

# FLETCHER CHALLENGE EMPLOYEES' CREDIT UNION

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## PROSPECTUS

relating to

the offer of debt securities  
dated the                      day of March 2004

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**FLETCHER CHALLENGE EMPLOYEES' CREDIT UNION**

*having its registered office at:*

575 Great South Road, Penrose, Auckland

Telephone: (09) 579-0448

Facsimile: (09) 525-2458

E-mail: [general@fpfcu.co.nz](mailto:general@fpfcu.co.nz)

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**DIRECTORY****ISSUER AND OFFEROR:**

Fletcher Challenge Employees' Credit Union  
 575 Great South Road  
 Penrose, Auckland  
 Telephone: (09) 579 0448  
 Facsimile: (09) 525 2458  
 E-mail: general@fpfcu.co.nz

**SOLICITORS TO THE CREDIT UNION:**

Peter Neumegen & Associates  
 Penrose Chambers  
 34 O'Rourke Road  
 PO Box 12444  
 Penrose, Auckland  
 Telephone: (09) 579 7123  
 Facsimile: (09) 576 2678

Burke Melrose  
 Level 7, 52 Swanson Street  
 PO Box 5142  
 Auckland  
 Telephone: (09) 356 2630  
 Facsimile: (09) 356 2631  
 E-mail: inquiries@burkemelrose.co.nz

**PRUDENTIAL SUPERVISOR:**

Trustees Executors Limited  
 Level 12, TOWER Centre  
 45 Queen Street  
 PO Box 4197  
 Auckland  
 Telephone: (09) 366 4428  
 Facsimile: (09) 303 0155

**SOLICITORS TO THE  
PRUDENTIAL SUPERVISOR:**

Minter Ellison Rudd Watts  
 Level 24, BNZ Tower  
 125 Queen Street  
 PO Box 3798  
 Auckland  
 Telephone: (09) 353-9700  
 Facsimile: (09) 353-9701

**AUDITORS:**

CST Nexia Audit  
 22 Amersham Way  
 Manukau City  
 Auckland  
 Telephone: (09) 262 2595  
 Facsimile: (09) 262 2606  
 E-mail: team@cst.co.nz

**BANKERS:**

Westpac  
 495 Great South Road  
 Penrose  
 Auckland  
 Telephone: (09) 579 4550  
 Facsimile: (09) 525 3443

**PLACE WHERE REGISTER OF  
MEMBERS KEPT:**

Fletcher Challenge Employees' Credit Union  
 575 Great South Road  
 Penrose, Auckland

**COMPANIES OFFICE:**

Companies Office  
 Level 5, District Court Building  
 3 Kingston Street  
 Private Bag 92061  
 Auckland  
 Telephone: (09) 912 7677  
 Facsimile: (09) 912 7787  
 E-mail: webmaster@companies.govt.nz

## 1. MAIN TERMS OF OFFER

### 1.1 Name and Address of the Credit Union

Name of Credit Union: Fletcher Challenge Employees' Credit Union ("the Credit Union")  
 Registered Office: 575 Great South Road, Penrose, Auckland  
 Ordinary Office Hours: 8.00 am to 4.00 pm, Monday to Friday

### 1.2 Description of the Activities 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 objects of the Credit Union are essentially the promotion of thrift amongst its members by the accumulation of their savings, the use and control of the members' savings for their mutual benefit and the training and education of the members in the wise use of money and in the management of their financial affairs.

The Credit Union's primary activity over the five years preceding the date this Prospectus was delivered to the Registrar of Companies for registration, has been to provide a co-operative saving facility for members to form a loan fund.

The principal fixed assets of the Credit Union are its furniture and fittings, office equipment, computers and motor vehicle, all as more particularly described in the financial statements for the Credit Union. The principal fixed assets are used solely for the purpose of furthering the Credit Union's objectives.

### 1.3 The Offer

This Prospectus details a secured offer of \$1.00 redeemable shares ("shares") in the Credit Union. The offer is made to a section of the public, being:

- (a) Employees, including former employees (and their immediate families) of the Fletcher Challenge Group of companies, associated and disassociated companies and any other companies that the directors of the Credit Union may nominate ("employee");
- (b) Any person who is a member of the same household as, and is a relative of, an employee and that employee continues to be a shareholder of the Credit Union and continues to qualify for admission under paragraph (a) above; and
- (c) For the purposes of paragraph (b) above, the term relative of an employee, means:
  - (i) The spouse of that employee including any former spouse or de-facto spouse;
  - (ii) Any lineal ancestor, lineal descendant, brother, sister, uncle, aunt, nephew, niece or first cousin of that employee or that employees spouse; and
  - (iii) The spouse (including former spouse or de-facto spouse) or any relative of a person specified in sub-paragraph (ii) above.

The Credit Union is considering a change to the section of the public to which it offers the shares. Please see paragraph 10.2 for further details.

Shareholders in the Credit Union are termed "members". The Credit Union offers prospective and existing members the ability to subscribe for shares in the Credit Union.

The offer of the shares, being debt securities, by the Credit Union is subject to the terms of the Securities Act 1978. The Credit Union has appointed Trustees Executors Limited ("Prudential Supervisor") as statutory trustee of the offer under this Prospectus, for the purposes of the Securities Act 1978. The Prudential Supervisor's appointment and the parties respective rights and obligations are recorded in a trust deed entered into by the parties dated 21 June 2001, as modified by the Deed of Modification dated 23 October 2002 ("Trust Deed"). Please refer to paragraph 7 for further details of the Trust Deed and paragraph 6 for information about the Prudential Supervisor's security.

#### 1.4 **Shares**

Members contribute to the Credit Union by way of shares that make up the capital of the Credit Union. Each member must hold a minimum of one fully paid-up share in the Credit Union. A member cannot have or claim any interest in shares of the Credit Union exceeding the lesser of \$250,000 or 10% of total tangible assets of the Credit Union (or such other amount as may from time to time be determined by the provisions of the Act or the Trust Deed).

A member's shareholding must be held in one or more of the share accounts operated by the Credit Union. The member must nominate in writing which share accounts their shares are to be held in. Each share account may offer differing terms and conditions as to return, the minimum amount of shares required to be purchased, the timing of repayment and methods of subscription and withdrawal. For a further explanation of the share accounts please refer to paragraph 1.5.

The shares are of a fixed \$1.00 denomination and cannot be allotted to a member until fully paid-up in cash. The shares offered under this Prospectus rank equally with all other shares issued by the Credit Union. 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.

#### **Transfer of Shares**

Shares in the Credit Union are not transferable except where a member has nominated in writing that a person is to receive the member's shareholding in the Credit Union on the member's death, or any moneys payable by the Credit Union to the member, at that time. However, any such nomination can only provide that a person receive that part of the member's shareholding, or moneys payable by the Credit Union, up to a maximum of \$2,000. Furthermore, to be legally enforceable, any such nomination must be signed by the member and delivered or sent to the registered office of the Credit Union, or entered in the register of members kept at the Credit Union's registered office. Please refer to paragraph 2.3 for a further explanation of the register of members.

#### **Application for Shares**

Applications to subscribe for shares must be made on the Credit Union's standard application form, which is available on request at the offices of the Credit Union. The application form may be delivered or posted to the Credit Union's registered office.

The subscription detailed in the application form will be payable in the manner required by the Credit Union, and may include, payment in cash or by way of

personal or bank cheque, automatic payment, direct credit, payroll deduction or as otherwise agreed in writing by the Credit Union.

The Credit Union will only accept applications from members of the public who meet the membership criteria outlined above at paragraph 1.3 and can provide appropriate evidence of identification.

The Credit Union reserves the right to accept or decline any application without giving any reason for its decision.

**Minimum Shareholding**

A person will cease to be a member of the Credit Union if that person fails to hold at least one fully paid-up share in the Credit Union.

**Statement of Shareholding**

The Credit Union does not issue share certificates to members. The Credit Union will on request, and not less than every 3 months during the period of membership, forward a statement of share account to each member of their shareholding in the Credit Union.

A member can also use the Credit Union's automated telephone service to find out the balance of their share accounts and shareholding with the Credit Union. This service is generally available 24 hours a day, 7 days a week.

All deposits and withdrawals from a member's share account will be electronically entered in the member's share account.

**Voting Rights**

On every matter determined by a vote of members of the Credit Union, each member is entitled to vote. However, each member has 1 vote only, irrespective of the number of shares held by that member or as to whether the shares are held jointly with any other person.

Matters on which members will be required to vote at an annual general meeting or special general meeting of the Credit Union may include, the appointment of directors and trustees of the Credit Union and any amendment to the rules of the Credit Unions ("Rules"), including any alteration to the Credit Union's maximum fees and charges.

**Non-Qualifying Members**

Should a member cease to meet the membership criteria outlined above at paragraph 1.3, or fail to operate at least one share account during any 12 month period, that member will be deemed to be a "non-qualifying member".

The number of non-qualifying members must not exceed 10% of the total membership of the Credit Union.

If the number of non-qualifying members exceeds 10% of the total membership of the Credit Union, the Rules authorise the Credit Union to terminate the membership of as many non-qualifying members as is necessary to reduce the number of non-qualifying members to 10% of the total membership. In exercising this power the Credit Union will first terminate the membership of those non-qualifying members it considers to have the least involvement in the Credit Union or if unable to draw such a distinction, non-qualifying members will be selected by ballot.

A non-qualifying member may, subject to the Rules and the provisions of the Act, purchase shares and receive loans. A loan to a non-qualifying member may not exceed the shares held by that member in the Credit Union.

### 1.5 **Share Accounts**

A member's shareholding must be held in one or more of the share accounts operated by the Credit Union. The member must nominate in writing or by other approved means which share accounts their shareholding is to be held in. Each share account may offer differing terms and conditions as to return, the minimum amount of shares required to be purchased, the timing of repayment and methods of subscription and withdrawal.

The rate of return on the shares is dependent on the type of share account in which the shares are placed, the terms and conditions of that share account, the rate of return offered on that share account at the time of application, the minimum amount of shares required to be held in that share account, the term of the investment and the timing of repayment. The rate of return is also dependant on the Credit Union generating net operating surpluses.

Details of the share accounts operated by the Credit Union as at the date of this Prospectus are generally set out below and in detail in the Third Schedule.

#### **Changes to Share Accounts**

The Credit Union reserves the right (subject only to any restriction contained in the Act, the Trust Deed, the Rules, the terms and conditions of the share accounts or otherwise at law) to vary the rate of return on the share accounts, the terms and conditions of the share accounts, the minimum amount of shares required to be purchased, the timing of repayments and the methods of withdrawal and subscription. Notice of any such variation will be included in the Credit Union's newsletter, which is distributed to all members.

To confirm the rate of return on the share accounts, the terms and conditions of the share accounts, the minimum amount of shares required to be purchased, the timing of repayments and methods of withdrawal and subscription at the date of application, a member should contact the Credit Union.

#### **Term Share Accounts**

Shares in a term share account will earn a return at the rate specified in the account application form. Please refer to the Third Schedule for details of the market rates, terms and conditions, the minimum amount of shares required to be purchased, the timing of repayments and the methods of withdrawal and subscription for the term share accounts offered by the Credit Union as at the date of this Prospectus.

#### **On Call and Notice of Withdrawal Accounts**

It is the Credit Union's intention that shares in on call and notice of withdrawal share accounts will, subject to the Credit Union's absolute discretion to vary the rate of return, receive an annual return from the net operating surplus of the Credit Union. Some on call share accounts are transaction share accounts and may not earn a return.

The method of calculating the rate of return on the Credit Union's on call and notice of withdrawal share accounts, together with the terms and conditions, the minimum amount of shares required to be purchased, the timing of repayments and the methods of withdrawal and subscription for these share accounts as at the date of this Prospectus are set out in the Third Schedule.

### **Special Share Accounts**

Shares in a special share account may either earn a regular, monthly return or entitle the member to receive an annual return from the net operating surplus of the Credit Union.

The method of calculating the rate of return on the Credit Union's special share accounts, together with the terms and conditions, the minimum amount of shares required to be purchased, the timing of repayments and the methods of withdrawal and subscription for these accounts as at the date of this Prospectus are set out in the Third Schedule.

### **Maintenance of Return**

The maintenance of the rate of return paid by the Credit Union 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 and prudential reserve.

The Credit Union has a statutory obligation to maintain a general reserve. The current obligation in this regard is to transfer up to 5% of the Credit Union's gross income from the Credit Union's interest receipts to the general reserve so as to maintain the general reserve at 5% of the total assets of the Credit Union.

The Credit Union is required by the Trust Deed to maintain a prudential reserve, which is described under the heading "*Prudential Reserve*" at paragraph 7.1.

The general reserve and prudential reserve cannot be utilised by the Credit Union for the payment of returns.

### **Payment of Returns**

Returns payable on a member's share account will, unless otherwise advised in writing or as provided in the terms of the account, be credited to the member's share account at such intervals as is provided in the terms of the share accounts.

### **Fees and Charges**

In addition to the costs of the shares, members may be required to pay account and membership fees and charges. The types, level and method of calculating the fees and charges payable at the date of this Prospectus are set out in the Third Schedule. Prospective and existing members may contact the Credit Union for a schedule of current maximum fees and charges.

### **Withdrawals**

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

Methods of withdrawal available to members may include presenting a signed withdrawal slip at the Credit Union's registered office during its ordinary office hours or by making a withdrawal request at any time by using the Credit Union's debit card through the EFTPOS network system, by automatic payment or Credit Union cheque. The methods of withdrawal available to a member will be specified in the terms of their share account.

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:

- (a) In the case of a non-qualifying member, the withdrawal will not be permitted; and
- (b) In any other case, the withdrawal will be permitted only at the discretion of the board of the Credit Union.

If the Credit Union fails, on written demand, to pay money borrowed by it, the Credit Union cannot make loans or permit withdrawals. The Credit Union is not entitled at law, to consent to any withdrawals where the Credit Union is unable to meet its debts as they fall due.

### **Maturity**

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

If a member has given instructions for any moneys held in a term share account or special 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.

Shares in on call and notice withdrawal accounts are available on call or on notice, as the case may be, and do not have a maturity date.

### **Early Repayment**

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

### **Taxation**

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

- (a) A member omits to notify the Credit Union of their IRD number, the Credit Union is required at law, to deduct RWT at 39% (or such other amount as required by law); or
- (b) A member has notified the Credit Union of their IRD number, but omits to nominate at which RWT rate they wish RWT to be deducted, RWT will be deducted at 19.5% (or such other amount as required by law).

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

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 circumstances.

#### 1.6 **Loans**

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 the Credit Union's share capital at any particular time.

Loans to members are subject to the requirements of the Act, the Rules and the Trust Deed, which may from time to time specify the maximum amount which may be loaned to any member, the maximum term of loans or the lending to asset ratio to be observed by the Credit Union.

As at the date of this Prospectus the indebtedness of a member to the Credit Union must not exceed:

- (a) 10% of the total tangible assets of the Credit Union in the case of a secured loan;
- (b) 5% of the total tangible assets of the Credit Union in the case of an unsecured loan; or
- (c) Such lesser amount as the board of the Credit Union may from time to time determine.

As at the date of this Prospectus the maximum period which a loan by the Credit Union to a member must be repaid is fixed by the board of the Credit Union but must not exceed:

- (a) 20 years in the case of a loan secured by way of mortgage;
- (b) 10 years in the case of a loan secured by means other than a mortgage;
- (c) 5 years in the case of an unsecured loan; or
- (d) Such other period as may from time to time be authorised by the Act or approved by the Registrar of Friendly Societies and Credit Unions in terms of the Act.

The Act enables the Minister of Finance to establish a limit on loans by the Credit Union. It is an offence for the Credit Union to make a loan in contravention of this limit on loans. However, at date of this Prospectus, no limit on loans has been imposed by the Minister of Finance on the Credit Union.

All applications for loans must be made on the form prescribed by the Credit Union from time to time. The member will be required to detail in the application form the purpose for which the loan is desired, the security offered (if any) and such other information as the board of the Credit Union may require. A loan application form can be obtained from the Credit Union.

For further details of the conditions existing under the Rules, the Act and the Trust Deed at the date of application, please contact the Credit Union.

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

## **2. DETAILS OF REGISTRATION OF THE CREDIT UNION**

### **2.1 Registration**

The Credit Union was first registered on 11 January 1972 as a specially authorised society under the Friendly Societies Act 1909. The Friendly Societies Act 1909 was repealed by the Act and the Credit Union is now deemed to be registered under the Act. The Credit Union's registration number is 66/575.

A public file relating to the registration of the Credit Union is kept at the Companies Office.

### **2.2 Rules of Operation of the Credit Union**

The Credit Union operates under the Rules, which are registered with the Registrar of Friendly Societies and Credit Unions. Any person may inspect a copy of the Rules upon request, during ordinary office hours, at the registered office of the Credit Union. The Credit Union will not charge an inspection fee for producing or photocopying the Rules.

The Rules of the Credit Union may be amended at a general meeting of members on the vote of 75% of the members present and voting at the meeting.

### **2.3 Register of Members**

A register of the members of the Credit Union is kept at the registered office of the Credit Union. The register is open to inspection during ordinary office hours by any member of the Credit Union. The Credit Union will not charge an inspection fee for producing the register.

### **2.4 Other Statutory Information**

Application will not be made to New Zealand Stock Exchange Limited for permission to quote the shares on the NZX or otherwise.

## **3. DIRECTORATE AND ADVISERS**

### **3.1 Directors and Officers**

There may not be less than 7 directors nor more than 9 directors of the Credit Union. The directors serve voluntarily, and are required to be members of the Credit Union.

The directors are elected by members at the annual general meeting of the Credit Union and report to the members annually. The directors serve a term of 2 years, retire by rotation, and are eligible for re-election.

In the event of a vacancy caused by the death, resignation or disqualification of a director, the board of the Credit Union may appoint a member to fill the vacancy and that member will hold office until the next annual meeting or until the election of a successor.

The directors elect from the board of the Credit Union the following officers: Chairperson, Deputy-Chairperson, Secretary, and Treasurer.

The names and qualifications of the directors of the Credit Union as at the date of this Prospectus are included in the Fifth Schedule. All of the directors principally reside in Auckland and can be contacted at the registered office of the Credit Union.

**Employee Directors**

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

**Meeting Expenses**

The Rules provide that fees, honoraria and meeting payments may be paid to the directors in such amounts and manner as the board of the Credit Union in its absolute discretion may decide provided that the total fees, honoraria and meeting payments must not exceed that sum approved by the members of the Credit Union at the most recent annual general meeting of members. As at the date of this Prospectus no directors receive a fee, however, the members have approved a maximum total sum of \$2,600 per annum per director for this payment.

The Rules also provide for the directors to be reimbursed any legitimate expenses, including loss of salary or wages, arising from their attending to the business of the Credit Union.

**3.2 Particulars of Trustees**

There must be 3 trustees of the Credit Union. The trustees serve voluntarily and are required to be directors of the Credit Union who have attained the age of 20 or more years. Further, the secretary and treasurer of the Credit Union may not be trustees.

The trustees serve a term of 2 years, retire by rotation, and are eligible for re-election. The members elect the trustees from the directors at the annual general meeting of members. No trustee may be elected for a term exceeding the term then remaining of that person as a director.

The trustees of the Credit Union as at the date of this Prospectus are identified in the Fifth Schedule.

The Act provides that all property belonging to the Credit Union is vested in the trustees, for the use and benefit of all persons claiming through the members of the Credit Union according to the Rules.

**3.3 Audit Committee**

The Credit Union is required by the Rules to have an Audit Committee. The Audit Committee is appointed by the board of the Credit Union and consists of two (2) or more members of the Credit Union, at least one (1) of whom must also be a director of the Credit Union.

The Audit Committee can be contacted at the registered office of the Credit Union.

The Audit Committee monitors the trustees' and directors' compliance with the Act, the Rules and all other applicable operating procedures and legislation.

**3.4 Auditors**

The Credit Union's auditors for the purposes of this prospectus are CST Nexia Audit. CST Nexia Audit's contact details are included in the Directory.

The auditors' report, together with their consent to the report appearing in this Prospectus, are attached as the Second Schedule.

### 3.5 **Solicitors**

The Credit Union's day to day solicitors are Peter Neumegen & Associates. Their contact details are included in the Directory.

The Credit Union has appointed another firm of solicitors, Burke Melrose, to assist with the preparation of this Prospectus and the Credit Union's compliance with the Securities Act 1978. Burke Melrose's contact details are included in the Directory.

### 3.6 **Bankers**

The Credit Union's banker is Westpac Banking Corporation ("Westpac"). Westpac's contact details are included in the Directory.

### 3.7 **Prudential Supervisor**

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

## 4. **MATERIAL CONTRACTS**

Material contracts entered into by the Credit Union in the 2 years preceding the date this Prospectus was delivered to the Registrar of Companies for registration are as follows:

### 4.1 **Deed of Modification**

A Deed of Modification to the Trust Deed was entered into on 23 October 2002 between the trustees of the Credit Union and the Prudential Supervisor in order to modify the Trust Deed as a consequence of and in connection with the introduction of the Personal Property Securities Act 1999. A copy of the Deed of Modification has been filed with the Registrar of Companies.

## 5. **PENDING PROCEEDINGS**

There are no legal proceedings or arbitrations pending as at the date of this Prospectus that may have a material adverse effect on the Credit Union.

## 6. **RANKING OF SECURITIES**

The aggregate amount of debt securities, being the shares issued by the Credit Union to its existing members, that ranked in point of security equally with the shares offered by the Credit Union to potential and existing members pursuant to this Prospectus, was \$3,913,463 as at 30 September 2003 (\$3,945,994 as at 30 September 2002). There are no securities that are secured by a charge over the property of the Credit Union that rank in point of security ahead of the shares offered by the Credit Union to potential and existing members pursuant to this Prospectus.

The repayment of moneys owing on members' shares is secured to the extent permitted by law by a first ranking equitable assignment by way of security over the whole of the Credit Union's present and future undertaking, real and personal property, assets and revenues, including the proceeds received for the subscription of shares and unpaid share capital (if any). The equitable assignment by way of security has been granted in favour of the Prudential Supervisor under the Trust Deed which has been registered with the Registrar of Companies. Please refer to paragraph 7 for further information about the Trust Deed.

As a consequence of and in addition to the first ranking equitable assignment by way of security, the Credit Union has granted to the Prudential Supervisor a security interest in all its present and after-acquired personal property and the Prudential Supervisor has registered a financing statement under the Personal Property Securities Act 1999 in respect of the same. The grant of the security interest was

recorded and confirmed in the Deed of Modification, which has been registered with the Registrar of Companies. Please refer to paragraph 7.1 for further information.

A claim by a member who had given notice of withdrawal of the shares prior to liquidation of the Credit Union would rank ahead of claims by any other creditors. However, if, at the time of the Credit Union being placed in liquidation, a member had not made a claim for withdrawal of the member's shares and the Prudential Supervisor had not exercised its powers under the Trust Deed to accelerate the repayment of the moneys owing in respect of the shares then the member would be treated as a shareholder in the liquidation and would rank behind secured and unsecured creditors (if any).

With the prior written consent of the Prudential Supervisor, the Credit Union may grant a security interest over or affecting all or any part of its assets, and any such security interests may take priority to the members' claims for withdrawal secured by the Trust Deed.

## **7. DETAILS OF TRUST DEED AND OTHER RESTRICTIONS ON THE CREDIT UNION**

### **7.1 Trust Deed**

The Credit Union has appointed the Prudential Supervisor the statutory trustee of the offer of shares detailed in this Prospectus for the purposes of the Securities Act 1978. The Prudential Supervisor's appointment and the parties' respective rights and obligations are recorded in the Trust Deed. The Trust Deed has been registered with the Registrar of Companies.

The following is a summary of the provisions of the Trust Deed. Investors requiring further information are referred to the Trust Deed itself.

#### ***Equitable Assignment by Way of Security***

The Credit Union's grant of an equitable assignment by way of security to the Prudential Supervisor is recorded in the Trust Deed. Please refer to paragraph 6 for further information about the equitable assignment by way of security.

#### ***Security Interest in Personal Property***

The Credit Union's grant of a security interest in all its present and after-acquired personal property, including the Credit Union's present and future accounts receivable and all the Credit Union's present and future right in relation to any accounts receivable, to the Prudential Supervisor is recorded in the Deed of Modification. Please refer to paragraph 6 for further information about the Prudential Supervisor's security interest in the Credit Union's personal property.

#### ***Further Charges***

Under the Trust Deed, the Credit Union has covenanted that it will not grant any charge or other security interest in priority to or ranking equally with the equitable assignment by way of security and the security interest granted in favour of the Prudential Supervisor, without the Prudential Supervisor's written consent.

#### ***Prudential Reserve***

The Credit Union is required by the Trust Deed to maintain a prudential reserve. The general reserve comprises part of the Prudential Reserve. The Trust Deed requires that the Credit Union transfer an amount equal to 10% of the Credit Union's gross income from interest and rent receipts to the prudential reserve so that the prudential reserve is maintained at 10% of the total tangible assets of the Credit Union.

**Financial Ratios**

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

- (a) Permit its total liabilities to exceed 90% of its total tangible assets;
- (b) Permit its secured liabilities to exceed 1% of its total tangible assets;
- (c) Permit its liquid assets to be less than 8% of its total tangible assets;
- (d) Permit the total amount of returns paid in cash over a 6 month period or more, to exceed cash actually received over the same period;
- (e) Fail to ensure that it has sufficient assets at times to discharge all debts as they fall due;
- (f) Permit the aggregate of its secured investments, unsecured investments and listed securities, to exceed 15% of its total tangible assets; and
- (g) Permit the aggregate of its unsecured investments to exceed 1% of its total tangible assets ("Unsecured Investment Ratio").

The Prudential Supervisor has agreed that when calculating the Unsecured Investment Ratio the amount of \$80,000, representing subordinated capital notes issued by the New Zealand Association of Credit Unions ("NZACU") Business Services Division Trust may be disregarded.

**Further Covenants**

The Credit Union has given a number of further covenants to the Prudential Supervisor under the Trust Deed in order to better assure the performance of its obligations to its members. Some of the most important covenants that the Credit Union has given include:

- (a) To comply with the Act;
- (b) To meet all its registration, filing and reporting obligations;
- (c) To provide copies of all communications to and from regulatory bodies;
- (d) To meet all obligations to members;
- (e) To notify the Prudential Supervisor immediately it becomes aware that an event has occurred which would allow the Prudential Supervisor to review the Credit Union's compliance with the Trust Deed or to enforce its rights under the Trust Deed;
- (f) To maintain its register of members, comply with all its obligations, pay its debts in a timely manner and conduct its business in a proper and efficient manner;
- (g) To comply with the Prudential Standards Manual prepared by the NZACU with the approval of the Prudential Supervisor;
- (h) Not to declare returns or (except with the consent of the Prudential Supervisor) issue shares while in breach of the Trust Deed or Securities Act 1978;

- (i) Not to change the Rules without the prior consent of the Prudential Supervisor;
- (j) Not to acquire or dispose of any asset from or to, or engage the services of, any associated person (including directors of the Credit Union) other than for full market value, on an arms-length basis, in the ordinary course of the Credit Union's business, and only after having given not less than 10 business days' notice of its intention to do so to the Prudential Supervisor; and
- (k) To promptly provide to the Prudential Supervisor written notice of all present and after-acquired serial numbered personal property and such other details as are necessary to enable the registration of a valid financing statement or financing change statement in respect of the Credit Union's personal property by the Prudential Supervisor.

The Credit Union is also required to furnish the Prudential Supervisor with half-yearly unaudited and annual audited financial statements prepared in accordance with generally accepted accounting practice.

The directors of the Credit Union are also required to furnish the Prudential Supervisor with a quarterly certificate detailing the Credit Union's compliance with the ratios set out in the Trust Deed and whether any security interests have been created or permitted to exist in respect of the Credit Union's personal property, together with monthly internal accounts (except in respect of those months which end a quarter in respect of which a quarterly certificate is supplied).

#### ***Prudential Supervisor's Obligations***

The Prudential Supervisor is appointed to act in the interests of the members of the Credit Union, by monitoring the compliance by the Credit Union of its obligations under this Prospectus, the Rules, the Trust Deed and the Act. The Prudential Supervisor is under a duty to exercise reasonable diligence to ascertain whether or not the Credit Union has:

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

The Trust Deed gives the Prudential Supervisor wide ranging powers to enforce the Credit Union's obligations under the Trust Deed. For example, if the Credit Union breaches the Trust Deed then the Prudential Supervisor may declare a "Review Event" or an "Enforcement Event" under the Trust Deed. Should the Prudential Supervisor declare an Enforcement Event then the Prudential Supervisor may elect to call up all amounts owing under the Trust Deed and/or appoint a receiver to deal with the Credit Union's property.

#### **7.2 Prudential Supervisor's Statement**

There is attached to the Fourth Schedule, a statement by the Prudential Supervisor that at the date of this Prospectus:

- (a) The offer of the shares in the Credit Union, complies with any relevant provisions of the Trust Deed; and
- (b) The Prudential Supervisor does not guarantee repayment of the any moneys that may become payable by the Credit Union to any member.

### 7.3 **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 Credit Union's ability to borrow is restricted by sections 101(2) and 108 to 117 of the Act.

Section 101(2) of the Act provides that the Credit Union may take no action or do anything which is not directly pursuant to or incidental to its objects or in furtherance of them or is in contravention of the Rules or the Act. The objects of the Credit Union are set out at paragraph 1.2.

Section 108 of the Act provides that the Credit Union may not accept deposits except by way of subscriptions for its shares. A "deposit" is defined as a sum of money that is to be repaid and which is not referable to the provision of property or services or the giving of security.

The Credit Union's ability to borrow is restricted by section 109 of the Act. Section 109 of the Act provides that the Credit Union may not without the Registrar of Friendly Societies and Credit Union's written consent:

- (a) Receive financial accommodation by way of a bank overdraft for a period exceeding 6 months; or
- (b) Borrow money from another credit union or credit unions or an association of credit unions (in the Credit Union's case, the NZACU), for a period exceeding 1 year.

Section 109 of the Act further provides, that any Credit Union that borrows and does not repay any amount or amounts which exceed 30% of its paid up capital, commits an offence under the Act.

#### **Land and Buildings**

Section 113 of the Act provides that the Credit Union may only hold an interest in land or buildings solely for the purpose of conducting its business.

The Credit Union may hold an interest in land as security for a loan to a member. However, if the Credit Union, as creditor under any such loan, acquires an interest in the land, it must dispose of that interest as soon as possible and, in any event, within 6 months unless the Registrar of Friendly Societies and Credit Unions allows a longer period.

#### **Investment**

Under section 117 of the Act the Credit Union may invest its funds only in accordance with the Trustee Act 1956 or with an association of credit unions of which it is a member (in the Credit Union's case, the NZACU) or with a bank.

## **8. OTHER TERMS OF OFFER AND SECURITIES**

### 8.1 **Risks**

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

**Competition**

Under the Act the Credit Union is restricted as to the class persons it may offer shares in the Credit Union to and accept as members. This restriction is called the Credit Union's "common bond", and is specified in the Rules and at paragraph 1.3. As the Credit Union is competing with banks and other financial institutions operating in the savings and loans market, restrictions on membership may affect the Credit Union's profitability and the returns payable to members.

**Industrial Credit Union**

The Credit Union is an industrial credit union. With a common bond centred around the Fletcher Challenge Group companies, associated and disassociated companies, the Credit Union is vulnerable to any downturn and consequent staff redundancies in the industries which the Fletcher Challenge Group companies, associated and disassociated companies operate (including medical, energy, forestry, construction and associated industries) or any adverse change in the working conditions of its membership.

**Common Bond**

The Credit Union is considering a change in its common bond. A change in the Credit Union's common bond may affect its profitability as it would affect the people to whom the offer is made under this Prospectus, as described at paragraph 1.3. For further details see paragraph 10.2.

**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 of the Credit Union 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 on the members' shares.

**Lease of Premises**

The Credit Union leases its premises at 575 Great South Road, Penrose, Auckland from Fletcher Building Limited. The lease expired on 30 September 2003. The Credit Union is currently negotiating with Fletcher Building Limited for a new lease in respect of the premises. The Credit Union anticipates paying a slightly increased rental for the premises once the lease is finalised and has provided for this in its budget for the financial year to 30 September 2004

In the event the Credit Union moves to new premises and/or its new lease requires that it pay higher than anticipated rental and/or outgoing expenses, this may affect the profitability of the Credit Union and in turn, the members' returns.

Further, in the event the Credit Union moved to a new premises there may be a disruption to services, which also may affect the profitability of the Credit Union and in turn, the members' returns.

**Insolvency**

The Credit Union must remain solvent, that is, its assets must exceed its liabilities and it must be able to meet its debts as they fall due. Long-term profitability contributes towards solvency as this enables the Credit Union to maintain adequate reserves.

The Credit Union could become insolvent and/or be wound up where a significant amount of the loans due for repayment remain unpaid for an extended period of

time, or where as a result of the risks stated or otherwise, the Credit Union is for any reason unable to pay its debts as they fall due.

If the Credit Union becomes insolvent:

- (a) Members will not be required to pay any additional money other than those owing to the Credit Union under the shares (if any) and any outstanding loan balance;
- (b) 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 from the Credit Union's share capital; and
- (c) All members' claims will rank equally (including those who invest under a later prospectus).

### **Winding Up**

On a 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 out of the sale of the Credit Union's assets.

#### **8.2 No Guarantee**

Neither the directors, the trustees nor any other persons guarantee the repayment of the value of the shares, or the payment of any interest or dividends payable on shares held in the Credit Union.

#### **8.3 Surety and Insurance**

Section 114 of the Act requires the officers of the Credit Union to give security for the proper performance of their duties. This may be done by having one or more people stand surety for his or her obligations or by including the security in the insurance policy offered under section 133 of the Act (see below) or by a specially authorised friendly society, association of credit unions or by an insurance company. At the date of this Prospectus the obligations of the officers of the credit union are secured by Comfal Insurance.

The Credit Union is also required by section 133 of the Act to be insured against fraud or dishonesty. At the date of this Prospectus the Credit Union has an insurance policy with Comfal Insurance in compliance with its obligations under the Act.

#### **8.4 Other Terms**

All the terms of the offer of the shares in the Credit Union are set out in this Prospectus, other than those implied by law or set out in a document that is:

- (a) Registered with a public official;
- (b) Available for public inspection; and
- (c) Referred to in the registered Prospectus.

### **9. PLACES OF INSPECTION OF DOCUMENTS**

#### **9.1 Credit Union**

Each member and prospective member of the Credit Union is entitled to obtain on request and free of charge, the most recent copies of:

- (a) The Rules;
- (b) This Prospectus, the Investment Statement;
- (c) The Trust Deed and any other material contracts; and
- (d) The Credit Union's most recent audited financial statements.

The documents can be requested from or inspected at the registered office of the Credit Union during its ordinary office hours.

## 9.2 **Companies Office**

Copies of:

- (a) The Rules;
- (b) This Prospectus, the Trust Deed and any other material contracts;
- (c) The Credit Union's audited financial statements; and
- (d) All other documents relating to the registration of the Credit Union,

are also filed on a public register at the Companies Office, and are available for inspection at the Companies Office during normal office hours.

The Companies Office will not charge a fee for producing the Credit Union's file, but will charge a fee for each photocopy made of any part of the file.

## 10. **OTHER MATERIAL MATTERS**

### 10.1 **Securities Act (Credit Unions) Exemption Notice 2000**

In registering this Prospectus, the Credit Union has relied on the exemptions contained in the Securities Act (Credit Unions) Exemption Notice 2000, whereby the Credit Union has been granted an exemption from compliance with sections 37A(1)(d), 51, 52 and 54 of the Securities Act 1978, clauses 1(3) and 11 of the Second Schedule and clauses 1(2) and 3 of the Fifth Schedule of the Securities Regulations 1983. These exemptions are subject to the conditions set out in the Securities Act (Credit Unions) Exemption Notice 2000.

### 10.2 **Common Bond**

With the break up of the Fletcher Challenge Group of companies, the Credit Union has applied to the Registrar of Friendly Societies and Credit Unions for a change to its common bond. A revised common bond is currently under discussion, as follows:

*"Employees, including former employees (and their immediate families), including any such person aged 16 years or younger, of those companies and organisations that are members of Business In The Community for the purposes of the Business In The Community Mentor Programme and who subscribe to the objects of the Credit Union"*

A change in the common bond of the Credit Union would change the people to whom the offer is made under this Prospectus, as described at paragraph 1.3. Existing members who do not come within the new common bond would become non-qualifying members, as described under the heading "Non-Qualifying Members" at paragraph 1.4.

In the event the number of non-qualifying members of the Credit Union exceed 10% of the total membership of the Credit Union the rules of the Credit Union authorise the board of the Credit Union to terminate the membership of as many non-qualifying members as is necessary to reduce the number of non-qualifying members to 10% of the total membership. For further details, please see under the heading "Non-Qualifying Members" at paragraph 1.4. This may effect the profitability of the Credit Union by reducing the number of existing members, though a new broader common bond would provide with further opportunity for growth.

Any change in the common bond of the Credit Union would be subject to the approval of the Registrar of Friendly Societies and Credit Unions, the Prudential Supervisor and the members of the Credit Union at a special general meeting. This process is ongoing.

10.3 **Not a Registered Bank**

The Credit Union is not a registered bank in terms of the New Zealand Reserve Bank Act 1989.

10.4 **Motor Vehicle Loan Portfolio**

During the period 20 December 2002 to 7 March 2003, 9 motor vehicle loans for an aggregate balance of \$111,906.90 ("car loans") were made by the Credit Union in a manner outside of the Rules and the lending policy of the Credit Union. In each case, the borrower did not come within the common bond of the Credit Union and/or they were not members of the Credit Union at the time the relevant car loan was made. Further, a car club associated with a former director and the chief executive officer of the Credit Union brokered the car loans and received brokerage fees and commission in respect of the same. The payment of brokerage and commission on each car loan was therefore an associated person transaction. These transactions were not notified to the Prudential Supervisor in terms of the Trust Deed.

Upon the car loans being brought to the attention of the board of the Credit Union, lending in this manner ceased and corrective action was taken by the Credit Union following the receipt of legal advice and consultation with the Prudential Supervisor. Such action included:

- (a) A review of those employers included within the common bond of the Credit Union, together with a review of the membership criteria of the Credit Union;
- (b) A review of associated persons transactions by the Credit Union to ensure all loan and insurance broking fees and commission associated with the car loans were repaid. All fees and commission earned by the Car Club in respect of the car loans were required to be repaid. The brokerage fees were repaid to the car dealer involved in these transactions and the commissions repaid to the Credit Union and, in turn, the borrowers under the car loans;
- (c) A review of the Unsecured Investment Ratio. As a result of the car loans, the Credit Union exceeded its Unsecured Investment Ratio during the period 1 February 2003 to 24 November 2003. The Credit Union took the steps outlined at paragraph (d) below to remedy this ratio. During this period the Credit Union continued to issue shares while in breach of its Trust Deed. Whilst the Prudential Supervisor has not waived these breaches, it has

consented to the Credit Union continuing to offer and issue shares under this Prospectus.

- (d) The re-documentation of the car loans, or, where the car loan could not be re-documented, a realisation of the security for the car loan and appropriate provisioning for a doubtful debt.

As at the date of this prospectus, one of the car loans has been written off by the Credit Union and one more car loan is in the process of having its security realised and has been provided for as a doubtful debt. The Credit Union is committed to closely managing the remaining car loans through to repayment. The directors note that the Credit Union is currently receiving regular loan repayments on all except one of the remaining car loans and they are confident that the car loans will not have a material adverse effect upon the financial position of the Credit Union.

#### 10.5 **No Other Material Matters**

There are no material matters relating to the offer of shares under this Prospectus, other than those set out in this Prospectus (other than contracts entered into in the ordinary course of business).

### 11. **SUMMARY OF FINANCIAL STATEMENTS**

A summary of the financial statements of the Credit Union in respect of the five (5) consecutive accounting periods preceding 30 September 2003, being the date of the audited financial statements of the Credit Union, are set out in the First Schedule.

### 12. **FINANCIAL STATEMENTS**

The most recent audited financial statements of the Credit Union were for the year ended 30 September 2003 and have been registered under the Financial Reporting Act 1993. The audited financial statements include the information required by Sections 16 to 31 (inclusive) of the Second Schedule of the Securities Regulations 1983.

### 13. **ACQUISITION OF BUSINESS OR SUBSIDIARY**

The Credit Union has not acquired a business, nor did any body corporate become a subsidiary of the Credit Union, in the 2 years preceding the date this Prospectus was delivered to the Registrar of Companies for registration.

### 14. **DIRECTORS' STATEMENT**

The directors after due enquiry in relation to the period between the date of the latest statement of financial position and the date of registration of this Prospectus, are of the opinion that no circumstances have arisen that materially adversely affect:

- (a) The trading or profitability of the Credit Union;
- (b) The value of the Credit Union's assets; or
- (c) The ability of the Credit Union to pay its liabilities due within the next 12 months.

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

**SIGNED** by  
PHILIP ROBERT HALL

**SIGNED** by  
JENNIFER BETTY HUTTON

**SIGNED** by  
ROBERT ALFRED IRWIN

**SIGNED** by  
NADINE HORINA LEEF

**SIGNED** by  
MARILYN ANN MCCORMICK

**SIGNED** by  
STUART JAMES RATTENBURY

**SIGNED** by  
GRANT CLIFTON WILSON

**SIGNED** by  
GEORGE KERRY WOODROOFE

**INDEX OF MATTERS REQUIRED TO BE DISCLOSED BY THE  
SECOND SCHEDULE TO THE SECURITIES REGULATIONS 1983**

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**FIRST SCHEDULE  
SUMMARY OF FINANCIAL STATEMENTS  
[Paragraph 11]**

**Statement of Financial Performance  
for the year ended 30<sup>th</sup> September  
(in \$000)**

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
<b>Operating Revenue</b>	<b>764</b>	<b>696</b>	<b>605</b>	<b>581</b>	<b>534</b>
<b>Operating Expenses</b>					
Total Dividend/ Interest Expense	109	104	85	84	109
Total Other Expenses	619	563	473	436	531
<b>Net Surplus Before Appropriation</b>	<b>35</b>	<b>29</b>	<b>46</b>	<b>61</b>	<b>(106)</b>
Transfer to General Reserve	0	0	0	0	0
<b>Net Surplus After Appropriation</b>	<b>35</b>	<b>29</b>	<b>46</b>	<b>61</b>	<b>(106)</b>
<b>Dividend/Interest paid on shares (being debt securities issued):</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
– Ordinary Shares	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>
– Christmas Club Shares	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>

**Summary of Statement of Financial Position  
as at 30<sup>th</sup> September  
(in \$000)**

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
<b>Total Assets</b>	4646	4658	4082	3895	4197
<b>Total Tangible Assets</b>	4646	4658	4082	3895	4197
<b>Total Liabilities</b>	4029	4076	3529	3388	3751
<b>Total Equity</b>	617	582	553	507	446

**Notes to Summary Financial Statements:**

- (a) The amounts stated have been taken from audited financial statements, with rounding to thousands.
- (b) There are no abnormal items that derive from the ordinary activities of the Credit Union.
- (c) There are no extraordinary items that derive from events outside the ordinary activities of the Credit Union.
- (d) The equity method of accounting has not been used.

**SECOND SCHEDULE  
AUDITORS' REPORT  
AUDITORS' LETTER OF CONSENT  
[Paragraph 3.4]**

**THIRD SCHEDULE  
SCHEDULE OF SHARE ACCOUNTS  
[Paragraph 1.5]**

The board of the Credit Union reserves the right (subject to any restriction contained in the Act, the Trust Deed, its Rules or otherwise at law) to vary the rate of return, the terms and conditions of the account, or the timing of repayments.

**Term Accounts**

**Account Name: Term Deposit 3 months**

Term: 3 months.

Interest Rate (or method of Calculation): Interest rates are based on current market rates for 90 days. The rates are set throughout the year according to market conditions at commencement of the term.

Minimum Deposit: \$500-\$9,999.

Timing of repayments: At the end of the term.

Fees and Charges: Break rate (if deposit is redeemed during the term) - the Board reserves the right to reduce the interest rate to 1.5% if less than 30 days, 2.5% if more than 30 days.

Method of Withdrawal: Counter withdrawal.

Terms and Conditions of Account: As set out in the Rules of the Credit Union and generally described in this Prospectus.

**Account Name: Term Deposit 3 months**

Term: 3 months.

Interest Rate (or method of Calculation): Interest rates are based on current market rates for 90 days. The rates are set throughout the year according to market conditions at commencement of the term.

Minimum Deposit: \$10,000-\$250,000.

Timing of repayments: At the end of the term.

Fees and Charges: Break rate (if deposit is redeemed during the term) - the Board reserves the right to reduce the interest rate to 1.5% if less than 30 days, 2.5% if more than 30 days.

Method of Withdrawal: Counter withdrawal.

Terms and Conditions of Account: As set out in the Rules of the Credit Union and generally described in this Prospectus.

**Account Name: Term Deposit 6 months**

Term: 6 months.

Interest Rate (or method of Calculation): Interest rates are based on the current market rates for 180 days. The rates are set throughout the year according to market conditions at commencement of the term.

Minimum Deposit: \$500-\$9,999.

Timing of repayments: At the end of the term.

Fees and Charges: Break rate (if deposit is redeemed during the term) - the Board reserves the right to reduce the interest rate to 1.5% if less than 30 days, 2.5% if more than 30 days.

Method of Withdrawal: Counter withdrawal.

Terms and Conditions of Account: As set out in the Rules of the Credit Union and generally described in this Prospectus.

**Account Name: Term Deposit 6 months**

Term: 6 months.

Interest Rate (or method of Calculation): Interest rates are based on the current market rates for 180 days. The rates are set throughout the year according to market conditions at commencement of the term.

Minimum Deposit: \$10,000-\$250,000.

Timing of repayments: At the end of the term.

Fees and Charges: Break rate (if deposit is redeemed during the term) - the Board reserves the right to reduce the interest rate to 1.5% if less than 30 days, 2.5% if more than 30 days.

Method of Withdrawal: Counter withdrawal.

Terms and Conditions of Account: As set out in the Rules of the Credit Union and generally described in this Prospectus.

**Account Name: Term Deposit 9 months**

Term: 9 months.

Interest Rate (or method of Calculation): Interest rates are based on the current market rates for 270 days. The rates are set throughout the year according to market conditions at commencement of the term.

Minimum Deposit: \$500-\$9,999.

Timing of repayments: At the end of the term.

Fees and Charges: Break rate (if deposit is redeemed during the term) - the Board reserves the right to reduce the interest rate to 1.5% if less than 30 days, 2.5% if more than 30 days.

Method of Withdrawal: Counter withdrawal.

Terms and Conditions of Account: As set out in the Rules of the Credit Union and generally described in this Prospectus.

**Account Name: Term Deposit 9 months**

Term: 9 months.

Interest Rate (or method of Calculation): Interest rates are based on the current market rates for 270 days. The rates are set throughout the year according to market conditions at commencement of the term.

Minimum Deposit: \$10,000-\$250,000.

Timing of repayments: At the end of the term.

Fees and Charges: Break rate (if deposit is redeemed during the term) - the Board reserves the right to reduce the interest rate to 1.5% if less than 30 days, 2.5% if more than 30 days.

Method of Withdrawal: Counter withdrawal.

Terms and Conditions of Account: As set out in the Rules of the Credit Union and generally described in this Prospectus.

**Account Name: Term Deposit 12 months**

Term: 12 months.

Interest Rate (or method of Calculation): Interest rates are based on the current market rates for 365 days. The rates are set throughout the year according to market conditions at commencement of the term.

Minimum Deposit: \$500-\$9,999.

Timing of repayments: At the end of the term.

Fees and Charges: Break rate (if deposit is redeemed during the term) - the Board reserves the right to reduce the interest rate to 1.5% if less than 30 days, 2.5% if more than 30 days.

Method of Withdrawal: Counter withdrawal.

Terms and Conditions of Account: As set out in the Rules of the Credit Union and generally described in this Prospectus.

**Account Name: Term Deposit 12 months**

Term: 12 months.

Interest Rate (or method of Calculation): Interest rates are based on the current market rates for 365 days. The rates are set throughout the year according to market conditions at commencement of the term.

Minimum Deposit: \$10,000-250,000.

Timing of repayments: At the end of the term.

Fees and Charges: Break rate (if deposit is redeemed during the term) - the Board reserves the right to reduce the interest rate to 1.5% if less than 30 days, 2.5% if more than 30 days.

Method of Withdrawal: Counter withdrawal.

Terms and Conditions of Account: As set out in the Rules of the Credit Union and generally described in this Prospectus.

**On Call Accounts****Account Name: \$0 E-Cash Account**

Interest Rate: (or method of Calculation): 0% for credit balances.

Minimum Shareholding: \$1

Timing of repayments: On demand.

Method of Withdrawal: Counter withdrawal, debit card, automatic payment and cheque.

Terms and Conditions of Account: As set out in the Rules of the Credit Union and generally set out in the Prospectus. All adult members of the Credit Union must have this account in conjunction with another savings account

Fees and Charges:

Debit card – EFTPOS	per transaction	\$0.50
Debit card	card replacement	\$5.00
Cash withdrawals over the counter	per cash withdrawal	\$1.00
Cheque withdrawals	per cheque	\$1.00
Special answer	per cheque	\$15.00
Inter credit union withdrawal	per withdrawal	\$10.00
Additional statements	per page	\$1.00
Automatic payment	per alteration	\$3.00
Automatic payment	per transaction	\$0.50

**Account Name: \$3 Money Management Account**

Interest Rate (or method of Calculation): 0% for credit balances.

Minimum Shareholding: \$1

Timing of repayments: On demand.

Method of Withdrawal: Counter withdrawal, automatic payment and cheque.

Terms and Conditions of Account: As set out in the Rules of the Credit Union and generally set out in the Prospectus.

Fees and Charges:

Cash withdrawals over the counter	per cash withdrawal	\$1.00
Cheque withdrawals	per cheque	\$1.00
Special answer	per cheque	\$15.00
Inter credit union withdrawal	per withdrawal	\$10.00
Additional statements	per page	\$1.00
Automatic payment	per alteration	\$3.00
Automatic payment	per transaction	\$0.50

**Account Name: S4 Insurance Account**

Interest Rate (or method of Calculation): 0% for credit balances.

Minimum Shareholding: \$1

Timing of repayments: On demand.

Method of Withdrawal: Counter withdrawal and cheque.

Terms and Conditions of Account: This account is used for payment of insurance premiums mainly to Tower Insurance otherwise as set out in the Rules of the Credit Union and generally set out in the Prospectus.

Fees and Charges:

Cash withdrawals over the counter	per cash withdrawal	\$1.00
Cheque withdrawals	per cheque	\$1.00
Special answer	per cheque	\$15.00
Inter credit union withdrawal	per withdrawal	\$10.00
Additional statements	per page	\$1.00

**Account Name: S6 Target Account**

Interest Rate (or method of Calculation): Daily balance 2% for credit balances. Paid on 30 September annually, or 50% on closure of account.

Minimum Shareholding: \$1

Timing of repayments: On demand.

Method of Withdrawal: Counter withdrawal and cheque.

Terms and Conditions of Account: This account is for any specific purpose as nominated by member. Otherwise as set out in the Rules of the Credit Union and generally described in this Prospectus.

Fees and Charges:

Cash withdrawals over the counter	per cash withdrawal	\$1.00
Cheque withdrawals	per cheque	\$1.00
Special answer	per cheque	\$15.00
Inter credit union withdrawal	per withdrawal	\$10.00
Additional statements	per page	\$1.00

**Account Name: S7 ALL Insurance Account**

Interest Rate (or method of Calculation): 0% for credit balances.

Minimum Shareholding: \$1

Timing of repayments: On demand.

Method of Withdrawal: Counter withdrawal and cheque.

Terms and Conditions of Account: This account is used for payment of insurance premiums to ALL Insurance otherwise as set out in the Rules of the Credit Union and generally described in this Prospectus.

Fees and Charges:

Cash withdrawals over the counter	per cash withdrawal	\$1.00
Cheque withdrawals	per cheque	\$1.00
Special answer	per cheque	\$15.00
Inter credit union withdrawal	per withdrawal	\$10.00
Additional statements	per page	\$1.00

## Notice of Withdrawal Accounts

### Account Name: S5 Loan Provider Account

Interest Rate (or method of Calculation): Daily Balance, 2% for credit balances. Paid on 30 September annually, or 50% on closure of account.

Minimum Shareholding: \$1

Timing of repayments: On 10 working days notice of withdrawal or closure.

Method of Withdrawal: Counter withdrawal and cheque.

Terms and Conditions of Account: As set out in the Rules of the Credit Union and generally described in the Prospectus.

Fees and Charges:

Cash withdrawals over the counter	per cash withdrawal	\$1.00
Cheque withdrawals	per cheque	\$1.00
Special answer	per cheque	\$15.00
Inter credit union withdrawal	per withdrawal	\$10.00
Additional statements	per page	\$1.00
Loan Processing Fee	per application	\$120.00
Mortgage loan application fee	per application	\$400.00
Repossession by recovery firm & storage	as per invoice	
PPSR	per loan	\$10.00
Auto check plus	per vehicle	\$10.00
Credit check	per loan application/per person	\$10.00
Motor check	per vehicle	\$10.00
Debt recovery letter	1 <sup>st</sup> Letter	\$0.00
Debt recovery letter	2 <sup>nd</sup> and subsequent letters	\$20.00
Debt recovery visit – outside company	as per invoice	

### Account Name: S7 Christmas Club Account

Interest Rate (or method of Calculation): Daily Balance 2% for credit balances. Paid on 1st November annually, or 50% on closure of account.

Minimum Shareholding: \$1

Timing of repayments: Open for withdrawals on demand from first banking day in November to last banking day in January. Withdrawals outside these times close this account.

Method of Withdrawal: Counter withdrawal and cheque. Christmas Hamper payments made direct to Woolworths by cheque.

Terms and Conditions of Account: As set out in the Rules of the Credit Union and generally described in this Prospectus.

Fees and Charges:

Cash withdrawals over the counter	per cash withdrawal	\$1.00
Cheque withdrawals	per cheque	\$1.00
Special answer	per cheque	\$15.00
Inter credit union withdrawal	per withdrawal	\$10.00
Additional statements	per page	\$1.00

### Account Name: S8 Mortgage Account

Interest Rate (or method of Calculation): 0% for credit balances. .

Minimum Shareholding: \$1

Timing of repayments: On receipt of notice of mortgage protection insurance.

Method of Withdrawal: Cheque.

Terms and Conditions of Account: This account is used for payment of Mortgage Protection Insurance and other costs associated with mortgages. Otherwise, as set out in the Rules of the Credit Union and generally described in the Prospectus.

Fees and Charges:

Cheque withdrawals	per cheque	\$1.00
Special answer	per cheque	\$10.00
Additional statements	per page	\$1.00
Mortgage loan application fee	per application	\$400.00
Repossession by recovery firm & storage	as per invoice	
Credit check	per loan application/per person	\$10.00
Debt recovery letter	1 <sup>st</sup> Letter	\$0.00
Debt recovery letter	2 <sup>nd</sup> and subsequent letters	\$20.00
Debt recovery visit – outside company	as per invoice	

**Account Name: S09 Kids Club Account**

Interest Rate (or method of Calculation Daily basis 2% for credit balances. Paid on 30 September annually, or 50% on closure of account.

Minimum Shareholding: \$1.

Timing of repayments: No withdrawals until after 3<sup>rd</sup> anniversary of opening account.

Method of Withdrawal: Counter withdrawal and cheque.

Terms and Conditions of Account: This account is for children under 15 years of age and usually signed for by the parent or guardian. Otherwise, as set out in the Rules of the Credit Union and generally in this Prospectus.

**Fees and Charges:**

Cash withdrawals over the counter	per cash withdrawal	\$1.00
Cheque withdrawals	per cheque	\$1.00
Special answer	per cheque	\$25.00
Inter credit union withdrawal	per withdrawal	\$10.00
Additional statements	per page	\$1.00

**Please Note:**

When the Credit Union incurs charges from any other organization 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.

**FOURTH SCHEDULE  
PRUDENTIAL SUPERVISOR'S STATEMENT  
[Paragraph 7]**

**FIFTH SCHEDULE  
DIRECTORATE  
[Paragraph 3.1]**

<b>Director's Name</b>	<b>Position(s)</b>	<b>Qualification(s)</b>
George Kerry Woodroofe	Director, Trustee, Chair	
Robert Alfred Irwin	Director, Trustee, Deputy-Chair	
Marilyn Ann McCormick	Director, Trustee	
Nadine Horina Leef	Director, Treasurer	
Jennifer Betty Hutton	Director, Secretary	
Stuart James Rattenbury	Director	NZ Cert. Q. S.
Philip Robert Hall	Director	
Grant Clifton Wilson	Director	