

UNITED CREDIT UNION

ANNUAL REPORT & BALANCE SHEET
YEAR ENDING 31 MARCH 2011

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DIRECTORY

Board of Management:

Chair: Malcolm Blair
Vice Chair: David Diggins
Directors: Maurice Biddington
Paul Cheng
Anna Kenny
Christine Hyett

Trustee: David Diggins

Staff:

Chief Executive: Phil Todd
Operations Manager: Tracey Pedersen
Development Manager: Mark Griffiths

Administration:

Wellington Office: Lise Archbold
Kate Bennett
Hamish McIntosh
Auckland Office: Marie Hoey
Shireen Leen
Siu Armstrong

Prudential Supervisor:

Trustees Executors Ltd

Auditors:

Grant Thornton

Solicitors:

Burke Melrose
Paul Cheng & Co

ANNUAL REPORT

On behalf of the Board of Management, I am pleased to present the Annual Report of United Credit Union for the year ending 31 March 2011.

The Year in review

New Zealand is still suffering the effects of the global recession. This together with the Christchurch earthquake disaster and a general trend by New Zealanders to reduce their debt is having an effect on all financial organisations. United Credit Union is no exception.

Lending levels have dropped again during the last year as have membership numbers. We do not expect any significant improvement in these numbers until the economy recovers.

Bad Loans are no longer a major concern. As reported last year, we have taken steps to minimise delinquency and in general terms it has been effective.

Compliance with Reserve Bank and Treasury regulations continues to increase, following the numerous Finance Company collapses. During this turbulent period, Credit Unions continued to operate soundly, proving that the Credit Union Industry is indeed very stable.

Financial

I can declare a satisfactory profit of \$253,948 for the financial year. Once again, this has been achieved despite very challenging trading conditions. We still remain one of New Zealand's leaders in low cost financial services.

Reserves now total \$4,534,651 and Capital Adequacy now 22.5%. Both of these are well in excess of the prudential requirements the credit union must meet.

Operations

United Credit Union operates two offices in Wellington and Auckland. We continue to work with our long standing friends in the Union movement, whilst broadening our horizons into the local communities immediately adjacent to our offices. This is the main reason for the proposed rule change.

A total of 829 loans were approved during the year totalling \$5,737,560. Assets increased slightly to \$20,144,951. Deposits also increased slightly to \$15,276,373 and loans decreased slightly to \$12,299,572.

Overall, a very pleasing result, given the environment we are operating in.

Board, Management and Staff

The Board met on 7 occasions during the year including a weekend strategic planning session.

I wish to take this opportunity to thank my fellow Directors, Management and Staff for their dedication and hard work in what continues to be a very challenging period for the Credit Union.

Malcolm Blair
Chair

UNITED CREDIT UNION

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

	Note	Mar 11 \$	Mar 10 \$
Interest revenue	2	1,647,535	1,678,994
Interest expenditure	2	233,892	225,523
NET INTEREST REVENUE		<u>1,413,643</u>	<u>1,453,471</u>
Other Income	2	<u>513,776</u>	<u>492,626</u>
		1,927,419	1,946,097
EXPENDITURE			
Bad debts		134,133	248,141
Employee benefits		563,432	508,916
Occupancy		130,574	143,572
Depreciation		68,013	65,135
Impairment losses	8	(25,417)	(57,585)
Other expenditure	2	802,736	798,226
TOTAL EXPENDITURE		<u>1,673,471</u>	<u>1,706,405</u>
Profit/(loss) for year		<u>253,948</u>	<u>239,692</u>
Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME		<u>253,948</u>	<u>239,692</u>

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

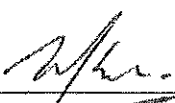
UNITED CREDIT UNION

BALANCE SHEET


AS AT 31 MARCH 2011

	Note	Mar 11	Mar 10
		\$	\$
MEMBERS' FUNDS			
General Reserve	4	3,308,318	3,308,318
Retained Earnings	4	<u>1,226,333</u>	<u>972,385</u>
TOTAL MEMBERS FUNDS		<u>4,534,651</u>	<u>4,280,703</u>
ASSETS			
Cash and cash equivalents	5	6,975,682	5,919,122
Other financial Assets	5	250,000	200,000
Trade and other receivables	6	89,575	64,813
Loans to members	7-8	12,299,572	12,917,280
Property, plant & equipment	9	239,797	240,163
Capital Notes	10	<u>290,325</u>	<u>233,590</u>
TOTAL ASSETS		<u>20,144,951</u>	<u>19,574,968</u>
LIABILITIES			
Trade and other payables	11	333,927	570,868
Members' deposits	12	<u>15,276,373</u>	<u>14,723,397</u>
TOTAL LIABILITIES		<u>15,610,300</u>	<u>15,294,265</u>
NET ASSETS		<u>4,534,651</u>	<u>4,280,703</u>

These Financial Statements are authorised for issue by:



 Director



 Director

24/5/2011

24/5/2011

UNITED CREDIT UNION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2011

	General Reserve \$	Retained Earnings \$	Total Reserves \$
Balance as at 1 April 2009	3,308,318	732,693	4,041,011
Profit / (loss) for year	-	239,692	239,692
Other Comprehensive Income	-	-	-
Total Comprehensive Income For Year	<u>-</u>	<u>239,692</u>	<u>239,692</u>
Balance at 31 March 2010	<u>3,308,318</u>	<u>972,385</u>	<u>4,280,703</u>
Balance as at 1 April 2010	3,308,318	972,385	4,280,703
Profit / (loss) for year	-	253,948	253,948
Other Comprehensive Income	-	-	-
Total Comprehensive Income For Year	<u>-</u>	<u>253,948</u>	<u>253,948</u>
Balance at 31 March 2011	<u>3,308,318</u>	<u>1,226,333</u>	<u>4,534,651</u>

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

UNITED CREDIT UNION

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

	Note	Mar 11 \$	Mar 10 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		1,629,200	1,683,170
Fees and commissions received		422,477	449,812
Bad loans recovered		34,563	18,378
Interest paid		(215,408)	(253,292)
Payments to suppliers and employers		<u>(1,757,234)</u>	<u>(1,180,664)</u>
Net cash provided by/(used in) operating activities	24	<u>113,598</u>	<u>717,404</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net movement in members' loans		508,993	1,078,238
Payments for property, plant and equipment		(110,320)	(159,078)
Proceeds from sale of property, plant and equipment		41,313	107,996
Net movement in investments		<u>(50,000)</u>	<u>(200,000)</u>
Net cash provided by/(used in) investing activities		<u>389,986</u>	<u>827,156</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in member deposits		552,976	56,413
Net cash provided by/(used in) financing activities		<u>552,976</u>	<u>56,413</u>
Total net increase/(decrease) in cash and cash equivalents		1,056,560	1,600,973
Cash and cash equivalents at the beginning of the period		<u>5,919,122</u>	<u>4,318,149</u>
Cash and cash equivalents at end of the year	5	<u><u>6,975,682</u></u>	<u><u>5,919,122</u></u>

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

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

Reporting Entity

The Credit Union is registered under the Friendly Societies and Credit Unions Act 1982. The Credit Union is an issuer for the purposes of the Financial Reporting Act 1993. The financial report is a general purpose financial report which has been prepared in accordance with the Financial Reporting Act 1993, the Friendly Societies and Credit Unions Act 1982 and relevant Securities Regulations for the entity United Credit Union. United Credit Union has no subsidiary or associate entities.

These financial statements have also been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), as appropriate for public benefit entities. The financial statements also comply with International Financial Reporting Standards ("IFRS"). The presentation currency is \$NZ.

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, under a common bond for members being Unionisation.

Trust Deed

To meet the requirements of The Securities Act 1978 a Trust Deed was entered into on the 2nd February 2001 between the Trustees of the Credit Union and Trustees Executors Limited. Trustees Executors Limited as the Prudential Supervisor was appointed to act in the interests of the members of the Credit Union by monitoring the compliance by the Credit Union of its obligations, its Rules, the Trust Deed and the Friendly Societies and Credit Unions Act 1982. In addition, the Prudential Supervisor is under duty to exercise reasonable diligence to ascertain whether the Credit Union has:

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

Changes in Accounting Policy and Disclosures

The accounting policies adopted in the financial statements for the year ended 31 March 2011 are consistent with those of the previous financial year.

No new or amended accounting standards as issued by the International Accounting Standards Board (IASB) effective in the current year had an impact on the financial statements of the Credit Union.

New NZ IFRS standards and interpretations issued but not yet adopted.

At the date of authorisation of these financial statements, certain new standards and interpretations to existing standards have been published but not yet effective, and have not been adopted early by the Credit Union.

Management anticipates that all pronouncements will be adopted in the first accounting period beginning on or after the effective date of the new standard. Information on new standards, amendments and interpretations that are expected to be relevant to the Credit Union financial statements is provided below. Certain other new standards and interpretations issued but not yet effective, those are not expected to have a material impact on the Credit Union's financial statements have not been disclosed.

(i) NZ IFRS 9 - Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and de-recognition of financial assets and liabilities have been issued. The chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this new standard is likely to have on the financial statements of the Credit Union. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

(ii) 2010 Improvements to IFRSs

In May 2010 the IASB issued the annual omnibus of minor amendments to IFRS standards. Management has yet to complete a detailed review of these amendments, however upon preliminary review the impact is not expected to be significant.

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Measurement Base

The financial statements have been prepared on a going concern basis in accordance with historical cost concepts. The presentation currency used in the financial statements is the New Zealand dollar.

(b) Financial Instruments Recognition

Financial instruments are initially measured at fair value plus transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised costs using the effective interest rate method. Loans and receivables includes cash, deposits, trade and other receivables, loans to members and capital notes.

The Credit Union does not have any financial assets designated and classified as fair value through profit and loss, Held-to-Maturity or Available for Sale.

Financial liabilities

All financial liabilities are Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation using the effective interest method.

(c) Members' Shares (Deposits)

Members' shares in the Credit Union have characteristics of both debt and equity instruments. For the purposes of financial reporting, members' shares are recorded debt instruments. All payments of dividends on these shares are recorded as interest payments.

Members' deposits are brought to account at cost. Interest on deposits is brought to account on an accrual basis. Interest accrued at balance date is shown as a part of Trade and other payables.

(d) Receivables Due from other Financial Institutions

Receivables from other financial institutions are primarily settlement account balances due from banks and New Zealand Association of Credit Unions (NZACU). They are brought to account at the gross value of the outstanding balance. Interest is brought to account in the Income statement when earned.

(e) Revenue

Loans Interest Revenue

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the members loan account on the repayment date. Loan interest is recognised in the Statement of Comprehensive Income using the effective interest rate method.

Investment Interest Revenue

Investment interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividends

Dividend income is recognised on the date that the dividend is declared as this is the date that the income is measureable and the Credit Union has a right to receive consideration,

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Fees & Commissions Revenue

Fees and commission are brought to account on an accrual basis once a right to receive consideration has been attained.

Loan Origination Fees Revenue

Loan origination fees where material, are deferred and amortised as a component of the calculation of the effective interest rate in relation to originated loans. They therefore reduce the interest recognised in relation to this portfolio of loans.

Where loan origination fees are not material these are taken to revenue when the loan is drawn down.

Fees collected represent reimbursement of costs incurred as specified by the Credit Contracts and Consumer Finance Act 2003 (CCCFA)

(f) Impairment – Loans & Advances

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. Impairment loss is measured as the difference between the loan's carrying amount and the value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. Discount rates applied are rates of interest contractually obliged under the original terms of the loan or advance. Impairment losses are recognised in the Statement of Comprehensive Income.

The amount provided for impairment of loans is determined by management and the board. The Prudential Standards issued by NZACU enable the minimum provision to be based on specific percentages of the loan balance, contingent upon the length of time the repayments are in arrears, and the security held. This approach is adopted by the Credit Union for unsecured loans. In addition, the board determines any provision for loans in arrears where the collectability of the debts is considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

In addition a statutory General Reserve as required by section 119 of the Friendly Society and Credit Unions Act 1982 is maintained to cover risks inherent in the loan portfolios. Movements in the General Reserve for credit losses are recognised as an appropriation of retained earnings.

Bad debts are written off when identified.

The various components of impaired assets are as follows:

"Non-accrual loans" are loans and advances for which there is reasonable doubt that the Credit Union will be able to collect all amounts of principal and interest in accordance with the terms of the agreement and provisions for impairment are recognised.

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

"Assets acquired through the enforcement of security" are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

(g) Past-due Loans

"Past-due loans" are loans or similar facilities in arrears which has not been operated within its key terms by the borrower for at least 1 day and which is not an impaired loan.

(h) Derivative financial instruments and hedge accounting

Derivatives including Interest Rate Swaps are not entered into by the Credit Union.

(i) Goods & Services Tax

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

(j) Income Tax

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

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(k) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, adjusted for any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal. Any decrement in the carrying amount is recognised as an impairment expense in the Income Statement in the reporting period in which the impairment loss occurs. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all property, plant and equipment including buildings and capitalised leased assets, is depreciated over their useful lives to the Credit Union commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

Plant and equipment is depreciated on a diminishing value basis. Motor vehicles are depreciated on a straight line basis. A summary of the rates used is:

Motor Vehicles	33%
Computer Costs	20% - 30%
Leasehold improvements	20% - 30%
Office Furniture and Equipment	20% - 30%

Assets under \$250 are not capitalised.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(l) Impairment Testing of Assets (excluding PP&E and Loans & Advances)

At each reporting date, the Credit Union reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

(m) Leases

Leases of property, plant and equipment, other than operating leases, where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the Credit Union are classified as finance leases.

Finance leases are capitalised recording an asset and a liability equal to lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and are amortised on a straight-line basis over the life of the lease term.

(n) Employee Benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made if material. Post employment benefits such as retirement benefits have been included and measured at the present value of the estimated anticipated future cash outflows.

(o) Comparative figures

The comparative figures are for the 12 months ended 31 March 2010 and have been audited.

(p) Statement of Cash Flows

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

Definitions of Terms Used in the Statement of Cash Flows:

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

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

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

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

Netting of Cash flows

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

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(q) Accounting Judgements, Estimates and 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 Unions accounting policies with respect to the classification of financial instrument recognition.

The details of the critical accounting estimates and assumptions are set out in note 8 for the impairment provisions for loans.

2 REVENUE AND EXPENDITURE

	Mar 11	Mar 10
<i>Interest Revenue</i>	\$	\$
Interest on Loans	1,398,340	1,483,242
Interest on Investments	249,195	170,224
Interest on impaired assets	-	15,528
Other Interest	-	-
Total Interest Revenue	1,647,535	1,678,994
<i>Interest Expenditure</i>		
Interest on Members' Call Shares	71,339	48,166
Interest on Members' Term Shares	162,553	177,337
Total Interest Expenditure	233,892	225,503
Net Interest Revenue	1,413,643	1,453,491
<i>Other Income</i>	\$	\$
Loan Application Fees	76,288	73,815
Cost Recoveries	265,217	305,818
Bad Debts Recovered	34,563	18,378
Commissions	59,899	70,160
Dividend Income	21,073	7,755
Profit on Sale of Property Plant & Equipment	-	16,980
Distribution of Base Capital Notes	56,736	-
Total Other Income	513,776	492,628
<i>Other Expenditure</i>		
Auditors Remuneration		
External Audit:		
Audit of Financial Statements	27,867	20,260
Other Services	-	-
Internal Audit:	8,250	8,053
Loss on Disposal of Property Plant & Equipment	1,358	-
Directors Expenses and Training	15,249	8,978
Donations Made / Community Support	-	-
Bank Charges	167,116	177,637
Communication	78,810	96,023
Computer Maintenance	128,044	124,007
Other Expenses	378,042	385,320
Total Other Expenditure	802,736	798,228

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

	Mar 11	Mar 10
	\$	\$
Bad Debts		
Bad Debts Written Off	134,133	248,141
Total Bad Debts	<u>134,133</u>	<u>248,141</u>
Depreciation Expenditure		
Plant and Equipment	30,025	28,891
Motor Vehicles	33,674	30,577
Leasehold Improvements	4,314	4,887
Total Depreciation Expenditure	<u>68,013</u>	<u>65,195</u>

3 INTEREST PAID

Interest is paid to depositing members and relates to the Credit Union's ability to pay the interest. At times during the period the Credit Union may offer depositors special accounts that have a pre-set interest rate. Interest rates applied to members' deposits for the period were:

	Mar 11	Mar 10
Call Account Shares	0% - 1.0%	0% - 0.5%
Target Saver Shares	1% - 3.0%	1% - 1.5%
Christmas Club Shares	3%	3%
Junior Kiwi Shares	3%	3%
Bill Management Shares	0% - 0.5%	0% - 0.5%
Term Shares		
Term Deposit (3 months)	2% - 3.75%	2% - 3.5%
Term Deposit (6 months)	2% - 4.6%	2% - 3.5%
Term Deposit (9 months)	2% - 4.9%	2% - 3.5%
Term Deposit (12 months)	2% - 4.9%	2% - 4%

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

4 RESERVES

Reserves at 31 March 2010

	General Reserve	Retained Earnings	Other Reserves	Total Members' Reserves
Balance brought forward	3,308,318	732,893	-	4,041,011
Operating profit		239,692	-	239,692
Balance carried forward	3,308,318	972,385	-	4,280,703
The Reserve % to Total Assets	17%	5%	0%	22%

Reserves at 31 March 2011

	General Reserve	Retained Earnings	Other Reserves	Total Members' Reserves
Balance brought forward	3,308,318	972,385	-	4,280,703
Operating profit	-	253,948	-	253,948
Balance carried forward	3,308,318	1,226,333	-	4,534,651
The Reserve % to Total Assets	16%	6%	0%	23%

Retained Earnings

Reserve arising from retained profits accumulated from operations.

General Reserve

A General Reserve has been established in accordance with S119 of the Friendly Societies and Credit Unions Act 1982 which requires the Credit Union to transfer 5% of gross earnings to the General Reserve until the General Reserve is the equivalent of 5% of total assets, and thereafter maintained at a minimum of 5% of total assets. The reserve may not be distributed until the Credit Union is being wound up or dissolved, but may be applied for the following purposes:

- a) To offset losses made by the Credit Union on loans to members', and
- b) To such persons of such amounts in such special circumstances, as the Registrar, on application, may approve.

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

RESERVES - Continued

Total Reserves

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

5 CASH AND CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS

	Interest Rates	Mar 11	Mar 10
		\$	\$
<u>Cash and Cash Equivalents</u>			
Cash & Bank	various	450,882	394,122
Deposits at Bank of New Zealand - (at call)		-	400,000
Deposits at NZ Association of Credit Unions - (at Call)	various	1,300,000	850,000
		<u>1,750,882</u>	<u>1,644,122</u>
Deposits at Bank of New Zealand - (maturing within 1 - 3 months)		-	-
Deposits with ASB - (maturing within 1 - 3 months)	3.90%	200,000	2,550,000
Deposits at NZ Association of Credit Unions - (maturing within 1 - 3 months)	3.62 - 5.00%	5,025,000	1,725,000
		<u>6,975,882</u>	<u>5,919,122</u>
<u>Other Financial Assets</u>			
Deposits with BNZ - Maturing within 4 - 6 months)	4.60%	250,000	-
Deposits with ASB - Maturing within 4 - 6 months)		-	200,000
		<u>250,000</u>	<u>200,000</u>

The Credit Union does not hold tradeable securities. Effective interest rates are the original contracted values. Movements in market rates will not affect the recorded value of investments. The deposits with the NZACU's central banking facility are excess funds held by the Credit Union. The NZACU minimises its exposure to credit risk by maintaining a diversified portfolio with controls over maturity, counter party and concentration of investment risks.

6 TRADE AND OTHER RECEIVABLES

	Mar 11	Mar 10
	\$	\$
Accrued Interest	58,818	47,831
Dividends Declared	7,548	-
Prepayments	23,409	18,982
	<u>89,575</u>	<u>64,813</u>

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

7 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 income in the Income Statement in the period in which they are deemed irrecoverable. Where an impairment provision has previously been made against a loan any subsequent write off of the loan is charged against the provision.

(a) Loans to members comprises:

	Mar 11	Mar 10
Gross Loans	12,418,893	13,082,019
Allowance for impairment individually	114,761	138,166
Allowance for impairment collectively	4,560	6,573
Net	12,299,572	12,917,280
Current Portion	3,809,397	3,839,495
Non Current Portion	8,890,175	9,077,785
	12,299,572	12,917,280

Management judgement is applied when determining appropriate levels of impairment provisioning based on periods of arrears of principal and interest. Changes in management estimates throughout the year has resulted in loans previously recorded as impaired collectively being reclassified as past due but not impaired.

(b) Credit quality - Security dissection

	Mar 11	Mar 10
	\$	\$
Secured by mortgage over real estate	4,086,042	3,472,141
Secured by members shares	193,488	196,693
	4,279,510	3,668,834

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:

Note	Mar '11	Mar 10
	\$	\$
Security held as mortgage against real estate is on the basis of:		
- loan to valuation ratio of less than 80%	3,710,738	3,472,141
- loan to valuation ratio of more than 80% but mortgage insured	375,304	.
- loan to valuation ratio of more than 80% but not mortgage insured	.	.
TOTAL	4,086,042	3,472,141

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

LOANS TO MEMBERS - Continued

(c) Credit quality - Concentration of loans

(i) Loans to individual or related groups of members which exceed 10% of member funds in aggregate	Nil	Nil
(ii) Loans to members are concentrated to individuals with union membership	100%	100%
(iii) Loans to members are concentrated solely in New Zealand and principally within the common bond of the Credit Union	100%	100%
(iv) Loans by customer type were		
Loans to natural persons		
Residential loans and facilities	4,066,042	3,472,141
Personal loans and facilities	8,332,851	9,589,878
TOTAL	<u>12,410,893</u>	<u>13,062,019</u>

8 IMPAIRMENT OF LOANS AND ADVANCES

(a) Provision for impairment

	Mar 11	Mar 10
	\$	\$
Balance brought forward	144,739	202,324
Addition / (reduction) in provision	<u>(25,417)</u>	<u>(57,585)</u>
Balance carried forward	<u>119,322</u>	<u>144,739</u>

(b) Provision for Impairment Calculation

Provision collectively	4,560	6,573
Provision individually	<u>114,762</u>	<u>138,166</u>
Closing Balance	<u>119,322</u>	<u>144,739</u>

Key assumptions in determining the provision for impairment

In the course of the preparation of the annual 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. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses. Where recovery of impairment loan or loans exceeds the original estimated provision, the provision for impairment is reduced resulting in an increase in the Statement of Comprehensive Income. An estimate is based on the period of impairment.

Period of Impairment	% of Balance
0-30 days	0%
31 - 90 days	20%
91 - 180 days	40%
181 - 272 days	60%
273 - 365 days	80%
Over 365 days	100%

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

IMPAIRMENT OF LOANS AND ADVANCES - Continued

(c) Impaired Loans Disclosure

	Mar 11	Mar 10
	\$	\$
Balance of Impaired Loans	200,279	252,841
Estimated value of Loans which are secured	20,122	170,168

Analysis of loans that are individually impaired.

Loans individually impaired are based on the age of the loans and the evidence that the member is unable to repay the debt in full, such as notice of bankruptcy or default notice being issued.

Balance of individually impaired loans	177,477	223,979
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(d) Impaired Loans, Assets Acquired and Past Due Loans

Non Accrual Loans

	Mar 11	Mar 10
	\$	\$
Loans with Specific Provisions	22,802	28,852
Provision for Impairment	(4,580)	(8,573)
Loans with no Provision for Impairments	-	-

Total Non Accrual Loans	18,242	22,289
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Restructured Loans

Total Restructured Loans	177,477	223,979
Provision for Impairment	(114,781)	(138,168)
	62,718	85,813

Real Estate acquired through the enforcement of the security	nil	nil
--	-----	-----

Other Assets acquired through the enforcement of the security	nil	nil
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Past Due Loans

All past due loans that are not impaired are loans in arrears for 30 days or less.	712,861	930,832
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(e) Interest and Other Revenue recognised and foregone

Interest revenue on non-accrual and restructured loans	28,036	31,383
Interest foregone on non-accrual and restructured loans	(12,637)	(15,855)
	13,400	15,528

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

IMPAIRMENT OF LOANS AND ADVANCES - Continued

(f) Fair Value of Assets Acquired

Assets acquired through the enforcement of security	-	-
Assets acquired through the enforcement of security used by the Credit Union in its operations	-	-
	<u>-</u>	<u>-</u>

9 PROPERTY, PLANT AND EQUIPMENT

(a) Classes of Property, Plant & Equipment

Motor Vehicles

	Mar 11 \$	Mar 10 \$
At cost or fair value at transition	122,003	116,203
Accumulated depreciation	<u>45,663</u>	<u>21,947</u>
	<u>76,340</u>	<u>94,256</u>

Leasehold Improvements

At cost	66,393	66,393
Accumulated depreciation	<u>32,738</u>	<u>28,424</u>
	<u>33,655</u>	<u>37,969</u>

Plant & Equipment

At cost	503,526	464,151
Accumulated depreciation	373,724	356,213
Accumulated impairment losses	-	-
	<u>129,802</u>	<u>107,938</u>

Total Property, Plant & Equipment

	<u>239,797</u>	<u>240,163</u>
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UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

PROPERTY, PLANT AND EQUIPMENT - Continued

(b) Movements in Carrying Amounts

	Motor Vehicles	Plant & Equipm't	Leasehold Improvmt's	Total
	\$	\$	\$	\$
2011				
Balance at the Beginning of the period	94,256	107,938	37,969	240,163
Additions	62,000	56,320	-	110,320
Disposals	(36,242)	(8,432)	-	(42,674)
Depreciation Expense	(33,674)	(30,026)	(4,314)	(68,014)
Carrying amount at the end of the financial period	<u>76,340</u>	<u>129,802</u>	<u>33,655</u>	<u>239,797</u>
2010				
Balance at the Beginning of the period	81,580	133,112	42,836	237,537
Additions	154,210	4,868	-	159,078
Disposals	(60,966)	(351)	-	(61,317)
Depreciation Expense	(30,577)	(29,691)	(4,867)	(65,135)
Carrying amount at the end	<u>94,256</u>	<u>107,938</u>	<u>37,969</u>	<u>240,163</u>

(c) Impairment Losses

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

10 CAPITAL NOTES

NZACU Business Services Division Trust Base Capital Notes (Capital Notes). These represent monies invested with the NZACU Business Services Division Trust for an open-ended term. The Capital Notes constitute unsecured obligations of the NZACU Business Services Division Trust and rank equally and without priority or preference among themselves. The Capital Notes rank after creditors in the event of the winding up of the NZACU Business Services Division Trust. Capital Notes may only be sold or transferred to another Credit Union that is a member of the NZACU Business Services Division Trust and with the consent of the NZACU Business Services Division Trust Board of Directors. There is no active market for these securities which have no guaranteed interest rate return.

Dividends are payable on a six monthly basis subject to the profitability of the NZACU Business Services Division Trust. Dividend income of \$21,073 (2010: nil) has been recognised based on declared dividends and has been included within Other Income.

	Mar 11	Mar 10
	\$	\$
Capital Notes at Cost	290,325	233,590
Less Impairment	-	-
	<u>290,325</u>	<u>233,590</u>

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

11 TRADE AND OTHER PAYABLES

	Mar 11	Mar 10
	\$	\$
Accrued Interest Payable	68,731	52,683
Resident Withholding Tax	21,073	16,837
Sundry Creditors and Accrued Expenses	109,383	374,159
Employee Entitlements	138,740	127,389
	<u>333,927</u>	<u>570,868</u>

12 MEMBERS' DEPOSITS

	Mar 11	Mar 10
	\$	\$
<i>Ordinary Shares</i>		
Savings Accounts	10,118,297	9,781,952
Christmas Club	346,440	330,356
Loan Provider Account	1,174,077	706,977
Total Ordinary Shares	<u>11,638,814</u>	<u>10,819,285</u>
<i>Term Shares:</i>		
<i>Original Maturity Terms:</i>		
0-3 months	78,983	736,580
6 months	313,478	908,229
9 months	985,431	54,640
12 months	2,259,687	2,204,683
Greater than 12 months	-	-
Total Term Shares	<u>3,637,559</u>	<u>3,904,112</u>
<i>Total Members' Deposits</i>	<u>15,276,373</u>	<u>14,723,397</u>

See note 3 for interest rates on member deposits.

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

13 COMMITMENTS

(a) Future Capital Commitments

	Mar 11	Mar 10
	\$	\$

The Credit Union has no future capital commitments or financial lease commitments (2009:nil)

(b) Operating Lease Commitments

Non cancellable operating leases contracted for but not capitalised in the financial statements, payable:

Not longer than 1 year	64,172	118,708
Longer than 1 and not longer than 5 years	64,817	134,389
Longer than 5 years	-	-
	128,989	253,075

Wellington Premises:

The property lease is a non-cancellable lease with an original 6-year term, with rent payable monthly in advance. An option exists to renew the lease at the end of the 6-year term for an additional term of 3 years.

Auckland Premises - 2 Bleakhouse Rd Howick

This lease commenced on 30 April 2010 and has an original 4 year term with an option to renew for a further 2 year period.

(d) Outstanding Loan Commitments

Loans approved but not funded	107,754	142,038
Undrawn overdraft, line of credit and Access credit	-	-

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

14 CONTINGENT LIABILITIES

There are no contingent liabilities not provided for in the financial statements. (2010, NIL)

15 SEGMENTAL REPORTING

The Credit Union operates in the New Zealand financial services industry with a concentration of members and activity in Auckland and Wellington and their satellite towns. The Credit Union has one operating segment being the generation of interest income from investments, deposits and members loans throughout New Zealand. Management monitors the business as one single operating segment.

16 EVENTS OCCURRING AFTER BALANCE DATE

There are no known events that have occurred subsequent to balance date which would materially affect these financial statements. (2010:NIL)

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The board had endorsed a practice of compliance and risk management to suit the risk profile of the Credit Union.

Key risk management policies encompassed in the overall risk management framework include:

- Market Risk and Hedging Policy management
- Credit risk management
- Liquidity risk management
- Operations risk management
- Capital adequacy management

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

Market Risk and Hedging Policy

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

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

The policy of the Credit Union to manage the risk is to maintain a balanced "on book" strategy by ensuring the net interest rate gaps between members loans and members shares are not excessive. The measured gap is reviewed monthly by the Audit and Finance Committee and set in line with market rates. The gap is measured to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposits liabilities to rectify the imbalance to within acceptable levels. The policy of the Credit Union is not to undertake derivatives to match the interest rate risks. The Credit Unions exposure to interest rate risk is set out in Note 20 which details the contractual interest change profile.

Based on the calculations as at 31 March 2011 the net profit impact for a 1% movement in loan interest rates would be \$124,187 (2010 \$130,620).

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

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

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

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Credit Risk - Loans

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the entity. There is no industry concentration of credit risk with respect to loans and receivables as the Credit Union has a large number of customers dispersed in areas of employment. The credit policy is that loans are only made to members that are credit worthy. The maximum credit risk is the carrying value of trade and other receivables, deposits and member loans.

The credit union has established policies or procedures over the:

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

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

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The board policy is to maintain a maximum of 40% of the loans in well secured residential mortgages which carry an 80% Loan to Valuation ratio or less.

The credit union also maintains a strict lending policy which is modified from time to time depending upon perceived changes in market risk. This policy includes but is not limited to receiving from the member, proof of income, repayment ability and credit checks. Loan repayments are also monitored daily.

The Credit Union has a concentration in the retail lending for members who are members of a union. This concentration is considered acceptable on the basis that the Credit Union was formed to service these members, and the employment concentration is not exclusive. Should members leave their jobs the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans. There is a concentration of members and activity in Auckland and Wellington and their satellite towns

Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 5 days if not rectified. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loan is over 30 days in arrears. The exposures to losses arise predominantly in the non secure personal loans and facilities.

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

Credit Risk - Liquid Investment

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

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

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

The board policy is to maintain, outside NZACU investments, at least 90% of the investments in financial institutions with a rating in excess of AA. The board also has an obligation to invest a minimum amount of funds with the NZACU, an association set up to support the member Credit Unions. This association does not have a credit rating.

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Credit Risk - Equity Investments

The Credit Union does not have investments in equity investments.

Liquidity Risk

Liquidity risk is the risk that the Credit Union may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments. It is the policy of the Board of Directors that the Credit Union maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

The Credit Union manages liquidity risk by:

- Continuously monitoring forecast and actual daily cash flows
- Reviewing the maturity profiles of financial assets and liabilities
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities

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

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

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in the specific note 22

Operational Risk

Operations risks relate to those risks arising from a number of sources including legal compliance, business continuity, data infrastructure and outsourced services failures and employees errors.

These risks are managed through the implementation of policies and systems to monitor the likelihood of the events and minimise the impact. System of internal control are enhanced through:

- the segregation of duties between employee duties and functions, including approval and processing duties
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour
- implementation of the whistleblowing policies to promote a compliant culture and awareness of the duty to report exceptions by staff
- education of members to review their account statements and report exceptions to the Credit Union promptly
- effective dispute resolution procedures to respond to members complaints
- effective insurance arrangements to reduce the impact of losses

Capital Management

The Credit Union is regulated under the Friendly Societies and Credit Union Act 1982. There is a statutory requirement over the minimum reserves required to be maintained. In addition the Credit Union operates under a trust deed which requires the minimum reserves to be held by the Credit Union to be 10% of total assets. The Credit Union reserves as the end of the reporting period is stated in note 4.

To manage the Credit Union's capital, which can be affected by excessive growth and by changes in total assets, the Credit Union reviews the capital adequacy ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the board and the trustee if the capital ratio falls below 10%. Further, an annual capital budget projection of the capital level is maintained annually to address how strategic decisions or trends may impact on the capital level.

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

18 MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term, and in the case of loans the repayment amount and frequency. The associated table shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained. For term loans the above dissection is based upon contractual conditions of each loan being strictly complied with and is subject to change in the event that current repayment conditions are varied. The following tables have been prepared based upon the gross undiscounted cashflows including amounts of interest and principal. The number of long term loans (20-30 years) included below are immaterial due to the low number.

<i>Mar 11</i>	Within 1 Month	1-3 Months	3 - 6 Months	6 - 12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
Monetary Assets									
<i>Receivable</i>									
Cash and cash equivalents	4,084,769	2,919,599							7,259,148
Other financial assets			254,821						254,821
Trade and other receivables	89,575								89,575
Loans to members	438,163	880,581	1,229,097	2,224,182	3,456,609	4,280,348	4,598,192		17,076,240
Derivatives									-
Capital Notes								299,325	299,325
Total Monetary Assets									
<i>Receivable</i>	4,613,507	3,770,120	1,483,918	2,224,182	3,456,609	4,280,348	4,598,192	299,325	24,970,109
Mar-11 Monetary Liabilities									
<i>Payable</i>									
Trade and other payables	333,927	-	-	-	-	-	-	-	333,927
Members Deposits	12,245,323	856,584	818,542	1,514,408	-	-	-	-	16,432,855
Short-term borrowings	-	-	-	-	-	-	-	-	-
Total Monetary Liabilities Payable	12,579,250	856,584	818,542	1,514,408	-	-	-	-	15,768,782

UNITED CREDIT UNION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

<i>Mar-10</i>	Within 1 Month	1-3 Months	3 - 6 Months	6 - 12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
Monetary Assets									
Receivable									
Cash and cash equivalents	3,976,667	1,963,847							5,939,914
Other financial assets			203,102						203,102
Trade and other receivables	64,813								64,813
Loans to members	476,760	914,530	1,312,309	2,373,582	3,758,542	4,916,063	3,246,375		16,998,161
Derivatives									-
Capital Notes								233,590	233,590
Total Monetary Assets									
Receivable	4,517,640	2,878,377	1,515,411	2,373,582	3,758,542	4,916,063	3,246,375	233,590	23,439,580
Mar-10 Monetary Liabilities									
Payable									
Trade and other payables	570,868	-	-	-	-	-	-	-	570,868
Members Deposits	11,740,398	1,172,999	780,834	1,147,219	-	-	-	-	14,841,450
Short-term borrowings	-	-	-	-	-	-	-	-	-
Total Monetary Liabilities Payable	12,311,266	1,172,999	780,834	1,147,219	-	-	-	-	15,412,318

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2011

19 INTEREST RATE RISK

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

	Repricing period at 31 March 2011														Total	Total	Weighted average effective interest rate*					
	Fixed interest rate maturing in:																					
	Floating interest rate		0 to 3 months		3 to 6 months		6 to 12 months		1 to 2 years		2 to 5 years		Over 5 years					Non-interest sensitive				
Mar-11	Mar-10	Mar-11	Mar-10	Mar-11	Mar-10	Mar-11	Mar-10	Mar-11	Mar-10	Mar-11	Mar-10	Mar-11	Mar-10	Mar-11	Mar-10	Mar-11	Mar-10	Mar-11				
Assets	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000			
Cash & cash equivalents	1,751	1,587	5,225	4,275														6,976	5,882	4.31%	3.37%	
Other financial assets					250	200												250	200	4.60%	4.88%	
Trade & other receivables																		90	65	N/A	N/A	
Loans to members			965	1,039	932	988	1,712	1,813	2,712	2,935	3,239	3,813	2859	2474				12,419	13,082	11.07%	11.50%	
Derivatives																				N/A	N/A	
Capital Notes																		290	234	N/A	N/A	
Total Monetary Assets	1,751	1,587	6,190	5,314	1,182	1,188	1,712	1,813	2,712	2,935	3,239	3,813	2,859	2,474				20,024	19,423	-	-	
Liabilities																						
Deposits	12,245	10,819	1,464	2,045	817	759	1,514	1,100										16,040	14,723	1.74%	1.43%	
Other payables																		334	571	N/A	N/A	
Borrowings																					N/A	N/A
Total Monetary Liabilities	12,245	10,819	1,464	2,045	817	759	1,514	1,100										16,374	15,294	-	-	

* The weighted average effective interest rate has been calculated on the interest sensitive financial instruments in each category. N/A - Not Applicable.

(a) Capital Notes do not have any predetermined rate of interest. Interest is payable on a six monthly basis in arrears subject to the profitability of the NZACU Business Services Division Trust. The last interest payment was 5.2% (2010 7.5% per annum)

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

20 OTHER CREDIT RISKS

(a) Maximum Credit Risk Exposure

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

(b) Concentrations of Credit Risk

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

(c) Large Counterparties

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

	Number of Counter-parties	
	Assets	Liabilities
Greater than 100% of equity	1	-
Between 90% and 100% of equity	-	-
Between 80% and 90% of equity	-	-
Between 70% and 80% of equity	-	-
Between 60% and 70% of equity	-	-
Between 50% and 60% of equity	-	-
Between 40% and 50% of equity	-	-
Between 30% and 40% of equity	-	-
Between 20% and 30% of equity	-	-
Between 10% and 20% of equity	-	-

In relation to loans to members, where a member has shares as security or deemed security, the security has not been taken into account when calculating the percentage of exposure.

(d) Loans to Members

Loans can only be made to Credit Union members. Loan interest rates range from 6.5% to 15% p.a. (2010 6.95% to 15% p.a.) The Credit Union has a lending policy that requires various levels and types of security for loans and includes that a portion of loans may be secured over the borrowing members shares. The Friendly Societies and Credit Unions Act 1982 limits the risk of any one member and provides, along with the loan agreement that any and all shares might be used to offset an individual loan to the limit of their liability. Under section 110 of the Act, the maximum indebtedness and repayment terms of a member shall not, without the prior consent of the Registrar, exceed the following limits:

Unsecured Loan 5% of the value of the assets of the Credit Union and 10 Years
Secured Loan 10% of the value of the assets of the Credit Union and 10 Years

The Registrar of Friendly Societies and Credit Unions has approved an extension of the secured loan term from 10 to 30 Years.

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

	Mar 11	Mar 10
Other than loans, there are no other monetary assets in arrears.	1.35%	1.64%

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Loans to Members

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

Mar 11	Mar 10
17.26 months	16.34 months

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

Mar 11	Mar 10
12.23%	9.00%

There are no other monetary asset receivables that exceed the individual value of these six largest loans. Refer Note 8 Impairment of loans and advances for disclosure on past due loans and impaired loans.

21 CONCENTRATION OF FUNDING

The Credit Union's source of funding is members' deposits and is almost exclusively from individuals residing within Auckland and Wellington and their satellite towns. The funding from members is recorded as a liability, Members' shares in the Balance Sheet.

22 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability. Significant assumptions used in the determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts. The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets held are regularly traded by the Credit Union. There is no active market to assess the value of the capital notes.

	March 11			March 10		
	Fair Value	Book Value	Variance	Fair Value	Book Value	Variance
	\$	\$	\$	\$	\$	\$
FINANCIAL ASSETS						
Cash and cash equivalents	6,975,662	6,975,662	-	5,919,122	6,919,122	-
Other financial assets	250,000	250,000	-	200,000	200,000	-
Trade and other receivables	89,575	89,575	-	64,813	64,813	-
Loans to members	12,289,572	12,299,572	-	12,917,280	12,817,280	-
Capital Notes	290,325	280,325	-	233,590	233,590	-
Total Financial Assets	19,905,154	19,905,154	-	19,334,805	19,334,805	-
FINANCIAL LIABILITIES						
Trade and other payables	333,927	333,927	-	570,868	570,868	-
Short term borrowings	-	-	-	-	-	-
Deposits from members	15,276,373	15,276,373	-	14,723,397	14,723,397	-
Total Financial Liabilities	15,610,300	15,610,300	-	15,294,265	16,294,265	-

The net fair value estimates were determined by the following methodologies and assumptions:

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Financial Assets

Loans to Members

As detailed in the accounting policies, loans are carried at estimated realisable value after providing for impairments. The directors believe that any differences between carrying value and fair value are not material because the majority of loan periods are relatively short and can be changed to "on demand" by the trustees. The number of loans for a period of over 20 years are immaterial due to the low number. In addition, interest rate differences between lending dates and balance date are not significant.

Cash and Bank

The reported amount is equal to fair value.

Receivables

The reported amount takes into account the likelihood of collecting the amounts owed. The Directors believe these amounts reflect their fair value.

Investments

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

Financial Liabilities

Deposit from members

Deposits from members are accepted on the basis of a fixed value of \$1 per share. Deposits not in whole dollars are deemed to be advance subscriptions for shares. Dividends not paid in cash, and reinvested by members, are deemed to be subscriptions for shares and add to the members' share balance in the Credit Union. The Directors believe the reported values reflect fair

Members' shares are secured by a first ranking equitable assignment by way of security over the whole of the Credit Union's present and future undertaking, property, assets and revenues, including the proceeds received for the subscription shares and unpaid capital (if any). The equitable assignment by way of security was granted in favour of Trustees Executors Limited, the Prudential Supervisor of the Credit Union, under Trust Deed dated 2nd February 2001, which has been registered with the Registrar of Companies.

The Credit Union has also granted to Trustees Executors Limited a security interest in all its present and after-acquired personal property as additional security for the members' shares. Trustees Executors Limited has registered a financing statement under the Personal Property Securities Act 1999 in respect of the same. The grant of this security interest was recorded in a Deed of Modification to Trust Deed dated 16 October 2002, which has been registered with the Registrar of Companies.

Other Liabilities

Accounts Payable are carried at fair value.

UNITED CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

23 DISCLOSURE ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

a. Related Party Transactions

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

Key Management Persons (KMP) has been taken to comprise the directors and the members of the executive management responsible for the day to day financial operation of the Credit Union.

Paul Cheng, a director of the United Credit Union is the Principal of Paul Cheng & Co who act as solicitors for United Credit Union. Fees paid to Paul Cheng & Co during the year amounted to \$424.25 (2010: nil).

No amount was outstanding at year end.

Christine Hyatt is a director of Credit Consultants Limited who act as debt collectors for United Credit Union. Fees paid to Credit Consultants Limited during the year amount to \$36,480 (2010: 31,927). \$3,415.22 was outstanding at year end.

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

	2011		2010	
	Directors	Other KMP	Directors	Other KMP
	\$	\$	\$	\$
(a) short-term employee benefits	2,380	126,820	6,976	125,760
(b) post-employment benefits - super contributions	-	15,921	-	10,890
(c) other long term benefits - net increases in long service leave provision	-	517	-	-
(d) termination benefits	-	53,247	-	48,895
(e) share based payment	-	-	-	-
(f) Interest paid	-	-	-	-
Total	2,380	196,305	6,976	185,545

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

Directors' holdings at balance date are:	Mar 11	Mar 10
	\$	\$
Owing to Directors (Shares)	6,493	6,905
Owing from Directors (Loans)	170,361	-

There are no shares from directors exceeding 12 months and all directors loans, apart from mortgages are repayable upon demand.

The directors receive no fees or honoraria for their services.

24 CASH FLOW STATEMENT RECONCILIATION

<i>Reconciliation of Cash Flow from operating activities with operating profit</i>	Mar 11	Mar 10
	\$	\$
Operating profit	253,948	239,602
Non Cash Items		
Depreciation	88,013	85,135
Gain/Loss on sale of Property Plant and Equipment	1,358	(18,680)
Bad Debts	134,133	248,141
Base Capital Note Distribution	(58,738)	-
Provision for Loan Impairment	(25,417)	(57,686)
Changes in Assets and Liabilities		
Movements in Accounts Receivable	(24,761)	(14,418)
Movements in Accounts Payable	(238,940)	253,118
Net Cash Provided by /(Used in) Operating Activities	113,598	717,403

UNITED CREDIT UNION
CONSOLIDATED REVENUE STATEMENTS 31 MARCH 2011

Income	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
		\$	\$	\$	\$
Interest - Members Loans	1,398,340	1,508,770	1,787,940	1,672,274	1,490,060
Interest on Investments	249,195	170,224	247,642	306,651	275,573
Fees and Commissions and other	513,776	475,945	479,298	397,250	293,045
	2,161,311	2,154,939	2,514,880	2,376,175	2,058,678
Expenses					
Auditing Financial Statements	27,867	20,200	24,795	24,660	12,000
Bad Debts	134,133	248,141	256,617	65,763	79,711
(Decrease)/Increase in Provision For Doubtful Debts	(25,417)	(57,585)	95,299	(19,027)	(53,934)
Bank Charges	167,116	177,637	170,463	142,827	85,647
Computer - Depreciation & Maintenance	144,967	142,002	134,028	165,498	108,548
Depreciation	51,090	47,140	52,507	50,870	52,547
Fringe Benefit Tax	15,154	14,899	13,675	18,439	16,948
General Expenses	77,443	47,539	80,751	76,737	65,061
Office Expenses	3,935	4,503	7,237	6,619	8,053
Insurance & ACC	21,771	20,671	21,305	12,923	24,531
(Gain)/Loss on Disposal of Property Plant & Equipment	(1,359)	(16,680)	805	(8,705)	446
Membership Promotion	64,072	73,500	55,219	91,886	46,073
NZACU Dues	86,280	56,104	65,026	66,841	53,846
Postage, Telephone & Toll	76,811	96,023	108,847	77,050	57,857
Printing & Stationery	85,600	62,340	68,825	88,044	72,981
Cleaning and Power	25,687	25,249	26,940	22,277	20,033
Rent	130,574	143,572	159,917	100,618	81,184
Salaries & Staff Costs	563,432	508,916	558,785	515,979	422,396
Consultancy	55,599	58,977	70,820	80,052	65,560
Trust Deed Costs	18,716	16,576	14,102	13,537	13,847
	1,673,471	1,689,724	1,985,963	1,592,888	1,233,355
Paid to Members - Interest	233,892	225,523	440,714	428,164	366,637
Transfer to Statutory Reserve	253,948	239,692	88,203	355,123	458,686

The Notes form part of and are to be read in conjunction with these Accounts.

UNITED CREDIT UNION

SUMMARY OF CONSOLIDATED BALANCE SHEETS 31 MARCH 2011

	<u>31/03/11</u>	<u>31/03/10</u>	<u>31/03/09</u>	<u>31/03/08</u>	<u>31/03/07</u>
	\$	\$	\$	\$	\$
Total Tangible Assets	<u>20,144,951</u>	<u>19,574,967</u>	<u>19,025,745</u>	<u>19,859,453</u>	<u>17,822,380</u>
Total Assets	<u>20,144,951</u>	<u>19,574,967</u>	<u>19,025,745</u>	<u>19,859,453</u>	<u>17,822,380</u>
Total Liabilities	<u>15,610,300</u>	<u>15,294,265</u>	<u>14,984,735</u>	<u>15,906,645</u>	<u>14,609,380</u>
Total Members Funds	<u>4,534,651</u>	<u>4,280,703</u>	<u>4,041,001</u>	<u>3,952,808</u>	<u>3,213,000</u>

The Notes form part of and are to be read in conjunction with these Accounts.

UNITED CREDIT UNION
COMPARATIVE SUMMARY OF MEMBERSHIP 31 MARCH 2011

(\$000)	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
Loans (At Year End)					
First Mortgages	3,950	3,314	3,772	3,794	4,118
Second Mortgages	136	158	15	32	35
Personal Unsecured Loans	6,954	7,896	9,068	10,407	7,880
Other	1,379	1,549	1,533	1,677	1,766
TOTAL	12,419	12,917	14,388	15,910	13,799
Contributions (At Year End)	15,276	14,723	14,667	15,506	14,261
Reserves	4,535	4,281	4,041	3,952	3,213
Interest on Loans	1,398	1,509	1,788	1,672	1,490
Interest on Contributions	234	226	441	428	367
Deposit Interest Rates	0% to 5.2%	0% to 5%	1% to 6%	1% to 7%	1% to 7%
No. of Members (At Year End)	6,750	7,353	8,637	9,694	8,196

The Notes form part of and are to be read in conjunction with these Accounts.

UNITED CREDIT UNION

LOANS

DISSECTION OF MEMBERS BALANCES 31 MARCH 2011

SECURITY :	NUMBER:	AMOUNT :	AVERAGE AMOUNT OF LOAN :	PERCENTAGE OF TOTAL AMOUNT OF LOANS :
First Mortgage	42	3,949,787	94,043	25.37%
Second Mortgage	4	136,255	34,064	0.10%
Motor Vehicle Loan	23	158,254	6,881	1.06%
Insurance Secured	8	66,931	8,366	1.06%
Savings	23	32,341	1,406	0.20%
Personal Loans	1,153	6,953,675	6,031	61.63%
Call A/c Secured	11	56,694	5,154	0.40%
Term Deposit Secured	17	104,432	6,143	1.06%
Revolving Credit	62	367,790	5,932	3.35%
Gunmaster Loans	93	417,394	4,488	4.79%
Caveat Secured	6	175,335	32,205	0.98
	1,442	12,418,888		100.00%

The Notes form part of and are to be read in conjunction with these Accounts.



Independent Auditor's Report

Audit

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To the Members of United Credit Union

Report on the Financial Statements

We have audited the financial statements of United Credit Union (the "Credit Union") on pages 4 to 37 which comprise the statement of financial position as at 31 March 2011, the statement of comprehensive income and statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Credit Union's Board are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the matters to which they relate, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than as auditors and the provision of assurance related services to the Credit Union the firm has no other interest in United Credit Union.

Opinion

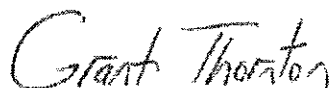
In our opinion, the financial statements on pages 4 to 37:

- Comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of United Credit Union as at 31 March 2011 and the financial performance and their cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993:

- We have obtained all the information and explanations that we have required.
- In our opinion proper accounting records have been kept by the Credit Union as far as appears from our examination of those records.



Grant Thornton New Zealand Audit Partnership
Wellington, New Zealand
24 May 2011