Annual Report 2011

General Equity

Contents

The Society and its advisors

INCORPORATION	General Equity Building Society was incorporated in New Zealand on 10 October 2007 under the Building Societies Act 1965.
DIRECTORS	Brian Joseph McGrath (Chairman) Mark Bayoud (appointed 30 November 2009) Ambrose Chan (appointed 28 May 2010) Dr. Steven Adrian Hensen John Peter Kortum Azli Noor
REGISTERED AND BUSINESS OFFICE *	Level 4 17 Albert St Auckland New Zealand
AUDITOR	**Lawler Draper Dillon** Chartered Accountants Level 12, 440 Collins St Melbourne Vic, Australia

* The Society has operated from this registered office from 25 March 2010. Prior to this, the Society's registered office was Level 3, 22 Amersham Way, Manakau City, New Zealand.

Chairman's Report

The past twelve months have seen a deepening of the recession forecast in our last report, with the major financial and banking systems of Europe and the US suffering recurring problems arising from debt and a severe reduction in liquidity. This has been reflected in trading in New Zealand, Australia and Asia where much of our financial activities have been centred.

In spite of these constraints our Society has continued to grow, expanding our base activities and introducing new services for the benefit of our clients. These include a Nostro Account service with NAB via Bank of New Zealand and an expanded number of relationships with various international banks which facilitate the issue of trade credit instruments required by our clients. The Society also introduced a debit card facility for clients which will facilitate an increase in business into the future.

During the course of this year certain business activities of the Society were constrained due to the delay in completing the audit for 2010, which was finalised in September 2011. The absence of audited accounts and balance sheet placed significant constraints on certain commercial activities of the Society.

However, even with these limitations our business has continued to grow as we had previously predicted. A survey of the activities of the past year indicates not only growth but significant growth potential and an increasing cohesiveness and expansion of skills within our organisation.

Advantage was taken during the year to review and improve various systems within the society to improve the online banking system, improve the client reporting in the online banking service and streamline the accounting systems, which ensure greater efficiency as well as ease of access for our clients.

During this time membership has remained steady and there are signs of increasing interest in our particular services which augers well for the immediate future.

With the completion of the 2010 audit we are now seeing a significant increase in our trade credit business. This increase in business together with an increase in capital and the guarantee provision positions the Society well to take advantage of increasing business in the coming year.

The prospects of the Society for the next twelve months are very encouraging. We have successfully weathered a difficult year and have been able to expand our business in several areas. We have increased our workforce with some highly skilled personnel. Opportunities for further growth and expansion are already opening and your board is carefully assessing these opportunities to enable the Society to take full advantage of them.

Nevertheless the coming year will also be fraught with the ongoing fiscal problems which have been troubling the world financial markets for the past two years and the challenges arising from these difficulties. In spite of this the Board is facing the future confident it is continuing to develop the business of the Society and provide widening and improved benefits and opportunities to its members.

I have been Chairman of the Board of Directors since the inception of the Society and seen its establishment and growing pains, despite which the Society has over these years a record of achievement and many satisfied customers. I have enjoyed the support of all members of the Board and together we have been able to steer the Society through troubled waters until today it stands at the threshold of substantial growth, diversification of interests and an increasing ability to serve the needs of its members. For this, credit is due to each Board member and I acknowledge with gratitude each member's contribution.

Owing to my age and health concerns I am retiring as Chairman of the Board but will continue to serve the society as a director.

Brian Joseph McGrath

Chairman

Directors' Report

The Directors are pleased to present the Annual Report, together with the financial statements of General Equity Building Society (the 'Society') for the year ended 31 March 2011.

Principal activities

The principal activities of the Society were the provision of banking, the issue of trade credit instruments and other financial services for the benefit of its members and others.

Results

The Society, having been face to face with a deep global recession, found that traditional goals of balance sheet growth and increased profitability were just not relevant. Consistent with its business plan the Society has continued to restructure itself to meet the challenges of providing effective financial services in today's rapidly changing financial world. Capital had continued to grow from US$4.825m in 31 March 2010 to US$6.185m at 31 March 2011. During the 2011 financial year the Society applied the increase in capital to restructuring and improving its entire infrastructure. This is now reaping returns with a significant increase in trade finance business and better capacity of the Society to conduct banking business generally.

Our strong asset and capital growth, along with the New Zealand Sovereign's strong domestic currency and strong economy allows the Society to continue to provide a safe and trustworthy financial service for our members and other participants in the global financial markets.

The key factors affecting performance in 2011 were:

Our focus on delivering value to existing members, raising our level of service on-line, and expanding our head office in Auckland, saw our total capital grow from USD 4.825m in 2010 to USD6.185m in 2011.

As previously reported we have continued with our investment into systems and infrastructure. Our expenditure and restructuring program is now complete and we are happy to announce that in accordance with our budgeted expenditure, this year's loss will not be repeated and our forecast is for a significant increase in revenues with an expectation of a profit for 2012.

Given that this report is being made in April 2012 we are confident of this financial outcome.

The bottom-line result has been recognized. It is expected to reverse out over the remaining product lives, as the members of the Society continue to grow in numbers, and as the Society benefits from the margin on new products and services offered.

Efficient and agile

Improving our efficiency and agility is paramount for future growth. Our Client Services and I.T functions have been expanded to improve our efficiency, leading to a reduction in the turn-around time for Client Services. Our business efficiency programme continues as we seek additional efficiency improvements to our existing services and to further reduce costs.

The focus on delivering value and improving efficiency can only be achieved through our teams. We therefore continued to invest in our Human Resources in 2012.

Strengthening relationships

In 2011 we continued to strengthen relationships with existing members. Our success here is reflected in our private retail savings balances, which continued to grow throughout 2011 despite the general turbulence in the global economy. The Society's Private Savings Account Services recorded an increase in activity levels. This, we believe, demonstrates that our customers choose the Society for convenient on-line banking services and financial solutions.

We have established a formal relationship with a large security house in Tokyo, as well as a representative office in the centre of Tokyo, to manage our new institutional partners. Our relationship in Japan is now maturing with increased investment opportunities.

The General Equity Asset Builder Fund No.1 (ABF1) was established in May 2010 with assets in excess of US$1.3b. The assets of ABF1 have now increased to in excess of US $5.4b. The Society is the manager and trustee of this Fund. The mandate on this fund is to write trade finance business for our members and our partners in the United States, Europe, Middle East, Africa, Russia, Asia and Oceania.

The combination of on-line banking solutions and independent financial planning advice, together with trade financing solutions, places us in a strong position to offer choice to our members and help them plan for the future.

Members frequently tell us that they want to know more about the products and services we offer. Consequently we have invested in a new on-line customer management system, to help our Client Services function and to ensure our members are fully informed of our increasing product range.

The directors have noted with great interest the report from the International Financial Services Group established by the Ministry of Economic Development to explore how to take advantage of exporting Financial Services out of New Zealand as an international domicile for funds and other associated financial activities. In effect the policy is to position New Zealand as a financial service provider to the Asia Pacific region. The Society is well placed to facilitate the provision of its Financial Services in furtherance of this government policy initiative.

Additional products and services

- Our independent due diligence services, offered both to our members and other parties to support their trading activities, has been well received.
- The Society became a member of S.W.I.F.T Inter-banking system. SWIFT enables us to automate and standardise our transactions end-to-end. This helps us to lower our costs, mitigate our risk and improves our service levels.
- The Society has now established relationships with over 100 banks world-wide which allow our members and clients to more easily and effectively trade with most regions of the world.
- We have established an international Visa card service for our current members that can be used in 930,000 ATM locations globally.

Our plans for the year ahead

We expect market conditions to remain difficult and uncertain, the financial market to remain subdued and the savings market extremely competitive.

Against this background we will continue to:

- Provide a safe and trustworthy financial service for members' funds
- Maintain and improve asset quality and therefore our capital strength.

We demonstrated in 2011 that we can deliver value to our members by achieving significant efficiency gains. We recognise that this can only be achieved through investing in our business to provide to our members products and services, which are accessible through their preferred channels.

We have entered 2012 stronger than 2011 with increased capital and will continue to:

- Develop a broad range of savings and financial planning product propositions for our members.
- Significantly develop our trade finances business and establish our authorised representatives globally.
- Seeking to increases the equity capital in the Society and ways to secure any future liabilities of the Society to facilitate its future stability and growth.
- Establish contingent assets in the form of a guarantee of the present and future debts and liabilities of the Society of up to US $15m for at least the next 18 months.
- Build relationships with our members by providing advice and services where appropriate.
- Listen to and act upon feedback from members.

Finally the Board of Directors wish to express their gratitude and thanks to their Chairman, Brian McGrath, who has lead them since the inception of the Society and navigated the Society through the usual challenges associated with any new venture to its present position. Brian's leadership, encouragement and steady hand in the face of these challenges are an inspiration to us all. While Brian is now retiring as Chairman he still remains on the Board of Directors so his experience and influence will not be lost and he is still be available to mentor us into the future.

Directors' approval of financial statements

The Financial Reporting Act 1993 and Building Societies Act 1965 require the directors to prepare financial statements for each financial year which give a true and fair view of the financial position and financial performance of the Society for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent, and
- state whether applicable accounting standards have been followed, subject to any material disclosed and explained in the financial statements.

The 2011 Annual Report together with the financial statements for the year ended 31 March 2011 is signed for and on behalf of the Board of Directors on 17 April 2012.

John Peter Kortum	**Steven Adrian Hensen**
Director	**Director**

Audit Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENERAL EQUITY BUILDING SOCIETY

Report on the Financial Report

We have audited the accompanying financial statements of General Equity Building Society (the Society) on pages 7 to 33, which comprise the statement of financial position as at 31 March 2011, and the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the 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 directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 relevant 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on 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 made by the directors, 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 in our capacity as auditors we have no relationship with, or interests in, the Society.

Opinion

In our opinion the financial statements of General Equity Building Society on pages 7 to 33:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the Society as at 31 March 2011 and of the financial performance and cash flows of the Society for the year ended on that date.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations we have required.

In our opinion proper accounting records have been kept by General Equity Building Society as far as appears from our examination of those records.

Lawler Draper Dillon

Lawler Draper Dillon

Melbourne, 17 April 2012

Lawler Draper Dillon
Audit & Assurance
ABN 15 503 135 070
Liability limited by a scheme approved under Professional Standards Legislation
www.lawlerdd.com.au

Melbourne
Level 12, 440 Collins Street
Melbourne VIC 3000 Australia
telephone 03 9679 2222
facsimile 03 9679 2288
mail@lawlerdd.com.au

GENEVA GROUP INTERNATIONAL
Independent Member

BRW CLIENT CHOICE AWARDS 2011

Financial statements

Statement of financial position

As at 31 March 2011

in US Dollars	Note	2011 USD$	2010 USD$
Assets			
Cash and cash equivalents	6	53,587	566,064
Trade receivables and prepayments	7	164,700	340,469
Receivables from related parties	12	5,123,990	4,820,905
Property plant and equipment	5a	23,951	30,221
Intangible assets	5b	59,900	61,400
Total assets		**5,426,128**	**5,819,059**
Equity			
Share capital	9	6,164,738	4,825,661
Retained earnings		(3,537,775)	(2,978,880)
Total equity		**2,626,963**	**1,846,781**
Liabilities			
Trade payable and accruals		180,078	288,409
Provision for taxes payable		-	139,941
Payables to related parties		202,790	140,137
Member deposits	8	2,416,297	3,403,791
Total liabilities		**2,799,165**	**3,972,278**
Total equity and liabilities		**5,426,128**	**5,819,059**

The accompanying notes form part of and should be read in conjunction with these financial statements.

Financial statements

Statement of comprehensive income

For the year ended 31 March 2011

in US Dollars	Note	2011	2010
		USD$	USD$
Revenue	1	342,762	886,602
Cost of services		-	(24,590)
Gross profit		**342,762**	**862,012**
Other operating expenses	2 & 12	(1,371,586)	(2,536,952)
Operating (loss)/profit before finance income		**(1,028,824)**	**(1,674,940)**
Finance income	3	374,252	54,778
Finance expenses	3	(44,263)	(53,482)
Net finance income		**329,989**	**1,296**
(Loss)/profit before tax		**(698,835)**	**(1,673,644)**
Income tax (expense)/benefit	4	139,940	(42,504)
(Loss)/profit for the year		(558,895)	(1,716,148)
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year.		**(558,895)**	**(1,716,148)**

The accompanying notes form part of and should be read in conjunction with these financial statements.

Statement of changes in equity

For the year ended 31 March 2011

in US Dollars	Note	2011	2010
Share capital		**USD$**	**USD$**
Opening balance		4,825,661	568,291
Issue of ordinary "B" class shares	9	1,339,077	-
Issue of preference shares	9	-	4,257,370
Closing balance		**6,164,738**	**4,825,661**
Retained earnings			
Opening balance		(2,978,880)	(1,262,732)
Total comprehensive income for the year		(558,895)	(1,716,148)
Closing balance		(3,537,775)	(2,978,880)
Total equity			
Opening balance		1,846,781	(694,441)
Issue of ordinary "B" class shares		1,339,077	-
Issue of preference shares		-	4,257,370
Total comprehensive income for the year		(558,895)	(1,716,148)
Closing balance		**2,626,963**	**1,846,781**

The accompanying notes form part of and should be read in conjunction with these financial statements.

Financial statements

Statement of cash flows

For the year ended 31 March 2011

in US Dollars	Note	2011	2010
Cash flows from operating activities		**USD$**	**USD$**
Cash received from customers	*	608,225	829,865
Cash paid to suppliers and service entities		(1,060,726)	(954,938)
Interest received		3,170	5,281
Interest paid		(44,263)	-
Tax paid		-	(1,980)
Net cash from/(used in) operating activities	13	**(493,594)**	**(121,772)**
Cash flows from investing activities			
Acquisition of plant, property and equipment		(15,366)	(3,081)
Acquisition of intangible assets		-	(7,000)
Net cash from/(used in) investing activities		**(15,366)**	**(10,081)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	-
Cash advanced to related parties		(355,100)	(2,463,973)
Deposits received from members	*	351,583	2,868,485
Net cash from/(used in) financing activities		**(3,517)**	**-**
Net increase/(decrease) in cash and cash equivalents		(512,477)	272,659
Cash and cash equivalents at 1 April		566,064	239,309
Effect of foreign exchange rate changes		-	54,096
Cash and cash equivalents at 31 March	6	**53,587**	**566,064**

* Cash flow s arising from these activities have been reported on a net basis.

The accompanying notes form part of and should be read in conjunction w ith these financial statements.

Notes to the financial statements

BASIS OF PREPARATION

Reporting entity

General Equity Building Society (the 'Society') is a profit-oriented building society domiciled and registered in New Zealand under the Building Societies Act 1965.

The principal activity of the Society during the year was the provision of banking and other financial services for the benefit of its members and others.

Basis of preparation and statement of compliance

The financial statements of the Society have been prepared in accordance with the Financial Reporting Act 1993 and the Building Societies Act 1965.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) that complies with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards for profit-oriented entities.

The financial statements also comply with International Financial Reporting Standards (IFRS).

The financial statements are prepared on the historical cost basis.

Going concern

The financial statements have been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Society has undertaken considerable development work since its establishment. This work has led to a significant increase in business activity in the period since balance date including trade credit instruments and the growth of established RMAs (relationships with other banks). The creation of RMAs is an essential precursor to communicating with other banks via SWIFT to send trade credit instruments. The proper establishment of RMAs with other banks is an essential element for our trade credit business and the expansion of the number of RMAs is a key element for the growth of this area. Our potential for ongoing business is also supported by Bills of Exchange in respect to anticipated fees to be earned through trade finance transactions over the next year. To provide additional comfort on the future viability of the Society it has received a guarantee of its present and future debts up to US $15m from a related party of the Society.

The Directors believe that the going concern basis is appropriate based on the current business plan and the continued support of its depositors, shareholders and related parties to enable the Society to maintain sufficient working capital for the foreseeable 12 months.

Functional and presentation currency

The financial statements are presented using United States Dollars (USD), the currency of the primary economic environment in which the Society operates. This is the Society's functional currency.

Use of judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant judgements, estimates and assumptions made in the preparation of these financial statements are outlined in the notes. (Pg.15)

SIGNIFICANT ACCOUNTING POLICIES

The following specific accounting policies that materially affect the measurement of financial performance and the financial position have been applied.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets or liabilities denominated in foreign currencies are translated at balance date at the foreign exchange rate ruling at that date. Foreign exchange differences arising on the settlement of such transactions and the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit or loss.

Notes to the financial statements

Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost, less accumulated depreciation and any recognised impairment loss. Where an item of plant and equipment is disposed of, the gain or loss recognised in the profit or loss is calculated as the difference between the net sales price and the carrying amount of the asset.

Depreciation

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of the item of plant, property and equipment.

Significant depreciation rates used for each class of assets are as follows:

- Office equipment 10%
- Furniture and fittings 10%
- Computers and software 20%

Depreciation methods, useful lives and residual values are reassessed annually.

Intangible assets

Initial recognition

Intangible assets is software acquired by the Society, with a finite life. Intangible assets are measured at cost less accumulated amortisation and impairment losses.

Subsequent costs

Subsequent expenditure is only capitalised when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss when incurred.

Amortisation

Amortisation is recognised in the profit or loss on a straight -line basis over the estimated useful lives of the intangible assets, from the date they are available for use. The amortisation rate of software is 20%.

Financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade receivables, receivables from related parties, other payables and accruals, payables to related parties and member deposits.

A financial instrument is recognised if the Society becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Society's contractual rights to the cash flows from the financial assets expire or if the Society transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised when the Society's obligations specified in the contract are discharged, cancelled or expired.

Non-derivative financial instruments are recognised initially at fair value, plus for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and bank overdrafts for the purposes of the statement of cash flows.

Members Deposits

Member deposits are recognised on the trade date at which the Society becomes a party to the contractual provision of the arrangement with the counterparties. Member deposits are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at amortised cost using effective interest method.

Receivables

Trade and other receivables are measured at their cost less impairment losses. Long-term receivables are measured at amortised cost using the effective interest method, less any impairment losses. These are derived from provision of services and instruments to our clients and the terms are usual credit terms which are 30 days.

Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between the initial amount recognised and the redemption value recognised in the profit or loss over the period of the borrowings on an effective interest basis.

Trade and other payables

Trade and other payables are stated at cost. These are derived from purchases of day to day expense items and consultants and the terms are usual credit terms which are 30 days.

Other

Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Impairment

The carrying amounts of the Society's assets other than current tax and deferred tax are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the profit or loss.

Estimated recoverable amount of receivables carried at cost is calculated as the present value of estimated future cash flows.

Estimated recoverable amount of other assets is the greater of their fair value less costs to dispose, and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset.

Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount. Impairment losses are reversed through the profit or loss, only to the extent of previously recognised impairment losses.

Provisions

A provision is recognised if, as a result of a past event, the Society has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Society and the amount of the revenue can be measured reliably.

Private banking and service fee income

Private banking and service fee income is measured at the fair value of consideration received or receivable.

Interest income

Interest income on loans and borrowings and investment securities, is recognised on an accruals basis using the effective interest method. Interest income on financial instruments recorded at amortised cost is recognised using the effective interest rate method.

Finance expenses

Finance expenses comprise interest expenses on financial liabilities measured at amortised cost. All borrowing costs are recognised in the profit or loss using the effective interest method.

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except when it relates to items credited or debited directly to equity, in which case the income tax is also recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is sufficiently probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Goods and services tax

Revenues and expenses are recognised net of the amount of goods and services tax (GST) except where the amount of

Notes to the financial statements

GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of trade receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a net basis. The GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority are classified as an operating activity.

Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker – being the board of directors – to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The directors have determined that the Society operates in the financial services segment. Although funds are sourced from depositors outside of New Zealand, the business is not located in those countries. Considerations surrounding financial risk management in relation thereto are disclosed in note 11.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows.

The Society has adopted all applicable amendments to various Standards and Interpretations as of 1 April 2010. The amendments result in accounting changes for presentation, recognition or measurement purposes, while some amendments relate to terminology and editorial changes. The impacts of the Standards have had no or minimal effect on the Society's accounting and disclosures.

Standards and Interpretations issued but not yet effective

The following Standards and Interpretations issued or amended are applicable to the Society but not yet effective and have not been adopted in preparation of the financial statements at reporting date. The Society's assessment of the impact of these new standards and interpretations is set out below.

NZ IFRS 9 'Financial Instruments', and 'Mandatory Effective Date of NZ IFRS 9 and Transition Disclosures (Amendments to NZ IFRS 9 (2009), NZ IFRS 9 (2010) and NZ IFRS 7)'

NZ IFRS 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (NZ IAS 39).

Under NZ IFRS 9:

> Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in NZ IAS 39, each of which had its own classification criteria.
>
> An election is allowed on initial recognition to present gains and losses on equity investments not held for trading in other comprehensive income, with no impairment testing and no recycling through profit or loss on derecognition.
>
> Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

The Standards are required to be applied by the Society with effect from 1 April 2015. Prior to that date the Society will determine the impacts of application.

NZ IAS 124 Related Party Disclosures (Revised)

The revised NZ IAS 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The impacts of the Standard, to be applied with effect from 1 April 2011, are not expected to be significant.

FRS-44 New Zealand Additional Disclosures

This standard supports the objective of harmonising financial reporting standards in Australia and New Zealand. The standard relocates all New Zealand specific disclosures from other standards to one place and revises certain disclosures. The impacts of the Standard, to be applied with effect from 1 April 2011, are not expected to be significant.

Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are 'consideration paid' in accordance with IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.

Equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably.

The impacts of the Standard, to be applied with effect from 1 April 2011, are expected to have no or minimal effect on the Society's accounting.

Presentation of Items of Other Comprehensive Income (Amendments to NZ IAS 1)

The impacts of the Standard, to be applied with effect from 1 April 2013, are of a presentation nature only.

Amendments to Accounting Standards arising from Improvements and Other Projects

The amendments to various other Standards will result in changes for presentation, recognition or measurement purposes, while some amendments relate to terminology and editorial changes. No or minimal impact of the changes, which have varied effective dates, is anticipated on the Society's accounting and disclosures.

SIGNIFICANT ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

There are a number of critical accounting treatments which include complex or subjective judgements and estimates that may affect the reported amounts of assets and liabilities in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

An explanation of the judgements and estimates made by the Society in the process of applying its accounting policies, that have the most significant effect on the amounts recognised in the financial statements are set out below.

Estimates

Valuation of trade and related party receivables and underlying securities

The Society reviews regularly significant balances, on an individual basis, for evidence of impairment. Where reliance is placed on the security underlying the loan, this is also valued to consider impairment.

All relevant information including the economic situation, solvency of the customer, and enforceability of guarantees are taken into account in determining individual provisions.

An individual provision is raised where there is an expectation of loss of balance, interest and / or fees and there is objective evidence of impairment.

Judgements

Deferred tax assets

The Society has judged that it is not sufficiently probable that taxable income in the future will utilise taxable losses and has therefore not recognised a deferred tax asset.

Notes to the financial statements

1. Revenue	2011 $USD	2010 $USD
Private banking services	333,061	885,218
Service fees	9,701	1,384
Total revenue	**342,762**	**886,602**

2. Other operating expenses

The following items of expenditure are included in other operating expenses:

	2011	2010
Bad & doubtful debts	125,000	-
Impairment of related party advances	-	1,447,523
Auditor's remuneration to KPMG:		
Audit services	112,245	35,478
Tax advice and compliance	-	18,965
Accounting services	-	35,151
Auditor's remuneration payable to Lawler Draper Dillon:		
This firm was engaged after the year end and accordingly no liability was recognised as of the end of the financial year. Fees payable are estimated to be $50,000	-	-
Depreciation	6,636	5,946
Amortisation of internet banking software	16,500	13,600
Donations	-	10,000

3. Finance income and expenses

	2011	2010
Interest income - bank deposits	3,170	5,281
Interest income - advances	156,388	49,497
Foreign exchange gains	214,694	-
Finance income	374,252	54,778
Interest expense - deposits	44,263	23,679
Foreign exchange losses	-	29,803
Finance expenses	44,263	53,482
Net finance income	**329,989**	**1,296**

4. Income tax expense

Current tax expense	2011	2010
Current year	-	42,504
Adjustment in respect of of current income tax in previous years	(139,940)	-
	(139,940)	42,504
Profit /(loss) before tax	(517,715)	(1,673,644)
Income tax using corporate tax rate of 30%	(155,315)	(502,093)
Non-deductible expenses	-	-
Temporary differences not recognised as a deferred tax asset	155,315	504,073
Adjustment in respect of current income tax in previous years	(139,940)	19,791
Use of money interest and penalties	-	20,733
Income tax expense per statement of comprehensive income	**(139,940)**	**42,504**

The total value of unrecognised tax losses at 31 March 2011 is $370,487

Imputation credits

There are no imputation credits available to be attached to any future dividend distributions from the Society's reserves.

5a. Property, plant and equipment

	2011			
	$USD	$USD	$USD	$USD
	Office equipment	Furniture and fittings	Computers	Total
Opening cost	16,363	8,182	20,542	45,087
Additions	-	-	366	366
Closing cost	**16,363**	**8,182**	**20,908**	**45,453**
Opening accumulated depreciation	4,090	2,045	8,731	14,866
Depreciation for the year	1,636	818	4,182	6,636
Closing accumulated depreciation	**5,726**	**2,863**	**12,913**	**21,502**
Opening carrying value	12,273	6,137	11,811	30,221
Closing carrying value	**10,637**	**5,319**	**7,995**	**23,951**

	2010			
	$USD	$USD	$USD	$USD
	Office equipment	Furniture and fittings	Computers	Total
Opening cost	16,363	8,182	17,461	42,006
Additions	-	-	3,081	3,081
Closing cost	**16,363**	**8,182**	**20,542**	**45,087**
Opening accumulated depreciation	2,454	1,227	5,239	8,920
Depreciation for the year	1,636	818	3,492	5,946
Closing accumulated depreciation	**4,090**	**2,045**	**8,731**	**14,866**
Opening carrying value	13,909	6,955	12,222	33,086
Closing carrying value	**12,273**	**6,137**	**11,811**	**30,221**

Notes to the financial statements

5b. Intangible assets

	2011 $USD	2010 $USD
Opening cost	75,000	68,000
Additions	15,000	7,000
Closing cost	**90,000**	**75,000**
Opening accumulated amortisation		
Amortisation for the year	16,500	13,600
Closing accumulated amortisation	**30,100**	**13,600**
Opening carrying value	61,400	68,000
Closing carrying value	**59,900**	**61,400**

6. Cash and cash equivalents

	2011 $USD	2010 $USD
Cash at bank	53,587	501,778
Cash held in trust	-	64,286
Total cash and cash equivalents	**53,587**	**566,064**

There are no restrictions on the use of cash held in trust accounts.

7. Trade receivables and prepayments

Trade receivables are shown net of a provision for impairment losses that arises from the doubtful collection of specific debtors.

	2011 $USD	2010 $USD
Trade receivables	164,700	328,865
Provision for doubtful debts	-	-
Net trade receivables	164,700	328,865
Prepayments	-	11,604
Total trade receivables and prepayments	**164,700**	**340,469**

8. Member deposits

The financial instruments note displays the Society's exposure to interest rate risk on its financial assets and liabilities, including the member deposits balance.

9. Capital

Share capital

"A" class ordinary shares	2011	2010
On issue at beginning of year (Number)	1,000,000	1,000,000
Issued but unpaid at balance date	-	-
On issue at end of year (Number)	**1,000,000**	**1,000,000**
Value of shares on issue	**US$568,291**	**US$568,291**

At 31 March 2011, all "A" class issued shares are fully paid and have no par value.

The holders of "A" class ordinary shares are entitled to one vote per share at meetings, to receive dividends as determined from time to time by the Directors, and rank pari passu with the residual assets of the Society on winding up the Society after satisfaction of creditors.

"B" class ordinary shares	2011	2010
On issue at beginning of year (Number)	-	-
Issued & paid at balance date (Number)	1,872,337	-
On issue at end of year (Number)	**1,872,337**	**-**
Value of shares on issue	**US$1,339,077**	**-**

At 31 March 2011, all "B" class issued shares are fully paid and have no par value.

The holders of "B" class ordinary shares are entitled to one vote per share holder certificate at meetings, to receive dividends as determined from time to time by the Directors, and rank pari passu with the residual assets of the Society on winding up the Society after satisfaction of creditors.

Preference shares	2011	2010
On issue at beginning of year (Number)	6,000,000	-
Issued but unpaid at balance date (Number)	-	6,000,000
On issue at end of year (Number)	**6,000,000**	**6,000,000**
Value of shares on issue	**US$4,257,370**	**US$4,257,370**

The issued preference shares were fully paid as at 31 March 2011 and have no par value.

The preference share holders are entitled to one vote per share at meetings, and to receive dividends as determined from time to time by the Directors. The preference shares are redeemable solely at the option of the Society and rank preferred with the residual assets of the Society on winding up the Society after satisfaction of creditors.

10. Contingencies

Letters of credit and banking guarantees

There are letters of credit and banking guarantees outstanding at 31 March 2011 of $0 (2010: $5,208,827), that are contingent liabilities of the Society.

Notes to the financial statements

11. Financial instruments

The Society is defined in NZ IFRS 7 'Financial Instruments: Disclosures' as a financial institution. The Society has exposure to credit, liquidity and market risk in the normal course of its operations.

This note presents information about the Society's exposure to each of the above risks, the Society's objectives, policies and processes for measuring and managing risk, and the Society's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors is responsible for the review and ratification of the Society's systems of risk management, internal compliance and control, code of conduct and legal compliance.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Society. Credit risk arises principally from the Society advancing loans to its members and its trade financing activities.

The Society trades only with recognised and credit worthy parties. It is the Society's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Exposure to credit risk

The carrying amount of financial assets represents the Society's maximum credit exposure. The maximum exposure to credit risk at balance date was:

	2011 $USD	2010 $USD
Cash & cash equivalents	53,587	566,064
Receivables from related parties	5,123,990	4,820,905
Trade receivables	164,700	328,865
	5,342,277	**5,715,834**

Geographic region

The maximum exposure to credit risk for cash and cash equivalents, trade receivables and receivables from related parties at the reporting date, by country of exposure was:

	2011 $USD	2010 $USD
Australia	-	1,210,862
Hong Kong	976,061	3,555,226
Liechtenstein	10,360	
Japan	-	200,000
Malaysia	603,787	-
New Zealand	3,697,067	633,462
United Kingdom	50,000	
United States	5,002	116,284
	5,342,277	**5,715,834**

Industry/economic sector

The maximum exposure to credit risk for cash and cash equivalents, trade receivables and receivables from related parties at the reporting date by industry/economic sector was:

	2011	2010
	$USD	$USD
Banking	53,587	682,348
Commerce	171,007	5,033,486
Investment	912,637	-
Private	710,094	-
Service	3,494,952	-
	5,342,277	**5,715,834**

Concentration of credit risk

The Society is exposed to concentration of credit risk that may arise from exposures to a single debtor or to a group of debtors.

	2011	2011	2010	2010
	No of debtors	$USD	No of debtors	$USD
Balance due between 0-10% of equity	7	176,157	5	447,968
Balance due between 20-30% of equity	1	660,094	-	-
Balance due between 30-40% of equity	1	958,108	-	-
Balance due between 60-70% of equity	-	-	1	1,208,842
Balance due between 130-140% of equity	1	3,494,332	-	-
Balance due between 180-190% of equity	-	-	1	3,492,960
Total net trade receivables and receivables from related parties	**10**	**5,288,691**	**7**	**5,149,770**

Exposure to concentrations of funding

Concentration of funding by product

The following table sets out the exposure to concentration of funding by product

	2011	2010
	$USD	$USD
Payables to related parties	202,790	140,137
Member deposits	2,416,297	3,403,791
	2,619,087	**3,543,928**

Notes to the financial statements

Concentration of funding by geographic region

The following table sets out the exposure to concentrations of funding from members accounts and payables to related parties at the reporting date, by country of exposure:

	2011	2010
	$USD	$USD
Australia	27,961	66,935
Brunei	1,063	1,062
Canada	-	2,081
France	59,890	-
Hong Kong	127,471	-140,683
Japan	2,185,928	2,026,273
Malaysia	54,825	431,340
New Zealand	158,654	-
Virgin Islands (British)	3,295	1,156,920
	2,619,087	**3,543,928**

Concentration of funding by industry

The following table sets out the exposure to concentrations of funding from members accounts and payables to related parties at the reporting date, by industry of exposure:

	2011	2010
	$USD	$USD
Commerce	183,528	-
Investment	11,132	1,383,245
Legal	27,961	66,935
Private	2,234,082	2,025,739
Service	162,384	68,009
	2,619,087	**3,543,928**

Credit quality

The financial assets of the Society have the following qualitative credit characteristics:

	2011	2010
	$USD	$USD
Counterparties with a credit rating available:		
AA rating or above from Standard & Poor's	53,587	501,778
Counterparties with no credit rating available:		
Receivables from related parties (secured refer to note 12)	5,123,990	4,820,905
Unsecured	164,700	393,151
	5,342,277	**5,715,834**

The counterparties with credit ratings available represent cash and cash equivalents balances held with Westpac New Zealand Limited, Bank of New Zealand, Standard Charted Bank (Hong Kong) Limited and Liechtensteinische Landesbank AG.

Asset quality analysis

The status of cash and cash equivalents, trade receivables and receivables from related parties at balance date is as follows:

	2,011	2,010
	$USD	$USD
Current	5,342,277	5,715,834
Past due 0 - 30 days	-	-
Past due 31 - 120 days	-	-
Past due 121 - 360 days	-	-
Past due more than 1 year	-	-
	5,342,277	**5,715,834**

Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due. The Society's approach to managing liquidity is to ensure, as far as possible, that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Society's reputation.

Member deposits of 6 months or less include balances held in current and savings accounts. The Society expects these deposits to provide a stable source of long-term funding for the Society.

In addition, the Society has established a guarantee which can be called upon to meet its obligations. Refer to note 17 for further information

Notes to the financial statements

The following table sets out the contractual cash flows for all financial assets and financial liabilities that are settled on a gross cash flow basis. Contractual cash flows include future interest and are undiscounted cash flows which differ from their carrying amounts.

	2011 $USD						
	Carrying amount	Cash flows	6 months or less	6 - 12 months	1-2 years	2-5 years	More than 5 years
Cash and cash equivalents	53,587	53,587	53,587	-	-	-	-
Trade receivables	164,700	164,700	164,700	-	-	-	-
Receivables from related parties*	5,123,990	-	-	-	-	5,123,990	-
Total non-derivative assets	**5,342,277**	**218,287**	**218,287**	**-**	**-**	**5,123,990**	**-**
Other payables and accruals	180,078	180,078	180,078	-	-	-	-
Payables to related parties	202,790	202,790	202,790	-	-	-	-
Member deposits	2,416,297	-	1,312,817	-	-	1,103,480	-
Total non-derivative liabilities	**2,799,165**	**382,868**	**1,695,685**	**-**	**-**	**1,103,480**	**-**

*Management expects the following related party advances to be repaid at a date other than their contractual date:
- USD972,529 receivable from WWCC Limited as at 31 March 2011 is contractually required to be repaid by 19 January 2014, or anytime at the option of WWCC Limited. Therefore the cash flows associated with the advance have been included in 2-5 years, though the Directors expect this advance to be repaid within 24 months of balance date.
- USD4,257,370 of the USD4,941,855 gross receivable (before impairment of USD1,447,522) from General Equity Services (New Zealand) Limited as at 31 March 2011, is contractually required to be settled within three months of the Society requesting repayment. Consequently the cash flows associated with the advance have been included as 6 months or less. However the Directors expect the advance to be repaid within 18 to 24 months of balance date.

Unless specified above the contractual and expected cash flows are identical.

	2010 $USD						
	Carrying amount	Cash flows	6 months or less	6 - 12 months	1-2 years	2-5 years	More than 5 years
Cash and cash equivalents	566,064	566,064	566,064	-	-	-	-
Trade receivables	328,865	328,865	328,865	-	-	-	-
Receivables from related parties*	4,820,905	5,147,175	3,612,063	-	-	1,535,112	-
Total non-derivative assets	**5,715,834**	**6,042,104**	**4,506,992**	**-**	**-**	**1,535,112**	**-**
Other payables and accruals	288,409	288,409	288,409	-	-	-	-
Payables to related parties	140,137	140,137	140,137	-	-	-	-
Member deposits	3,403,791	3,681,300	2,322,137	-	-	1,359,163	-
Total non-derivative liabilities	**3,832,337**	**4,109,846**	**2,750,683**	**-**	**-**	**1,359,163**	**-**

Market risk

Market risk is the risk that changes in market prices, including foreign exchange rates, interest rates and equity prices will affect the value of the Society's on and off balance sheet positions. Market risk is caused by a change in the value, volatility or relationship between market risk and prices.

Foreign currency risk

The Society is exposed to currency risk on transactions that are denominated in a currency other than the functional currency of the Society, the United States dollar (USD). The majority of transactions conducted by the Society are denominated in USD. The Society also conducts transactions in New Zealand dollars, Australian dollars, Japanese Yen and other currencies.

The risk is managed by the Society's Treasury function whom regularly report to the Board on the effects of the exposure, and potential strategies that can be implemented to manage the exposure, should the Board think it necessary.

Exposure to foreign currency risk

The table below summarises the Society's exposure to foreign currency risk by the USD value of the monetary assets and liabilities:

			2011 $USD		
	AUD	**EUR**	**HKD**	**NZD**	**YEN**
Cash and cash equivalents	2,712	15,766	-	6,663	8,978
Trade receivables	-	-	-	-	-
Receivables from related parties	928,416	-	-	4,942,776	52
Total non-derivative assets	**931,128**	**15,766**	**-**	**4,949,439**	**9,030**
Other payables and accruals	18,513	51,963	-	136,123	-
Payables to related parties	47,902	-	-	8,933	-
Member deposits	242	-	-	632,919	1,556,929
Total non-derivative liabilities	**66,657**	**51,963**	**-**	**777,975**	**1,556,929**

			2010 $USD		
	AUD	**EUR**	**HKD**	**NZD**	**YEN**
Cash and cash equivalents	4,656	63,090	-	453,875	22,835
Trade receivables	-	-	-	12,581	-
Receivables from related parties	1,210,639	-	-	3,563,473	-
Total non-derivative assets	**1,215,295**	**63,090**	**-**	**4,029,929**	**22,835**
Other payables and accruals	119,741	4,235	-	45,194	-
Payables to related parties	66,835	-	-	-	-
Member deposits	33,085	27,955	29,977	886,180	1,330,555
Total non-derivative liabilities	**219,661**	**32,190**	**29,977**	**931,374**	**1,330,555**

Notes to the financial statements

Interest rate risk

Interest rate risk is the risk that the value of financial instruments and the interest margin will fluctuate as a result of changes in market interest rates. The risk is that financial assets may reprice at a different time and/or by a different amount than financial liabilities.

Exposure to interest rate risk

The following table sets out the financial assets and liabilities of the Society that attract interest at their carrying amounts, categorised by the earlier of their contractual pricing or maturity dates.

				2011 $USD			
	Average effective interest rate %	**Total**	**Non Interest Bearing**	**6 months or less**	**6 - 12 months**	**1-2 years**	**2-5 years**
Cash and cash equivalents	2.47	53,587	-	53,587	-	-	-
Trade receivables	0.00	164,700	164,700	-	-	-	-
Receivables from related parties	1.56	5,123,990	4,941,855	-	-	-	182,135
Total non-derivative assets		**5,342,277**	**5,106,555**	**53,587**	**-**	**-**	**182,135**
Other payables and accruals	0.00	180,078	180,078	-	-	-	-
Payables to related parties	0.00	202,790	202,790	-	-	-	-
Member deposits	2.46	2,416,297	-	1,315,747	-	-	1,100,550
Total non-derivative liabilities		**2,799,165**	**382,868**	**1,315,747**	**-**	**-**	**1,100,550**

				2010 $USD			
	Average effective interest rate %	**Total**	**Non Interest Bearing**	**6 months or less**	**6 - 12 months**	**1-2 years**	**2-5 years**
Cash and cash equivalents	2.70	566,064	116,215	449,849	-	-	-
Trade receivables	0.00	328,865	328,865	-	-	-	-
Receivables from related parties	1.63*	4,820,905	3,612,063	-	-	-	1,208,842
Total non-derivative assets		**5,715,834**	**4,057,143**	**449,849**	**-**	**-**	**1,208,842**
Other payables and accruals	0.00	288,409	288,409	-	-	-	-
Payables to related parties	0.00	140,137	140,137	-	-	-	-
Member deposits	1.84	3,403,791	1,135,030	1,187,107	-	-	1,081,654
Total non-derivative liabilities		**3,832,337**	**1,563,576**	**1,187,107**	**-**	**-**	**1,081,654**

Capital management

The capital structure of the Society consists of the proceeds raised from the issue of ordinary "A" class shares, "B" class shares and redeemable preference shares.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain the future development of the Society. The Board of Directors monitors the demographic spread of members, as well as the return on capital and the level of dividends to ordinary shareholders. The maintenance of a strong capital base is currently dependent on the continual support of related parties, shareholders and depositors.

There have been no material changes in the Society's management of capital during the period.

Sensitivity analysis

In managing interest rate and foreign currency risks the Society aims to reduce the impact of short-term fluctuations on the Society's earnings. Over the longer-term however, permanent changes in foreign exchange and interest rates will have an impact on profit.

At 31 March 2011, it is estimated that a general increase of one percentage point in interest rates would have no material effect on the Society's profit/(loss) before tax (2010: nil). This situation arises as the Society's financial assets and liabilities that mature in greater than 12 months are either at fixed interest rates or attract nil interest, thus any change in interest rates will not effect profit.

In accordance with NZ IFRS 7 'Financial Instruments: Disclosures', the sensitivity of the Society's profit/(loss) for the year and total equity, to a possible change in foreign currency exchange rates is as follows:

	2011 $USD	2010 $USD
Foreign currency exchange rates weaken by 5%		
Effect on profit/(loss) for the year	(177,374)	(100,480)
Effect on total equity	(177,374)	(100,480)
Foreign currency exchange rates strengthen by 5%		
Effect on profit/(loss) for the year	177,374	100,480
Effect on total equity	177,374	100,480

Classification of fair values

The Society has classified its financial instruments as follows:

	2011 $USD						
	Total	Designated at fair value	Held-to-maturity	Loans and receivables	Available-for-sale	Amortised cost	Fair value
Assets							
Cash and cash equivalents	53,587	-	-	53,587	-	-	53,587
Trade receivables	164,700	-	-	164,700	-	-	164,700
Receivables from related parties	5,138,413	-	-	5,138,413	-	-	5,138,413
	5,356,700	**-**	**-**	**5,356,700**	**-**	**-**	**5,356,700**
Liabilities							
Other payables and accruals	180,078	-	-	-	-	180,078	180,078
Payables to related parties	202,790	-	-	-	-	202,790	202,790
Member deposits	2,416,297	-	-	-	-	2,416,297	2,416,297
	2,799,165	**-**	**-**	**-**	**-**	**2,799,165**	**2,799,165**

Notes to the financial statements

Classification of fair values

	2010 $USD						
	Total	**Designated at fair value**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Amortised cost**	**Fair value**
Assets							
Cash and cash equivalents	566,064	-	-	566,064	-	-	566,064
Trade receivables	328,865	-	-	328,865	-	-	328,865
Receivables from related parties	4,820,905	-	-	4,820,905	-	-	4,809,432
	5,715,834	**-**	**-**	**5,715,834**	**-**	**-**	**5,704,361**
Liabilities							
Other payables and accruals	288,409	-	-	-	-	288,409	288,409
Payables to related parties	140,137	-	-	-	-	140,137	140,137
Member deposits	3,403,791	-	-	-	-	3,403,791	3,382,925
	3,832,337	**-**	**-**	**-**	**-**	**3,832,337**	**3,811,471**

12. Related parties

Receivables from related parties are shown net of a provision for impairment losses that arises from the doubtful collection of specific advances.

	2011 $USD	**2010 $USD**
Receivables from related parties	6,571,513	6,268,428
Provision for impairment losses	(1,447,523)	(1,447,523)
Net receivables from related parties	**5,123,990**	**4,820,905**

General Equity Holdings Limited ('GEH'), a company incorporated in Hong Kong, is the ultimate parent company of the Society.

Following the issue of the 6,000,000 preference shares on 29 March 2010 to General Equity Services (Hong Kong) Limited ('GES HK'), GES HK became the parent company of the Society. Prior to the preference share issue, GEH was the parent company of the Society.

These preference shares were issued and fully paid as at 31 March 2011, such that there were amounts owing to the Society of USD4,257,370 (NZD6,000,000) at year end by GES NZ. Refer to note 9.

Transactions with key management personnel

Key management personnel compensation comprised:	2011 $USD Paid by GES HK	2010 $USD Paid by Society
Short-term employee benefits		
Mark Bayoud	-	46,000
William Boyd	-	104,650
Ambrose Chan *	-	46,890
	-	**197,540**

** Ambrose Chan was appointed as a Director 28 May 2010.*

Payments to Directors for Directors' fees:	2011 $USD Paid by GES HK	2010 $USD Paid by GES HK
Anthony James Scott* *	-	74,372
Brian Joseph McGrath	108,000	60,000
Steven Adrian Hensen	36,000	43,940
John Peter Kortum	84,000	92,650
Mark Bayoud	184,400	63,000
Azli Noor	-	-
Total Directors' fees	**412,400**	**333,962**

** *Anthony James Scott resigned as a director 9 September 2009*

In the current financial year, key management personnel and Directors of the Society have been paid by General Equity Services (Hong Kong) Limited.

Other transactions with key management personnel

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Society in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Notes to the financial statements

Other related party transactions

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

Related party	Transaction	Note	Amount of transaction 2011 $USD	Amount receivable/ (payable) 2011 $USD	Amount of transaction 2010 $USD	Amount receivable/ (payable) 2010 $USD
Harding & Co Lawyers	Legal fees	(i)	(95,975)	(46,639)	121,708	(66,935)
General Equity Services (Hong Kong) Limited*	Administrative expenses	(ii)	(717,105)	(102,663)	760,000	4,304,164
General Equity Services Sdn Bhd	Administrative expenses	(iii)	(179,217)	(59,720)	-	(68,009)
Instant Fuel Solutions (Hong Kong) Limited	Administrative expenses	(iv)	-	-	15,000	-
General Equity Services (New Zealand) Limited*	Advance made	(v)	1,290	4,941,855	-	119,103
Infinity Investments Limited	Member deposit made	(vi)	-	(25,329)	-	(25,329)
WWCC Limited	Interest income - advance made	(vii)	58,476	957,755	27,441	1,208,842
Instafuel Asia Sdn Bhd*	Interest income - advance made	(viii)	40,226	660,094	22,056	636,319
General Equity Holdings Limited	Advance made- current account transactions	(ix)	100	11,809	-	(5,193)
Atrium Ltd	Member deposit made	(x)	650	(1,382)	-	-
Mark Bayoud	Member deposit made	(xi)	600	(10,712)	-	-
Steven Hensen	Member deposit made	(xii)	250	(50)	-	-
William Boyd	Member deposit made	(xiii)	150	(602)	-	-

**Amount receivable is gross of provision for impairment losses.*

(i) The Society used the legal services of Harding & Co Lawyers on various legal and administrative matters during the year. Brian McGrath, Paul Harding and Anthony Scott (being current or ex-directors of the Society), are all solicitors at Harding & Co Lawyers.

(ii) The Society used the services of General Equity Services (Hong Kong) Limited for providing administrative services in Hong Kong. In the current year, this charge includes payments made to the Directors of the Society.

(iii) The Society used the services of General Equity Services Sdn Bhd, a sister company, for providing administrative services in Malaysia.

(iv) The Society used the services of Instant Fuel Solutions Limited, a sister company, for providing administrative services in Hong Kong.

(v) During the year, the Society advanced funds to General Equity Services (New Zealand) Limited, a sister company.

(vi) Infinity Investments Limited, a sister company, has deposited funds with the Society. The deposit is included in Member deposits (refer Note 8).

(vii) The Society has entered into agreement with WWCC Limited, a sister company, incorporated in Hong Kong, to fund WWCC Limited's projects. The funding advanced bears interest at 6.5% per annum and is repayable at the earlier of the option of WWCC Limited, or by 18 January 2014 .

(viii) During the year, the Society advanced funds to Instafuel Asia Sdn Bhd, a sister company. The funding advanced bears interest at 6.5% per annum, and is repayable within 90 days of the Society giving notice. This receivable was fully impaired as at 31 March 2011.

(ix) On 10 March 2009, the Society issued 800,000 units of class A ordinary shares to General Equity Holdings Limited, a company incorporated in Hong Kong. As at 31 March 2009, the balance owing for these shares of $402,291 was outstanding and included in the receivables from related parties balance. The balance was settled on 30 July 2009, via General Equity Holdings Limited assuming liabilities that the Society owed of $258,914 to Infinity Investments Limited and $143,377 to General Equity Services Hong Kong Limited, thereby offsetting amounts owed by General Equity Holdings Limited to the Society.

In the year ended 31 March 2009, the Society also advanced $70,000 to General Equity Holdings Limited for the purchase of shares in Anametrics.

(x) A GEBS director, John Kortum is a director and shareholder of Atrium Limited which has deposited funds with the Society. The deposit is included in Member deposits (refer Note 8).

(xi) Mark Bayoud, a director of GEBS, has deposited funds with the Society. The deposit is included in Member deposits (refer Note 8).

(xii) Steven Hensen, a director of GEBS, has deposited funds with the Society. The deposit is included in Member deposits (refer Note 8).

(xiii) William Boyd, a member of senior management of GEBS, has deposited funds with the Society. The deposit is included in Member deposits (refer Note 8).

Security pledged

The advances to General Equity Services (New Zealand) Limited (USD 4,941,855), WWCC Limited (USD 957,755), and Instafuel Asia Sdn Bhd (USD 660,094) are secured.

In order to support the value of these related party receivables, the ultimate parent, GEH, entered into the following agreements:

• In respect of the advance to General Equity Services (New Zealand) Limited, GEH pledged its 55% interest in algae to hydrocarbon intellectual property (‘ATHIP’) as at 31 March 2011 by subsequent Loan Agreements dated 30 June 2011;

• In respect of the advance to Instafuel Asia Sdn Bhd, GEH pledged its 55% interest in ATHIP on 29 June 2010. In December 2010, this pledge was released but it was reinstated on 30 June 2011;

• In respect of the advance to WWCC Limited, GEH and other entities it controls pledged as security their aggregate 77% interest in ATHIP on 29 June 2010. In December 2010, this pledge was released but it was reinstated on 30 June 2011.

Notes to the financial statements

Capstone Partners Australia prepared a detailed report as to the value of the ATHIP. On 30 August 2010 it determined a value of AUD$8million (USD7.million) based on only two potential income streams. There is significant uncertainty over the valuation as it is subjective given the technology is new and in the development phase, there were no patents in place at the time and the technology has not been commercialized. Capstone partners compiled another report on 9 May 2011 which gives a post-tax NPV of AUD34 million (USD37 million) valuation, based on a model that assumes an 8x EBIT performance in year 10 and a 40% discount rate. This is for the Australian Squalene Production company only and not the total of the other applications. The Directors have tested the sensitivity of various key assumptions and are of the view that the guarantee over the interests in the ATHIP adequately supports the recoverability of the related party advances.

Since then numerous other potential income streams have been identified albeit not yet valued, the research has moved forward considerably, a patent has been granted in the United States along with other countries covered by World Intellectual Property Organization under the Patent Co-operation Treaty, the GCC (comprising member states United Arab Emirates, Bahrain, Saudi Arabia, Oman, Qatar and Kuwait), Iran and Iraq. These instructed filings have been made by Griffith Hack Patent Attorneys. A public announcement by WWCC Limited and Flinders University explaining the potential of the research was made in November 2010. Taking into account all these factors, WWCC Limited felt comfortable that it could raise USD50,000,000 for 10% of the ATHIP and invested in this outcome accordingly.

If these related parties cannot repay the amounts owing to the Society, and/or the Society cannot extract the values as estimated from the ATHIP, then the Society will be in a negative net asset position and may not be in a position to repay member deposits as they fall due. In such circumstances the Society is able to access the guarantees available to it, as described in Note 17.

The Society has retained related party loan impairment provisions initiated in the previous year.

All transactions and outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash.

13. Reconciliation of profit/(loss) for the year with the net cash from operating activities

	2011	2010
	$USD	$USD
Profit /(loss) for the year	(558,895)	(1,716,148)
Add /(less) non cash items:		
Depreciation	6,636	5,946
Amortisation	16,500	13,600
Issue of shares unpaid at balance date	-	4,257,370
Effect of foreign exchange rate changes	-	(54,096)
Bad debts	125,000	-
	(410,759)	2,506,672
Deferral or accrual of past or future operating cash receipts or payments:		
(Increase)/decrease in trade receivables and prepayments	50,769	(56,737)
Increase/(decrease) in other payables and accruals	(108,331)	67,555
Increase/(decrease) in provision for taxes payable	(139,941)	52,344
(Increase)/decrease in receivables from related parties	52,015	(4,348,614)
Increase/(decrease) in payables to related parties	62,653	(898,324)
	(82,835)	(5,183,776)
Net cash from/(used in) operating activities	**(493,594)**	**(2,677,104)**

14. Capital commitments

There are no capital commitments at balance date (2010:nil)

15. Segmental reporting

The Society operates in one principal business and sector, namely the provision of financial services.

16. Establishment of Asset Builder No. 1 Fund

On 13 May 2010 the Asset Builder No. 1 Fund, for which the Society is the Manager, was launched. Upon launch of the fund, security pledged under Bills of Exchange totalling USD448,900,000 as at 31 March 2010, have been released and placed in the Asset Builder No. 1 Fund. At its most recent balance date 30 June 2011 the Asset Builder No.1 Fund reported audited net assets of USD5,482,427,000 under the Society's management.

17. Events subsequent to balance date

Since 31 March 2010 the New Zealand Government has announced that the company tax rate will reduce from 30% to 28%, effective for years beginning on or after 1 April 2011. The financial effects of the change in tax rate have not been brought to account in the financial statements for the year ended 31 March 2011. As the Society has not recognised any deferred tax assets or liabilities, there is no immediate financial impact.

In December 2010, the initial security pledged to support the related party receivables was released. A new charge was placed over the unit holding on 30 June 2011 covering the debt by the related parties, namely WWCC Limited, Instafuel Asia Sdh Bhd and General Equity Services (NZ) Limited (Refer Note 12).

The Society has established contingent assets in the form of a guarantee from Asset Builder Fund No. 1 of the present and future debts and liabilities of the Society of up to USD 15million for at least the next 18 months

Contact Details

Level 4, 17 Albert St, Auckland 1010, New Zealand

Tel +64 9 303 9255 Fax +64 9 353 1928