



Te Uniana Whakanama Pirihimana
POLICE HELPING POLICE

ANNUAL REVIEW 2022



Contents

Chair Report 2022	3
Year in Review	5
CEO Report 2022	7
Summary Financial Statements	9

Chair Report 2022

I'm pleased to present my Chair report for 2022.

Now in my second year as Chair, it has been a real privilege to work with an experienced Board of Directors with a common purpose of honouring our ethos of "members looking after members."

I recognise however I could not do this without the support of several groups including of course our members; our fellow Police support organisation NZ Police Association, and NZ Police. We are grateful for the privilege of carrying the 'Police' name in our organisation. This is not something we take for granted.

In January this year we welcomed our new Chief Executive, Craig Pomare, who brings to the Credit Union experience in both membership organisations as well as financial services.

No doubt like many of you here, my hope is that this is the last time we have to talk about Covid and its impact on our operations and, disappointingly, our bottom line for the year which finished with a \$15,000 operating loss.

It's small in the context of a \$155m business, but it's our first loss in many years and speaks to a tough 12 months. Our year certainly wasn't helped by having the lowest interest rates we have seen in decades, combined with changes to lending laws that punished the wrong organisations and made it very challenging to lend money to members who needed help. Loosening of those laws late in the year has allowed us to turn things around in the new year.

It would be easy at times like this to put the Credit Union's needs first by dropping savings rates and increasing loan rates to help our bottom line, but our focus remains on doing what's right for members. The good news for the year was that members finished the year with interest rates that had "3's" and "4's" in front of them which, for many of those members, makes a world of difference.

I mentioned last year that our focus was on exploring new products. This year we delivered on that by launching **Retire Easy**, one of only 3 reverse mortgages in the market. **Retire Easy** is designed to help our members aged 70+ turn some of the equity in their home into cash so they can enjoy retirement.



Lane Todd
Chair of the Board

As we look ahead, we will continue to deepen our offering and relationship with our Police whanau. At the same time, we realise that to thrive beyond our first 50 years and into the next 50 years, we need to continue to grow both the services we offer and our membership.

Whilst I didn't mention them at the start, I want to finish by acknowledging and thanking our Wellington team who have continued to provide the very best service for members.

Without them we just could not succeed and would not be able to provide great service to our members.

I'm looking forward already to what promises already to be a very good year for us.



Lane Todd
Chair of the Board



YEAR IN REVIEW

2021-2022

"Behind the
organisation is a
duty of care, which
you don't get with
banks."

"I trust Police
Credit Union... and
believe our CU has
members interests
up front."

"I always feel like
the team go above
and beyond when
helping with any
issues."

Our Members

36.2

Net Promotor
Score

82.3%

Member Satisfaction (members who rate their
satisfaction as 'very good' or 'excellent')

19,462

Total Membership
number

"The staff are
caring and listen
closely as to what
your needs are."

"The credit union feels
like a personal bank,
family orientated and
not motivated by just
making profits!"



"The service is
awesome. I'm so busy
and things are quick
and easy to sort
when I deal with you.
The team are really
knowledgeable"

How we're helping members

60

Scholarships of up to \$1,000
awarded to members

226

Members attended our
financial capability webinars

1

New product launched – **Retire Easy**,
our reverse mortgage loan

By the numbers

\$155.4m

Total Credit Union assets

\$27.7m

Total equity

\$672k

Annual surplus

\$126.9m

Member deposits



Chief Executive's Report 2022

If we were to look back at the 2021-2022 year in say 10 years' time, I wonder if we will appreciate just some of what we've all been through:

- » Covid continued to dominate our lives whether we wanted it to or not.
- » Interest rates were at low levels not seen before. Fixed rates on home loans less than 3%
- » Inflation seemingly out of control and a very real cost-of-living crisis
- » A housing market for the first time in many years slowing down in the first part of this year.

With that as a backdrop, let me assure you that starting my first Annual Review by reporting a loss was not high on my list of things to do.

As Lane mentioned, our day-to-day operations made a loss of \$15,000. When we add in our return for the year from Finzsoft of almost \$700k it's a surplus of \$672,000.

While our expenses were lower than last year, our revenue was down almost 20% compared to the previous year for 2 reasons:

1. Lower returns on the money we invest with the banks. Interest rates that start with "0 point something" don't help your bottom line and members of course felt the same pain with their investments with us. At the start of the financial year the official cash rate was 0.25% and finished at 2%. Since year-end it's almost doubled which has been great news for members and us.
2. Not lending as much money as we would like to. The new lending laws that came into effect on December 2021 had a massive impact on the entire financial services industry.



Craig Pomare
Chief Executive

It goes without saying that we're disappointed with the result, but this is one of those moments in time when you call on our very healthy reserves of almost \$28m for the first time in many years.

There are further Government changes ahead including more changes to the lending laws. Both the Reserve Bank and Financial Markets Authority have signalled changes that we will need to prepare for. Our primary objective will be to ensure the impact on members is minimal.

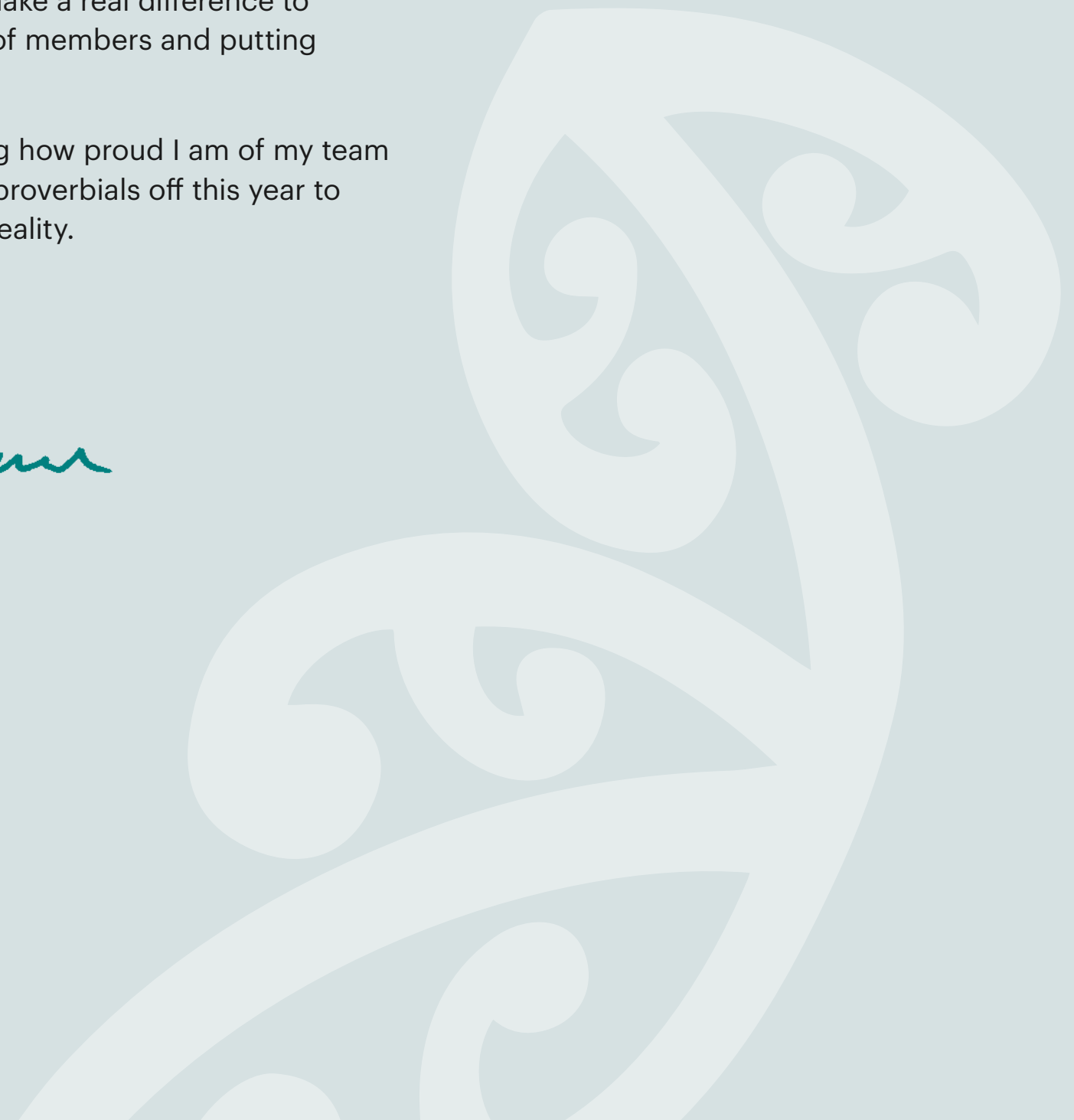
I'd like to thank our supervisor, Public Trust, and all our business partners. May I also add my thanks to our members, our Directors, the NZPA team, with a special thanks to Chris and Bryan and their team who have been so welcoming and supportive. I also wish to acknowledge NZ Police as Lane has done, without whom we would not have the privilege of carrying the Police name with pride in our organisation.

As always, we exist to make a real difference to the financial wellbeing of members and putting members first.

I want to finish by noting how proud I am of my team who have worked their proverbials off this year to make that statement a reality.



Craig Pomare
Chief Executive



Summary Financial Statements

Summary Statement of Comprehensive Income

For the year ended 30 June 2022

	2022 \$000	2021 \$000
REVENUE		
Interest Revenue	4,600	5,660
Other Income	75	152
Total Revenue	4,675	5,812
EXPENDITURE		
Interest Expenditure	772	1,018
Operating Expenses	3,843	3,880
Strategic Objective Expense	74	125
Total Expenditure	4,689	5,023
Share of Equity Accounted Joint Venture Surplus for the Year	687	233
Total Comprehensive Revenue and Expense for the Year	672	1,022

Summary Statement of Changes in Equity

For the year ended 30 June 2022

	2022 \$000	2021 \$000
Balance as at 30 June 2020	27,001	25,979
Total Comprehensive Revenue and Expense for the Year	672	1,022
Balance as at 30 June 2021	27,673	27,001

Summary Statement of Financial Position

For the year ended 30 June 2022

	2022 \$000	2021 \$000
ASSETS		
Cash and Cash Equivalents	8,509	5,922
Term Deposits	102,822	98,924
Loans to Members	31,066	37,664
Prepayments	381	412
Property, Plant and Equipment	20	39
Intangible Assets	36	56
Investment in Associate	7,023	6,336
Subordinated debt	5,500	2,750
Total Assets	155,358	152,103
LIABILITIES		
Trade and Other Payables	612	210
Employee Benefits	96	80
Members' Deposits	126,976	124,812
Total Liabilities	127,684	125,102
Accumulated Revenue and Expense	27,673	27,001
Total Members' Funds	27,673	27,001
	155,358	152,103

Summary Statement of Cashflows

For the year ended 30 June 2022

	2022 \$000	2021 \$000
Net Cash Provided by Operating Activities	9,337	13,659
Net Cash Used in Investing Activities	(6,750)	(12,373)
Total Net Increase (Decrease) in Cash and Cash Equivalents	2,587	1,286
Cash and Cash Equivalents at the Beginning of the Period	5,922	4,636
Cash and Cash Equivalents at the End of the Period	8,509	5,922

1. Policies

These summary financial statements are those of the reporting entity the Police and Families Credit Union (PCU) for the year ended 30 June 2022.

The summary financial statements were extracted from the full financial statements authorised for issue by the directors on 11 October 2022. The presentation currency is New Zealand Dollars rounded to the nearest thousand.

As the summary financial statements do not include all the disclosures that are in the full financial statements they cannot be expected to provide a complete understanding as produced by the full financial statements. These summary financial statements have been prepared in accordance with Financial Reporting Standard No 43 'Summary Financial Statements'. The full financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) and comply with Public Benefit Entity Accounting Standards (PBE Standards) as appropriate for Tier 1 not for profit public benefit entities.

The full financial statement received an unqualified audit opinion.

2. Credit Risk

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.

Loan Security Analysis

	2022 \$000	2021 \$000
Secured by Mortgage Over Real Estate with LVR <70%	2,962	3,596
Secured by Mortgage over Real Estate with LVR 70%> <80%	353	360
Partially Secured by Motor Vehicles or Other Collateral	3,970	4,980
Secured by Police Superannuation or Government Superannuation	23,798	28,597
Unsecured	112	260
Credit Quality of Gross Loans to Members	31,195	37,793
Less Loan Impairment Allowance	(129)	(129)
Total Loans to Members	31,066	37,664

3. Liquidity Risk

Liquidity risk is the risk that PCU 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 PCU maintains adequate cash reserves so as to meet the member withdrawal demands when requested.

Financial 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 financial assets and liabilities held will mature and be eligible for renegotiation or withdrawal.

Maturity Profile

	On Call \$000	Within 6 Months \$000	6 Months to 1 Year \$000	1 to 5 Years \$000	Over 5 Years \$000	Total \$000
30 June 2022						
Total Financial Assets 30 June 2022	8,509	44,558	30,498	60,510	12,455	156,530
Total Financial Liabilities 30 June 2022	79,158	32,633	12,996	3,332	-	128,118
30 June 2021						
Total Financial Assets 30 June 2021	5,922	46,902	37,378	51,700	15,263	157,165
Total Financial Liabilities 30 June 20201	75,607	35,836	10,465	3,351	-	125,259

4. Credit Rating

The Credit Union has been rated by Equifax. Equifax gives ratings from AAA through to C. The Credit Union has a long-term issuer default (IDR) rating of BB+ with a stable outlook, issued on 26 August 2022 (2021 BBB- with a stable outlook).



**POLICE
CREDIT
UNION**

Police Credit Union
Level 11, 57 Willis Street
Wellington 6011
New Zealand

0800 429 000

www.policecu.org.nz

Te Uniana Whakanama Pirihimana

POLICE HELPING POLICE