

**AOTEAROA CREDIT UNION  
("Credit Union")**

**CERTIFICATE OF DIRECTORS' OF THE CREDIT UNION  
PURSUANT TO SECTION 37A(1A) OF THE SECURITIES ACT 1978**

This certificate relates to the registered Aotearoa Credit Union prospectus dated 24 March 2011 ("Prospectus").

It is the opinion of all of the directors of the Credit Union after due enquiry by them:

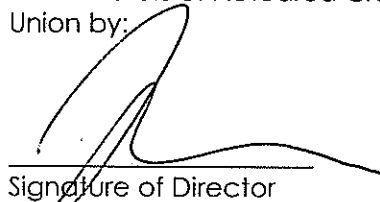
1. The financial position shown in the balance sheet as at 30 September 2010 for the Credit Union referred to in the Prospectus has not materially and adversely changed during the period from 30 September 2010 to the date of this certificate; and
2. The Prospectus is not, at the date of this certificate, false or misleading in a material particular by reason of failing to refer, or give proper emphasis, to adverse circumstances.

Attached to this certificate are financial statements for the Credit Union for the six months ended 31 March 2011.

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

**DATED** the 29<sup>th</sup> day of June 2011

Signed for and on behalf of all  
the directors of Aotearoa Credit  
Union by:

  
Signature of Director

John Walters  
Name of Director

  
Signature of Director

  
Name of Director

Diana Puketapu



Unit B/123 Ormiston Rd  
Botany Junction  
Manukau.  
Phone (09) 250 2491  
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## **AOTEAROA CREDIT UNION**

### **UNAUDITED INTERIM FINANCIAL REPORT**

**FOR THE SIX MONTHS ENDED 31 MARCH 2011**

**AOTEAROA CREDIT UNION**

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FOR THE SIX MONTHS ENDED 31 MARCH 2011**

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# AOTEAROA CREDIT UNION

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 MARCH 2011

	6 Months Ended 31 March 2011 \$ (Unaudited)	6 Months Ended 31 March 2010 \$ (Unaudited)	Year Ended 30 September 2010 \$ (Audited)
Interest Revenue	862,072	725,591	1,486,695
Other Revenue	2,693,658	2,202,208	4,771,303
<b>TOTAL REVENUE</b>	<b>3,555,730</b>	<b>2,927,799</b>	<b>6,257,998</b>
<b>EXPENDITURE</b>			
Finance Costs	135,121	131,609	278,516
Loan Impairment Expenses	229,726	83,788	313,013
Employee Benefits	1,018,355	899,406	1,882,085
Occupancy	319,850	334,591	692,952
Depreciation	181,669	165,968	364,477
Other Expenditure	1,275,984	1,277,808	2,615,278
<b>TOTAL EXPENDITURE</b>	<b>3,160,705</b>	<b>2,893,170</b>	<b>6,146,321</b>
<b>Profit for the Period</b>	<b>395,025</b>	<b>34,629</b>	<b>111,677</b>
Other Comprehensive Income	-	-	-
<b>Total Comprehensive Income for the Period</b>	<b>395,025</b>	<b>34,629</b>	<b>111,677</b>

## CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 MARCH 2011


	Retained Earnings \$	Other Reserves \$	Total Reserves \$
<b>Balance at 1 October 2009</b>	2,157,107	809,364	2,966,471
Total Comprehensive income for the period	34,629	-	34,629
Transfers to and from reserves:			
-General Reserve	-	-	-
<b>Balance at 31 March 2010 (Unaudited)</b>	<b>2,191,736</b>	<b>809,364</b>	<b>3,001,100</b>
<b>Balance at 1 October 2009</b>	2,157,107	809,364	2,966,471
Total Comprehensive income for the year	111,677	-	111,677
Transfers to and from reserves:			
-General Reserve	-	-	-
<b>Balance at 30 September 2010 (Audited)</b>	<b>2,268,784</b>	<b>809,364</b>	<b>3,078,148</b>
<b>Balance at 1 October 2010</b>	2,268,784	809,364	3,078,148
Total Comprehensive income for the period	395,025	-	395,025
Transfers to and from reserves:			
-General Reserve	-	-	-
<b>Balance at 31 March 2011 (Unaudited)</b>	<b>2,663,809</b>	<b>809,364</b>	<b>3,473,173</b>

**AOTEAROA CREDIT UNION**

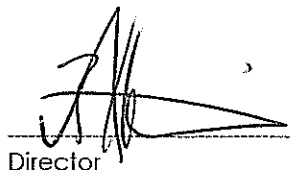
**CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2011**

	Note	31 March 2011 \$ (Unaudited)	31 March 2010 \$ (Unaudited)	30 September 2010 \$ (Audited)
<b>MEMBERS' FUNDS</b>				
Retained Earnings		2,663,812	2,191,736	2,268,784
Other Reserves		809,364	809,364	809,364
<b>TOTAL MEMBERS FUNDS</b>		<b>3,473,176</b>	<b>3,001,100</b>	<b>3,078,148</b>
<b>ASSETS</b>				
Cash and Cash Equivalents		1,420,443	2,432,317	834,607
Short Term Deposits		1,840,000	2,090,000	2,740,000
Trade and Other Receivables		262,032	177,564	170,250
Loans to Members	4	10,803,536	9,062,294	10,012,632
Property, Plant and Equipment	7	798,025	982,279	918,394
Capital Notes		352,688	352,688	352,688
<b>TOTAL ASSETS</b>		<b>15,476,724</b>	<b>15,097,142</b>	<b>15,028,571</b>
<b>LIABILITIES</b>				
Trade and Other Payables		1,218,154	994,506	1,159,333
Members' Deposits	9	10,785,394	11,101,536	10,791,090
<b>TOTAL LIABILITIES</b>		<b>12,003,548</b>	<b>12,096,042</b>	<b>11,950,423</b>
<b>NET ASSETS</b>		<b>3,473,176</b>	<b>3,001,100</b>	<b>3,078,148</b>

These Financial Statements are authorised for issue by:

  
Director

Date 21st June 2011

  
Director

Date 21st June 2011

**AOTEAROA CREDIT UNION**

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 31 MARCH 2011**

	6 Months Ended 31 March 2011 \$ (Unaudited)	6 Months Ended 31 March 2010 \$ (Unaudited)	Year Ended 30 September 2010 \$ (Audited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Gross Cash Inflow	3,421,659	28,61,098	6,277,281
Gross Cash Outflow	(3,663,805)	(3,170,701)	(7,440,348)
<b>Net Cash (Used in)/Provided by Operating Activities</b>	<b>(242,146)</b>	<b>(309,603)</b>	<b>(1,163,067)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Gross Cash Inflow	900,000	1,820,000	1,170,000
Gross Cash Outflow	(61,297)	(347,229)	(481,853)
<b>Net Cash Provided by/(used in) Investing Activities</b>	<b>838,703</b>	<b>1,472,771</b>	<b>688,147</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Gross Cash Inflow	(10,721)	-	27,526
Gross Cash Outflow	-	(12,852)	-
<b>Net Cash Provided by/(used in) Financing Activities</b>	<b>(10,721)</b>	<b>(12,852)</b>	<b>27,526</b>
Total Net (Decrease) / Increase in Cash Held Cash and Cash Equivalents at the Beginning of the Period	585,836 834,607	1,150,316 1,282,001	(447,394) 1,282,001
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>1,420,443</b>	<b>2,432,317</b>	<b>834,607</b>

# AOTEAROA CREDIT UNION

## SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 MARCH 2011

### 1. GENERAL INFORMATION

#### Reporting Entity

The Aotearoa Credit Union ("The Credit Union") is registered in New Zealand under the Friendly Societies and Credit Unions Act 1982. The Credit Union is a public benefit entity and is an issuer for the purposes of the Financial Reporting Act 1993.

#### Nature of Business

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

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

The Credit Union operates predominantly in one industry, being the investment of members' funds. All operations are based in New Zealand. Segment information is represented by the amounts disclosed in the Condensed Statement of Comprehensive Income, Condensed Statements of Financial Position and Cash Flows.

#### Other General Information

The interim financial statements and operations of the Credit Union are not materially impacted by seasonal trends.

The financial statements for the six months ended 31 March 2011 and 2010 are unaudited. The comparative financial statements for 30 September 2010 have been audited.

The interim financial statements were authorised for issue by the directors on 21 June 2011.

### 2. BASIS OF PREPARATION

#### a) Statement of Compliance

These interim financial statements have been prepared in accordance with New Zealand Equivalent to International Financial Reporting Standards 34: *Interim Financial Reporting*. The interim financial statements do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Credit Union as at and for the year ended 30 September 2010. These financial statements also comply with IAS 34: *Interim Financial Reporting*.

#### b) Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain assets and financial instruments.

Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

#### c) Functional and presentation currency

The financial statements are presented in New Zealand dollars, which is the Credit Union's functional and presentation currency.

#### d) Accounting Judgements, Estimates & Assumptions

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

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

The details of the critical accounting estimates and assumptions are set out in note [5] for the impairment provisions for loans.

### 3. STATEMENT OF ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 30 September 2010.

# AOTEAROA CREDIT UNION

## SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 MARCH 2011

### 4. LOANS TO MEMBERS

Loans are made in accordance with the lending policy of the Credit Union and are repayable on demand. A provision for impairment has been made at the end of the reporting period. Bad loans are written off against the provision for impairment. All loans that have been placed with a collection agency are assessed for impairment individually and provided for in full as there is no realisable collateral held.

#### a) Loans to Members Comprises:

	6 Months Ended 31 March 2011 \$ (Unaudited)	6 Months Ended 31 March 2010 \$ (Unaudited)	Year Ended 30 September 2010 \$ (Audited)
Neither Past Due nor Impaired	9,113,735	9,014,712	9,031,816
Past due but not impaired	52,927	24,105	36,206
Impaired individually	1,835,070	7,331	1,034,676
Impaired Collectively	276,210	120,950	200,589
<b>Gross Loans</b>	<b>11,277,942</b>	<b>9,167,098</b>	<b>10,303,287</b>
<b>Less:</b>			
Allowance for Impairment Individually	(288,368)	(7,331)	(159,207)
Allowance for Impairment Collectively	(186,038)	(97,473)	(131,448)
<b>Net Loans to Members</b>	<b>10,803,536</b>	<b>9,062,294</b>	<b>10,012,632</b>

#### b) Credit Quality – Security Dissection

	6 Months Ended 31 March 2011 \$ (Unaudited)	6 Months Ended 31 March 2010 \$ (Unaudited)	Year Ended 30 September 2010 \$ (Audited)
Secured by First Mortgage over Real Estate	967,681	938,920	941,197
Secured by Motor Vehicles	452,140	360,092	567,785
Secured by Members Shares	6,491,839	6,488,507	5,963,145
Guaranteed by Third Party	1,819,649	-	1,025,469
Unsecured	1,546,633	1,379,579	1,805,691
<b>Gross Loans</b>	<b>11,277,942</b>	<b>9,167,098</b>	<b>10,303,287</b>

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

	6 Months Ended 31 March 2011 \$ (Unaudited)	6 Months Ended 31 March 2010 \$ (Unaudited)	Year Ended 30 September 2010 \$ (Audited)
Security held as First Mortgage against Real Estate is on the basis of:			
- Loan to Valuation Ratio of less than 80%	531,249	495,545	502,161
- Loan to Valuation Ratio of more than 80% but Mortgage Insured	-	-	-
- Loan to Valuation Ratio of more than 80% but not Mortgage Insured	436,432	443,375	439,036
<b>TOTAL</b>	<b>967,681</b>	<b>938,920</b>	<b>941,197</b>

# AOTEAROA CREDIT UNION

## SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 MARCH 2011

### 5. LOANS TO MEMBERS (CONTINUED)

#### c) Credit Quality – Concentration of Loans

In the previous year, the Credit Union initiated an arrangement with another financial institution whereby the financial institution introduces loans to the Credit Union, and provides a guarantee as to the performance of the introduced loans. In addition, under the arrangement, the financial institution is responsible for collecting loan payments from the members, and remitting payments to the Credit Union at an accelerated term of 2 years and an interest rate of 15%. While the individual underlying loans represent a contractual relationship with the Credit Union, the existence of the guarantee and accelerated payment terms results in the arrangement being recognised as a single exposure, as opposed to a portfolio of individual loans. At 31 March 2011, the Credit Union had a gross exposure of \$1,819,649 under this facility and had raised an impairment provision of \$272,947 against this exposure (30 September 2010: Gross exposure: \$1,175,469; Impairment Provision: \$150,000; 31 March 2010: Gross exposure: \$[Nil]; Impairment Provision: \$[Nil]).

### 6. IMPAIRMENT OF LOANS AND ADVANCES

#### a) Allowance for Impairment

	6 Months Ended 31 March 2011 \$ (Unaudited)	6 Months Ended 31 March 2010 \$ (Unaudited)	Year Ended 30 September 2010 \$ (Audited)
Balance at 1 October	(290,655)	(68,797)	(68,797)
Addition / (Reduction) in allowance	(229,727)	(83,790)	(313,013)
Bad Debts Written off to allowance	45,976	47,782	91,155
Asset Acquired Through the enforcement of Security	-	-	-
<b>Balance at 31 March</b>	<b>(474,406)</b>	<b>(104,805)</b>	<b>(290,655)</b>

#### b) Calculation of allowance for impairment

	6 Months Ended 31 March 2011 \$ (Unaudited)	6 Months Ended 31 March 2010 \$ (Unaudited)	Year Ended 30 September 2010 \$ (Audited)
Allowance per Prudential Standards (Impaired Collectively)	(186,038)	(97,474)	(131,448)
Additional specific allowance (Impaired Individually)	(288,368)	(7,331)	(159,207)
<b>Closing Balance</b>	<b>(474,406)</b>	<b>(104,805)</b>	<b>(290,655)</b>

#### c) Key assumptions in determining the allowance for impairment

For credit exposures subject to individual impairment assessment, the Credit Union has considered the present value of expected future cash flows (inclusive of available security where appropriate) in determining the amount of the provision for impairment required at balance date.

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

In identifying the impairment likely from these events the Credit Union is required to estimate the potential impairment using the length of time the loan is in arrears and the historical losses arising in past years. An estimate is based on the period of impairment.

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

The present value of the future cash flows from the impaired asset group is then calculated by discounting the loans' current value (carrying amount less provision) at the loans effective interest rate (taken collectively to be 15.08%).

# AOTEAROA CREDIT UNION

## SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 MARCH 2011

### 6. IMPAIRMENT OF LOANS AND ADVANCES (CONTINUED)

#### d) Impairment of loans

	6 Months Ended 31 March 2011 \$ (Unaudited)	6 Months Ended 31 March 2010 \$ (Unaudited)	Year Ended 30 September 2010 \$ (Audited)
<b>Individually Impaired</b>			
Loans with allowance for impairment	1,819,649	-	1,025,469
Allowance for impairment	(272,947)	-	(150,000)
<b>Net Individually Impaired Loans</b>	<u>1,546,702</u>	<u>-</u>	<u>875,469</u>

	6 Months Ended 31 March 2011 \$ (Unaudited)	6 Months Ended 31 March 2010 \$ (Unaudited)	Year Ended 30 September 2010 \$ (Audited)
<b>Non Accrual Loans (no interest charged)</b>			
Loans with allowance for impairment	15,421	7,331	9,207
Allowance for impairment	(15,421)	(7,331)	(9,207)
<b>Total Non-Accrual Loans</b>	<u>-</u>	<u>-</u>	<u>-</u>

	6 Months Ended 31 March 2011 \$ (Unaudited)	6 Months Ended 31 March 2010 \$ (Unaudited)	Year Ended 30 September 2010 \$ (Audited)
<b>Past due loans 30 days to 90 days</b>			
Total past due loans 30 days to 90 days	66,159	30,445	45,259
Allowance for impairment	(20,922)	(9,628)	(14,313)
<b>Total Past Due Loans 30 days to 90 Days</b>	<u>45,237</u>	<u>20,817</u>	<u>30,946</u>

	6 Months Ended 31 March 2011 \$ (Unaudited)	6 Months Ended 31 March 2010 \$ (Unaudited)	Year Ended 30 September 2010 \$ (Audited)
<b>Past due loans &gt;90 days</b>			
Total past due loans beyond 90 days	210,051	111,392	155,330
Allowance for impairment	(165,115)	(87,846)	(117,136)
<b>Total Past Due Loans &gt;90 Days</b>	<u>44,936</u>	<u>23,546</u>	<u>38,194</u>

There were no restructured loans or loans where real estate or other assets were acquired through the enforcement of security at 31 March 2011 (30 September 2010: nil; 31 March 2010: nil).

#### d) Interest and Other Revenue recognised and foregone

During the period, there is no interest and other revenue recognised and foregone (30 September 2010: nil; 31 March 2010: nil).

#### e) Fair value of Assets Acquired

There are no assets acquired through the enforcement of security (30 September 2010: nil; 31 March 2010: nil).

## AOTEAROA CREDIT UNION

### SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 MARCH 2011

#### 7. PROPERTY, PLANT AND EQUIPMENT

##### a) Movements in Carrying Amounts

Reconciliations of the carrying amounts of each class of plant and equipment between the beginning and end of the current financial period as set out below:

	Plant & Equipment	Computer Equipment	Leasehold Improvements	Leased Plant and Equipment	Total
<b>Period Ended 31 March 2011</b>	\$	\$	\$	\$	\$
Balance at 1 October 2010	501,455	74,843	263,023	79,072	918,393
Additions	38,737	10,167	12,397	-	61,301
Disposals					
Depreciation Expense	(92,544)	(15,925)	(58,284)	(14,916)	(181,669)
<b>Carrying amount at 31 March 2011 (unaudited)</b>	<b>447,648</b>	<b>69,085</b>	<b>217,136</b>	<b>64,156</b>	<b>798,025</b>
<b>Period Ended 30 September 2010</b>	\$	\$	\$	\$	\$
Balance at 1 October 2009	430,149	58,403	258,496	53,970	801,018
Additions	264,183	65,029	125,252	49,941	504,405
Disposals	(17,755)	(4,797)	-	-	(22,552)
Depreciation Expense	(175,122)	(43,792)	(120,725)	(24,838)	(364,477)
<b>Carrying amount at 30 September 2010 (audited)</b>	<b>501,455</b>	<b>74,843</b>	<b>263,023</b>	<b>79,073</b>	<b>918,394</b>
<b>Period Ended 31 March 2010</b>	\$	\$	\$	\$	\$
Balance at 1 October 2009	430,149	58,403	258,496	53,970	801,018
Additions	298,925	44,189	4,115	-	347,229
Disposals	-	-	-	-	-
Depreciation Expense	(76,133)	(18,340)	(61,573)	(9,922)	(165,968)
<b>Carrying amount at 31 March 2010 (unaudited)</b>	<b>652,941</b>	<b>84,252</b>	<b>201,038</b>	<b>44,048</b>	<b>982,279</b>

#### 8. FUTURE CAPITAL COMMITMENTS

The Credit Union has not entered into any contracts for the purchase of Property, Plant & Equipment not recognised as a liability (30 September 2010: nil; 31 March 2010: nil).

# AOTEAROA CREDIT UNION

## SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 MARCH 2011

### 9. MEMBERS' DEPOSITS

#### a) Classes of Members Deposits

	6 Months Ended 31 March 2011 \$ (Unaudited)	6 Months Ended 31 March 2010 \$ (Unaudited)	Year Ended 30 September 2010 \$ (Audited)
<b>Ordinary Shares</b>			
Savings Accounts	2,274,513	2,944,623	2,211,303
Christmas Club	196,028	140,093	262,054
Loan Provider Account	7,003,863	6,677,944	6,939,827
<b>Total Ordinary Shares</b>	<b>9,474,404</b>	<b>9,762,660</b>	<b>9,413,184</b>
<b>Term Shares</b>			
<b>Original Maturity Terms</b>			
0-3 Months	216,281	7,201	678,094
6 Months	140,547	201,609	291,619
9 Months	47,321	51,890	75,829
12 Months	323,153	968,283	247,919
Greater than 12 Months	583,688	109,893	84,445
<b>Total Term Shares</b>	<b>1,310,990</b>	<b>1,338,876</b>	<b>1,377,906</b>
<b>Total Members' Deposits</b>	<b>10,785,394</b>	<b>11,101,536</b>	<b>10,791,090</b>

#### b) Issues, repurchases and repayments of Member Deposits

	Ordinary Shares \$	Term Shares \$	Total \$
<b>Period Ended 31 March 2011</b>			
Balance at 1 October 2010	9,413,184	1,377,906	10,791,090
Issues (including capitalisation of interest)	70,929,641	694,176	71,623,817
Repurchases and repayments	(70,868,421)	(761,092)	(71,629,513)
<b>Carrying amount at 31 March 2011 (unaudited)</b>	<b>9,474,404</b>	<b>1,310,990</b>	<b>10,785,394</b>

	Ordinary Shares \$	Term Shares \$	Total \$
<b>Period Ended 31 September 2010</b>			
Balance at 1 October 2009	10,024,760	1,206,718	11,231,478
Issues (including capitalisation of interest)	135,335,519	1,232,134	136,567,653
Repurchases and repayments	(135,947,095)	(1,060,946)	(137,008,041)
<b>Carrying amount at 30 September 2010 (audited)</b>	<b>9,413,184</b>	<b>1,377,906</b>	<b>10,791,090</b>

	Ordinary Shares \$	Term Shares \$	Total \$
<b>Period Ended 31 March 2010</b>			
Balance at 1 October 2009	10,024,760	1,206,718	11,231,478
Issues (including capitalisation of interest)	66,718,622	716,528	67,435,150
Repurchases and repayments	(66,980,722)	(584,370)	(67,565,092)
<b>Carrying amount at 31 March 2010 (unaudited)</b>	<b>9,762,660</b>	<b>1,338,876</b>	<b>11,101,536</b>

## AOTEAROA CREDIT UNION

### SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 MARCH 2011

#### 10. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES WITH OPERATING PROFIT

	6 Months Ended 31 March 2011 \$ (Unaudited)	6 Months Ended 31 March 2010 \$ (Unaudited)	Year Ended 30 September 2010 \$ (Audited)
<b>Profit for the period</b>	<b>395,025</b>	<b>34,629</b>	<b>111,677</b>
Non Cash Items			
Depreciation	181,669	165,968	364,477
Bad Debts	45,976	47,782	91,155
Provision for Loan Impairment	183,750	36,006	221,858
Loss on Disposal of Fixed Assets	-	-	-
Changes in Assets and Liabilities			
Movements in Accounts Receivables	(106,071)	19,497	26,812
Movements in Member Deposits	(5,696)	(129,942)	(440,388)
Movements in Loans to Members	(1,006,341)	(504,338)	(1,683,902)
Movements in Accounts Payable	58,822	7,943	172,770
Included in Financing Activities-As described above			
Hire purchase principal payments	10720	12,852	(27,526)
<b>Net Cash Provided by /(used in) Operating Activities</b>	<b>(242,146)</b>	<b>(309,603)</b>	<b>(1,163,067)</b>

#### 11. CONTINGENT LIABILITIES

There are no contingent liabilities disclosed in the financial statements (30 September 2010: nil; 31 March 2010: nil).

#### 12. SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker has been identified as the board of directors as they make the strategic decisions. The Credit Union is internally reported as one segment.

#### 13. EVENTS OCCURRING AFTER BALANCE DATE

There have been no material events subsequent to balance date (30 September 2010: nil; 31 March 2010: nil).