESSCARD Maestro overseas transaction (%of overseas transaction amount)	2.5%
*Card issue	\$5.00
*Card replacement	\$15.00
*PIN replacement	\$5.00
Counter/Administrative Fees (per transaction)	
Cash withdrawal over counter	\$3.00
Transfer between accounts over the counter	\$3.00
Stopped cheques	\$25.00
Special Answer	\$20.00
Inter credit union withdrawal	\$10.00
*Automatic Payment or Direct Debit setup or alteration or cancellation	\$5.00
Automatic Payment or Direct Debit transaction	\$0.50
Dishonoured Direct Debit	\$25.00
Traces and voucher searches	\$13.00

ACCESSTXT (027 & 025 Mobile Phones)	\$1.00
ACCESSTXT (021 Mobile Phones)	\$1.00
Credicare claim – maximum of	\$2.00
Faxing at member’s request	\$5.00
Statement search	\$50.00
Account Fee	
Account fee (per month or part month)	\$2.50
Lending Fees	
Loan application fee within shares	\$20.00
Loan application fee – Emergency loans	\$35.00
Loan application – above share loan	\$40.00
Retail Finance Loan Application Fee	\$250.00#
<i># this fee is split between the Credit Union and Profile Finance Limited in an agreed proportion</i>	
Debt Collection	
Instruction fee	per invoice
Debtor trace – successful/unsuccessful	per invoice
Debt recovery field visit	per invoice
Repossession/per attempt	per invoice
Delinquent loan letters and subsequent letters	\$20.00

**Credit Union Board and the Staff of the Credit Union are exempt from these fees/charges. All other fees and charges are charged at current rate.*

When the Credit Union incurs charges from any other organisation when acting on a member’s behalf; by way of legal fees, or fees associated with the registration of securities, or some other charge or fee which is specific to a particular member, the Credit Union may pass such costs on to the member.

If a member’s total share balance is \$3,000 or more, then the Credit Union will waive the cost of transaction fees, account monthly maintenance fees and telephone banking fees while the total balance of the accounts exceeds \$3,000.

Members will still be liable for all loan fees and charges, third party costs including the cost of replacement EFTPOS/ATM cards and any costs applicable to the delinquency and/or dishonouring of transactions.

Schedule Three

Auditor's Report

Level 9, Tower Centre
45 Queen Street, 1010
Auckland
New Zealand

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Auckland 1140,
New Zealand
DX CP19042

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enquiries@staplesrodway.com
www.staplesrodway.com



24 March 2011

Aotearoa Credit Union
Unit B
123 Ormiston Road
Botany Junction
Auckland 2016

Dear Directors

AUDITORS' REPORT FOR INCLUSION IN PROSPECTUS

As auditors of Aotearoa Credit Union (the 'Credit Union' and 'Borrowing Entity') we have prepared this report pursuant to the Securities Act 1978 and clause 22 of Schedule 2 of the Securities Regulations 2009 for inclusion in a prospectus dated 24 March 2011 for the issue of debt securities.

This report is made solely to the Directors of the Credit Union (the 'Directors'), in accordance with clause 22 of Schedule 2 to the Securities Regulations 2009. Our audit has been undertaken so that we might state to the Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to Section 61 of the Securities Act 1978, we do not accept or assume responsibility to anyone other than the Credit Union and its Members as a body, for our audit work, for this report, or for the opinion we have formed. In addition, we take no responsibility for, nor do we report on, any part of the prospectus not specifically mentioned in this report.

Board of Directors' Responsibilities

The Board of Directors are responsible for the preparation and presentation of:

- (a) the financial statements for the year ended 30 September 2010 that comply with generally accepted accounting practice in New Zealand and give a true and fair view of the state of affairs of the Borrowing Entity as at 30 September 2010 and its financial performance and cash flows for the financial year ended on that date; and
- (b) the summary financial statements of the Borrowing Entity for the financial years ended 30 September 2008, 2007, 2008, 2009 and 2010, as required by clause 8 of Schedule 2 of the Securities Regulations 2009; and
- (c) the details and amounts in respect of the ranking of securities of the Borrowing Entity as at 30 September 2010 as required by clause 13 of Schedule 2 of the Securities Regulations 2009.

Auditors' Responsibilities

It is our responsibility to report in accordance with clause 22(h) of Schedule 2 of the Securities Regulations 2009:

- a) on the amounts included in the summary financial statements for the financial years ended 30 September 2008, 2007, 2008, 2009 and 2010 presented by the Directors; and

- b) on the amounts included in the ranking of securities of the Borrowing Entity as at 30 September 2010 presented by the Directors.

Our firm carries out no other assignments for the Credit Union. The firm has no other interests in the Credit Union.

Basis of Opinion on the Summary Financial Statements

We have undertaken procedures to provide reasonable assurance that the amounts set out in the summary financial statements on pages 23 to 25 of this prospectus, pursuant to clause 8 of Schedule 2 of the Securities Regulations 2009, have been correctly taken from the audited financial statements of the Borrowing Entity for the financial years ended 30 September 2006, 2007, 2008, 2009 and 2010. For a better understanding of the financial position and results of the Borrowing Entity's operations for the financial periods, the summary financial information should be read in conjunction with the related annual financial statements.

Basis of Opinion on the Ranking of Securities

We have undertaken procedures to provide reasonable assurance that the amounts set out in the ranking of securities on page 11, pursuant to clause 13 of Schedule 2 of the Securities Regulations 2009, have been correctly taken from the audited financial statements of the Borrowing Entity as at 30 September 2010.

We have not undertaken any procedures from the date of completion of our audit.

Unqualified Opinion on the Summary Financial Statements

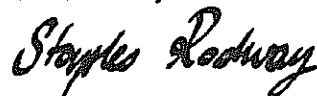
In our opinion the amounts set out in the summary financial statements, on pages 23 to 25 of this prospectus, as required by clause 8 of Schedule 2 of the Securities Regulations 2009, have been correctly taken from the audited financial statements of the Borrowing Entity for the financial years ended 30 September 2006, 2007, 2008, 2009 and 2010 from which they were extracted.

Unqualified Opinion on the Ranking of Securities

In our opinion the amounts set out in the ranking of securities, on page 11 of this prospectus, as required by clause 13 of Schedule 2 of the Securities Regulations 2009, have been correctly taken from the audited financial statements of the Borrowing Entity for the year ended 30 September 2010.

In terms of Regulation 18(1)(c)(ii) of the Securities Regulations 2009 we hereby give our consent to the inclusion in the prospectus dated 24 March 2011 of our audit report in the form in which it is included. We also confirm that we have not, before delivery of this prospectus for registration, withdrawn our consent to the inclusion thereof.

Yours faithfully



Staples Rodway Auckland
Chartered Accountants,
Auckland, New Zealand

Schedule Four
Prudential Supervisor's Statement



24 March 2011

The Trustees and Members
Aotearoa Credit Union
PO Box 200-175
Papatoetoe
Auckland

PRUDENTIAL SUPERVISOR'S STATEMENT

As required by Clause 14(3) of Schedule 2 of the Securities Regulations 2009, we confirm that the offer of shares ("the Securities") set out in the Prospectus complies with any relevant provisions of the Trust Deed dated between Aotearoa Credit Union ("the Credit Union") and Perpetual Trust Limited dated 18 October 2001 (as amended). These provisions are those which:

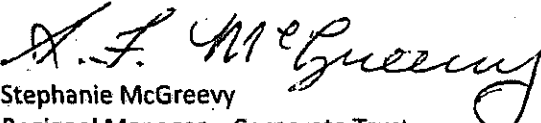
- (i) Entitle the Credit Union to constitute and issue under the Trust Deed the Securities offered in the Prospectus.
- (ii) Impose restrictions on the right of the Credit Union to offer the Securities;

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

The Auditors have reported on the financial information set out in the Prospectus and our statement does not refer to that information or to any other material in the Prospectus which does not relate to the Trust Deed. Subject to the duties imposed by Schedule 15 of the Securities Regulations 2009, Perpetual Trust Limited relies on the information supplied to it by the Credit Union pursuant to the Trust Deed and does not carry out an independent check of that information.

Perpetual Trust Limited does not guarantee the repayment of the Securities or the payment of interest thereon.

Yours sincerely


Stephanie McGreevy
Regional Manager – Corporate Trust

P (04) 901 4410
E Stephanie.mcgreevy@perpetual.co.nz