



Te Uniana Whakanama Pirihimana

POLICE HELPING POLICE

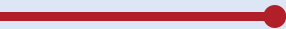
Ngā Pirihimana o Aotearoa

POLICE

General Purpose Financial Report

For the year ended 30 June 2026





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Statement of Service Performance

For the year ended 30 June 2026

Our Purpose

Police & Families Credit Union Incorporated (PCU) is a mutual and membership based financial services organisation. We exist to improve the financial wellbeing of our members. We provide relevant lending and savings products and educate members on thrift and the wise use of money so they can better manage their financial affairs.

How do we demonstrate we have achieved our purpose:

- a. Putting members first by providing them and their families with reliable and relevant products that have no or low fees, competitive interest rates and very good customer service to achieve their financial goals
- b. Supporting members to build better savings habits
- c. Supporting members to access activities, programmes or events that enhance their financial capability

How we measure performance:

Objective	Measure	Results FY 2026	Results FY 2025
Putting members first by providing them and their families with reliable and relevant products and providing great customer service. These measures demonstrate the number of people willing to engage with the Credit Union.			
Showing the number of people who have chosen to join the Credit Union this year.	New members onboarded	558	453
The total number of members who have savings and transaction accounts with the Credit Union.	Members benefiting from fees free savings and transaction accounts	17,220	16,371
Members who sought new loans through the Credit Union - not including members who sought to top up existing facilities.	New loans advanced	396	315
Supporting members to build better savings habits			
Three out of the five main banks have a minimum term deposit threshold of \$5,000. The Credit Union offers members the opportunity to invest as little as \$500 on term deposit, supporting the ability to build savings from a lower base at competitive rates.	Members with term deposits under \$5k	355	392

Supporting members to enhance their financial capability

PCU supports members to improve their financial capability in several practical ways:

1. Where appropriate, PCU helps members access budgeting seminars, financial wellbeing programmes and other support designed to improve their understanding of budgeting, debt management, saving and broader financial decision-making. This support helps members better understand their financial position, manage their commitments and make informed, sustainable financial choices.
2. PCU's approachable team takes the time to understand each member's circumstances and clearly explain PCU's products, services and options available to them, including any associated costs, conditions and commitments. This helps members understand their choices and make informed decisions that support their financial wellbeing.
3. PCU also offers debt consolidation lending, which can combine eligible higher-interest debts into one lower-rate loan. This may reduce interest costs and repayments, help members become debt-free sooner, and improve financial capability through simpler, more manageable debt arrangements.

Nature of, and reasons for, changes to its performance measures

PCU exists to support the financial wellbeing of our members. During the year, we took the opportunity to review our Statement of Service Performance and make sure the measures we report provide a meaningful picture of how we are delivering on that purpose.

We have simplified our reporting by removing separate measures for PSS-secured loans, member satisfaction, child accounts and Christmas Club accounts. These measures either reflected information already captured within broader measures or focused on specific products or activities rather than the wider outcomes we are working towards for members.

We have also broadened our financial-capability measure. The previous measure solely focused on the scholarship programme. However, PCU supports members' financial capability in a number of other practical ways, and the revised measure better reflects this broader support.

As a result of these changes, the current-year information is not directly comparable with all of the measures reported in the prior year. PCU's underlying purpose and service performance objectives have not changed.

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2026

	Note	2026 \$ 000	2025 \$ 000
REVENUE			
Interest Revenue	2.1	6,851	8,110
Other Income		253	73
Total Revenue		7,104	8,183
EXPENDITURE			
Financing Expenses	2.1	2,331	3,516
Operating Expenses	2.2	4,477	4,893
Impairment Expenditure	4.2	(4)	11
Total Operating Expenditure		6,804	8,420
Share of Equity Accounted Joint Venture Surplus for the year	5.5	427	453
Surplus for the Year Attributable to Members		726	216
Other Comprehensive Revenue and Expense	7.2	106	-
Total Comprehensive Revenue and Expense for the Year Attributable to Members		832	216

Statement of Changes in Net Assets/Equity

For the year ended 30 June 2026

	Note	Accumulated Revenue and Expense \$ 000	Total \$ 000
Balance as at 30 June 2024		28,252	28,252
Total Comprehensive Revenue and Expense for the Year Attributable to Members		216	216
Balance as at 30 June 2025		28,468	28,468
Total Comprehensive Revenue and Expense for the Year Attributable to Members		832	832
Balance as at 30 June 2026		29,300	29,300

Statement of Financial Position

As at 30 June 2026

	Note	2026 \$ 000	2025 \$ 000
MEMBERS' FUNDS			
Accumulated Revenue and Expense		29,300	28,468
Total Members' Funds		29,300	28,468
ASSETS			
Cash and Cash Equivalents	3.1	4,235	6,020
Term Deposits	3.2	74,408	95,054
Managed Funds	3.3	8,283	-
Loans to Members	4.1	46,750	33,281
Prepayments		1,690	1,545
Property, Plant and Equipment	5.1	573	479
Intangible Assets	5.2	-	-
Investment in Joint Venture	5.5	9,024	8,598
Total Assets		144,963	144,977
LIABILITIES			
Trade and Other Payables	5.4	436	610
Employee Benefits		120	89
Members' Deposits	5.6	115,107	115,810
Total Liabilities		115,663	116,509
Net Assets/Equity		29,300	28,468

These financial statements are authorised for and on behalf of the Board by:

	Date: 30 September 2026	Signed as Director
	Date: 30 September 2026	Signed as Director

Statement of Cash Flows

For the year ended 30 June 2026

	Note	2026 \$ 000	2025 \$ 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest Received		7,686	9,374
Fees, Commissions and Other Income		76	73
Interest Paid		(2,469)	(3,656)
Payments to Suppliers and Employees		(4,558)	(4,836)
Net Movement in Members' Loans		(13,779)	808
Net Movement in Member Deposits		(589)	(3,054)
Net Cash Provided by/(Used in) Operating Activities	3.4	(13,633)	(1,291)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts/(Payments) for Property, Plant and Equipment		(5)	1
Receipts/(Increase) in Managed Funds		(8,000)	-
Receipts/(Increase) in Term Deposits		19,852	4,802
Net Cash Provided by/(Used in) Investing Activities		11,847	4,803
Total Net Increase/(Decrease) in Cash and Cash Equivalents		(1,785)	3,512
Cash and Cash Equivalents at the Beginning of the Period		6,020	2,508
Cash and Cash Equivalents at the End of the Period	3.4	4,235	6,020

Notes to the Financial Statements

For the year ended 30 June 2026

1. Corporate Information

1.1 Reporting Entity

These financial statements are for the reporting entity the Police and Families Credit Union Incorporated ("PCU"), a Credit Union registered in New Zealand under the Friendly Societies and Credit Unions Act 1982 (FSCU Act). PCU is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 (FMC Act).

1.2 Nature of Business

The purpose of PCU is three-fold. Firstly to promote savings among its members and secondly to provide affordable lending for members. As a mutual, PCU exists to use any surplus from these activities for the benefit of members.

1.3 Trust Deed

As at 1 January 2020, the Police and Families Credit Union (PCU) was incorporated by the Registrar of Credit Unions and, as such our assets are no longer held by the Trustees of PCU but are held by the incorporated body. Accordingly a revised Trust Deed was issued on the same date. The Public Trust is appointed as the Supervisor of the shares on the terms and conditions of the Deed and in accordance with the requirements of the FMC Act, the FMC Regulations and the Financial Markets Supervisors Act 2011. The Trust Deed grants an assignment by way of security to the Supervisor, which can be enforced if certain material events occur. The Trust Deed also sets out on behalf of members, certain reporting obligations and contains financial covenants which are designed to ensure PCU is able to meet its financial obligations to members at all times. All Trust Deed obligations and financial covenants were complied with as at 30 June 2026.

1.4 Basis of Preparation

Statement of Compliance

For the purposes of complying with New Zealand Generally Accepted Accounting Practice (NZ GAAP), PCU is a not-for-profit public benefit entity. PCU complies with Public Benefit Entity Accounting Standards (PBE Standards) as appropriate for Tier 1 not for profit/public benefit entities. The financial statements are:

- prepared in accordance with the statutory requirements of the FMC ACT;
- prepared in accordance with NZ GAAP;
- have been prepared on a going concern basis;
- prepared in compliance with Public Benefit Entity Accounting Standards (PBE Standards);
- presented in New Zealand dollars (\$) rounded to the nearest thousand;
- stated inclusive of GST as PCU is treated as an end user, and not required to be registered for GST;
- prepared in accordance with the historical cost convention.
- The statement of financial position is presented in order of liquidity. Where an asset or liability comprises both current and non-current portions, those portions are disclosed separately in the relevant notes to the financial statements.

Use of Estimates and Judgements

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.

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. In particular, information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 4.1 and 4.2 for the measurement of loans to customers; and note 5.5 for the carrying value of the investment in joint venture.

These financial statements were authorised for issue by the Directors on the date set out in the Statement of Financial Position.

2. Financial Performance

2.1 Net Interest Revenue

	2026	2025
	\$ 000	\$ 000
Interest Revenue - Interest on Loans and Receivables		
Interest on Loans to Members	3,114	2,951
Interest on Subordinated Debt	-	-
Interest on Term Deposits	3,638	5,062
Interest on Cash and Cash Investments	100	97
Total Interest Revenue	6,851	8,110
Interest Expenditure - Liabilities at Amortised Cost		
Amortisation of cash contribution and broker fees	20	1
Interest on Members Call Shares	354	777
Interest on Members Term Shares	1,956	2,738
Total Interest Expenditure	2,331	3,516

Notes to the Financial Statements

For the year ended 30 June 2026

RECOGNITION AND MEASUREMENT

Except as described below, revenue is recognised to the extent that it is probable that the economic benefits will flow to PCU and the revenue can be reliably measured. Revenues are recognised at fair value of the consideration received.

Interest on Loans to Members

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the members loan account at the end of each fortnight or in line with the repayment frequency. Loan interest is recognised in the surplus or deficit using the effective interest method.

Interest on Term Deposits

Investment interest revenue is recognised on an accrual basis using the effective interest method which allocates the interest over the period that it relates to.

Interest Expense

Interest on members' shares is recognised as an expense in the period that it relates to using the effective interest method, which allocates the interest expense over the term of the members' shares to which they relate.

RECOGNITION AND MEASUREMENT

Fees and other income are recognised in the accounting period in which the services are rendered.

2.2 Operating Expenses	Note	2026	2025
		\$ 000	\$ 000
External Audit of Financial Statements		108	141
Employee Benefits		1,715	1,990
Directors Fees	6.3	151	152
Defined Contribution Expense		53	58
Depreciation and Amortisation	5.1 and 5.2	12	11
Occupancy		131	101
Other Operating Expenses		2,210	2,352
Staff Recruitment, Training, Health plan		96	88
Total Operating Expenses		4,477	4,893

3. Deposits and Liquidity

3.1 Cash and Cash Equivalents	Interest Rates	2026	2025
		\$ 000	\$ 000
Bank Balances - on Call	0% to 2.25%	4,235	6,020

RECOGNITION AND MEASUREMENT

Cash and cash equivalents comprise call deposits at other financial institutions. Under PBE standards definition of financial assets, cash and cash equivalents are classified as amortised cost. Refer to section 9 for further information on Credit Risk and details about PCU's Financial Risk Management Objectives and Policies.

3.2 Term Deposits	Interest Rates	2026	2025
		\$ 000	\$ 000
Westpac Bank		5,835	26,377
ANZ		39,050	35,794
Kiwibank		-	8,494
Heartland Bank		16,559	24,389
SBS Bank		12,964	-
Total Term Deposits	3.45% to 5.9% (2025 3.9% to 6.0%)	74,408	95,054
Current		68,687	72,992
Non-Current		5,721	22,062
Total Term Deposits		74,408	95,054

RECOGNITION AND MEASUREMENT

All term deposits independent of the Managed Funds are measured at amortised cost using the effective interest method, less any impairment losses. All term deposits mature within the next 36 months. Under PBE standards definition of financial assets, term deposits are classified as amortised cost.

Notes to the Financial Statements

For the year ended 30 June 2026

3.3 Managed Funds - Investment Assets	2026	2025
	\$000	\$000
Measured at:		
Fair value through surplus or deficit (FVTSD)		
Equity securities – New Zealand listed	574	-
Equity securities – Australian listed	346	-
Equity securities – International	2,858	-
Property securities – New Zealand listed	219	-
Property securities – Australian listed	37	-
Fixed interest managed funds (PIE)	1,473	-
Total FVTSD financial assets	5,507	-
Fair value through other comprehensive revenue and expense (FVOCRE) financial assets		
Debt securities – New Zealand corporate bonds	1,184	-
Debt securities – New Zealand local authority bonds	228	-
Total FVOCRE financial assets	1,411	-
Amortised cost financial assets		
Term deposits	-	-
Cash and cash equivalents – NZD	1,360	-
Cash and cash equivalents – Foreign currency	5	-
Total amortised cost financial assets	1,365	-
Total managed funds	8,283	-

Recognition and Measurement

At initial recognition, PCU classifies financial assets into one of three measurement categories under PBE IPSAS 41, based on the entity's business model for managing the assets and the contractual cash flow characteristics of the assets.

Fair value through surplus or deficit (FVTSD) – mandatory measurement

Equity securities, property securities (REITs), and fixed interest PIE managed funds are mandatorily measured at FVTSD. Equity and property securities do not meet the solely payments of principal and interest (SPPI) test, and PIE fund units are managed on a fair value basis with returns dependent on underlying portfolio performance. Gains and losses arising from changes in fair value are recognised in surplus or deficit in the period in which they arise. Dividends and distributions received are recognised as investment income when the right to receive payment is established.

Fair value through other comprehensive revenue and expense (FVOCRE) – debt instruments

New Zealand corporate bonds and local authority bonds are classified as FVOCRE debt instruments. These assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows are solely payments of principal and interest. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses are recognised in surplus or deficit. Other fair value changes are recognised in other comprehensive revenue and expense and reclassified to surplus or deficit upon derecognition.

Amortised cost

Cash and cash equivalents and term deposits are held to collect contractual cash flows that are solely payments of principal and interest. These assets are measured at amortised cost using the effective interest method, less any allowance for expected credit losses. For cash held in call accounts and short-term term deposits, the carrying amount approximates fair value.

Impairment – Expected Credit Losses (ECL)

PCU applies the ECL impairment model under PBE IPSAS 41 to financial assets measured at amortised cost and FVOCRE debt instruments. Cash and cash equivalents and term deposits are held with registered New Zealand banks that carry high credit ratings; accordingly, the 12-month ECL on these instruments has been assessed as immaterial. For FVOCRE debt instruments, PCU monitors credit quality and recognises a loss allowance equal to 12-month ECL where credit risk has not significantly increased since initial recognition. At 30 June 2026, no significant credit deterioration was identified and no material impairment loss allowances were recognised.

Notes to the Financial Statements

For the year ended 30 June 2026

Fair Value Hierarchy	2026	2025
Level 1	2,825	-
Level 2	4,093	-
Level 3	-	-
Total financial assets measured at fair value	6,918	-

In accordance with PBE IPSAS 30, Level 1 inputs are unadjusted quoted prices in active markets for identical assets; Level 2 inputs are observable inputs other than Level 1 quoted prices; and Level 3 inputs are unobservable inputs. PCU had no Level 3 managed fund investments at 30 June 2026.

Fixed interest managed funds, including the Schroder Sustainable Global Core PIE Fund (Hedged), are classified as Level 2 because their unit prices are based on observable market data. There were no transfers between hierarchy levels during the year. Amounts may not add due to rounding.

3.4 Reconciliation of Cash Flows from Operating Activities

RECOGNITION AND MEASUREMENT

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 PCU. These include members' loans and borrowings and members shares.

Reconciliation of Cash Flow from Operating Activities with Operating Surplus	2026	2025
	\$ 000	\$ 000
Surplus for the Year Attributable to Members	726	216
NON CASH ITEMS		
Depreciation	12	11
Impairment Allowance	(3)	(7)
Share of Equity Accounted Joint Venture Surplus for the year	(427)	(453)
	(418)	(449)
CHANGES IN ASSETS AND LIABILITIES		
Movement in Prepayments	26	(213)
Movement in Managed Funds	(177)	-
Movement in Provisions	(168)	(9)
Movement in Accounts Payable	(176)	296
Movement in Employee Benefits	31	(10)
Movement in Loans	(13,631)	808
Movement in Member Deposits	(589)	(3,054)
Movement in Accrued Interest Receivable	856	1,264
Movement in Accrued Interest Payable	(114)	(140)
	(13,942)	(1,058)
Net Operating Cash Flows	(13,633)	(1,291)

4. Loans to Members

4.1 Loans to Members	2026	2025
	\$ 000	\$ 000
Mortgages	27,198	12,420
Personal Loans	19,650	20,963
Gross Loans to Members	46,848	33,383
Less: Allowance for Impairment 4.2	(98)	(102)
Net Loans to Members	46,750	33,281
Current	3,858	3,930
Non-Current	42,990	29,453
Gross Loans to Members	46,848	33,383

Notes to the Financial Statements

For the year ended 30 June 2026

RECOGNITION AND MEASUREMENT

Under PBE standards definition of financial assets, loans to members are classified as amortised cost. Loans to Members are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not available for sale. They arise when PCU provides funds directly to a member with no intention of trading the receivable. Loans are recognised when cash is advanced to the borrowers. Loans include mortgages and personal loans.

Subsequent to initial recognition Loans to Members are recorded at amortised cost using the effective interest method less impairment allowances.

4.1.a Credit Quality - Security Dissection	2026	2025
	\$ 000	\$ 000
Secured by Mortgage Over Real Estate with LVR <70%	6,775	4,212
Secured by Mortgage Over Real Estate with LVR 70% > <80%	17,533	5,357
Secured by Mortgage Over Real Estate with LVR 80% > <90%	1,961	1,917
Secured by Mortgage Over Real Estate with LVR 90% > <100%	929	934
Partially Secured by Motor Vehicles or Other Collateral	1,602	6,594
Secured by Police Superannuation or Government Superannuation	17,507	14,129
Unsecured	542	240
Credit Quality of Gross Loans to Members	46,848	33,383

PCU holds security against Loans to Members in the form of mortgage interests over property, or for personal loans, security can include motor vehicles, Police Superannuation balances, Government Superannuation balances or be unsecured. Security is obtained based on the type of borrowing facility. All loan value ratios are written within the parameters of the credit policy at the time a loan is advanced.

4.1.b Asset Quality of Loans to Members	2026	2025
	\$ 000	\$ 000
Performing Loans		
<i>Neither Past Due Nor Impaired</i>	46,634	33,171
<i>Past Due But Not Impaired</i>		
1 to 30 days	178	191
31 to 90 days	16	10
over 90 days	19	12
Total Performing Loans	46,848	33,384
Impaired loans		
Collectively Impaired	98	102
Net Loans	46,750	33,282

Loans to Members are initially stated at fair value plus directly attributable transaction costs and thereafter at amortised cost using the effective interest rate method, less any impairment losses. PCU's maximum credit exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under the financial instruments in relation to each class of recognised asset, is the carrying amount of those loans to members. Refer to section 9 for further information on Credit Risk and details about PCU's Financial Risk Management Objectives and Policies.

4.2 Allowance for Impairment of Financial Assets

Impairment of Loans and Advances

	2026	2025
	\$ 000	\$ 000
Total doubtful debts and bad debt expense for the year was:		
Provision for Impairment - Increase/(decrease) in the Year	(4)	(7)
Bad Loans written off	-	18
Loan Impairment Expenditure	(4)	11

	Collectively Impaired	2026 Total	2025 Total
	\$ 000	\$ 000	\$ 000
Opening Balance	102	102	109
Increase/(Decrease) in the Provision	(4)	(4)	11
Transfer to Bad Debts Written Off	-	-	(18)
Closing Balance	98	98	102

Notes to the Financial Statements

For the year ended 30 June 2026

4.2a Net Member Loans

Carrying Value Total Member Loans (Personal & Home)

	Performing		Non-Performing		Total
	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Opening Gross Carrying Amount 1 July 2025	33,362	10	11	-	33,383
Net Transfers In/(out) of Stages	-	(10)	8	-	(2)
Net Further Lending/repayment	13,451	16	-	-	13,467
Amounts written off	-	-	-	-	-
Gross Carrying Amount as at 30 June 2026	46,813	16	19	-	46,848
Provision for Expected Credit Loss (ECL) as at 30 June 2026	79	-	19	-	98
Net Carrying Amount as at 30 June 2026	46,734	16	-	-	46,750

Carrying Value Personal Member Loans

	Performing		Non-Performing		Total
	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Opening Gross Carrying Amount 1 July 2025	20,942	10	11	-	20,963
Net Transfers In/(out) of Stages	-	(10)	8	-	(2)
Net Further Lending/repayment	(1,327)	16	-	-	(1,311)
Amounts written off	-	-	-	-	-
Gross Carrying Amount as at 30 June 2026	19,615	16	19	-	19,650
Provision for ECL as at 30 June 2026	63	-	19	-	82
Net Carrying Amount as at 30 June 2026	19,552	16	-	-	19,568

Carrying Value Home Member Loans

	Performing		Non-Performing		Total
	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Opening Gross Carrying Amount 1 July 2025	12,420	-	-	-	12,420
Net Transfers In/(out) of Stages	-	-	-	-	-
Net Further Lending/repayment	14,778	-	-	-	14,778
Amounts written off	-	-	-	-	-
Gross Carrying Amount as at 30 June 2026	27,198	-	-	-	27,198
Provision for ECL as at 30 June 2026	16	-	-	-	16
Net Carrying Amount as at 30 June 2026	27,182	-	-	-	27,182

4.2b ECL Impairment on Member Loans

Total Member Loans

	Performing		Non-Performing		Total
	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Impairment Provision 30 June 2025	81	10	11	-	102
Net Transfers in/(out) of stages	(28)	6	6	-	(16)
Remeasurement	26	(16)	2	-	12
Total Charges/(credits) to the income statement for ECL	(2)	(10)	8	-	(4)
Amounts written off from individually assessed provisions	-	-	-	-	-
Total provision for ECL as at 30 June 2026	79	-	19	-	98

Notes to the Financial Statements

For the year ended 30 June 2026

Personal Loans

	Performing		Non-Performing		Total
	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Impairment Provision 30 June 2025	36	10	11	-	57
Net Transfers in/(out) of stages	(77)	6	6	-	(65)
Net Remeasurement	104	(16)	2	-	90
Total Charges/(credits) to the income statement for ECL	27	(10)	8	-	25
Amounts written off from individually assessed provisions	-	-	-	-	-
Total provision for ECL as at 30 June 2026	63	-	19	-	82

Home Loans

	Performing		Non-Performing		Total
	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Impairment Provision 30 June 2025	45	-	-	-	45
Net Transfers in/(out) of stages	49	-	-	-	49
Net remeasurement	(78)	-	-	-	(78)
Total Charges/(credits) to the income statement for ECL	(29)	-	-	-	(29)
Amounts written off from individually assessed provisions	-	-	-	-	-
Total provision for ECL as at 30 June 2026	16	-	-	-	16

4.2c Inputs and assumptions in the modelled ECL provision

Police Credit Union's forecast ECL assumes the following:

Key Economic assumptions

	30 June 2026	30 June 2025
Unemployment rate	Upside Case: Forecast to be 4.2%	Upside Case: Forecast to be 4.4%
	Base Case: Forecast to be 4.5%	Base Case: Forecast to be 5.1%
	Downside Case Forecast to be 5.5%	Downside Case: Forecast to be 5.4%
Inflation rate	Upside Case: Forecast to be 2.5%	Upside Case: Forecast to be 2.2%
	Base Case: Forecast to be 3.0%	Base Case: Forecast to be 2.5%
	Downside Case Forecast to be 3.5%	Downside Case: Forecast to be 2.8%

The forecasted assumptions cover 12 months as PCU are looking at the 12 month probability of default and this is the most relevant time period for forecasting write-offs of the current loan book.

Summary of scenario weightings

The base case scenario reflects what PCU expects the economic outlook for inflation and unemployment to be. PCU has forecast an upside and downside scenario due to the inherent uncertainty in economic forecasts. PCU has weighted the downside scenario as a higher probability due to current economic conditions.

	30 June 2026	30 June 2025
Base Scenario	60%	75%
Upside Scenario	15%	10%
Downside Scenario	25%	15%

Sensitivity to economic scenarios

The base, upside and downside ECL scenarios utilise the Key Economic Assumptions to calculate the adjusted ECL under the respective conditions. The probability weighted ECL scenario additionally considers the probability weightings in the scenario weightings table when calculating ECL.

	2026 \$ 000	2025 \$ 000
Probability Weighted ECL Scenario	113	103
Base case ECL scenario	98	102
Upside ECL scenario	88	92
Downside ECL scenario	163	117

Notes to the Financial Statements

For the year ended 30 June 2026

i. Model stages

The three stages are as follows:

• Stage 1: 12 months ECL - performing

For financial assets where there has been no significant increase in credit risk since origination, a provision for 12 months ECL is recognised. Interest revenue is calculated based on the gross carrying amount of the financial asset.

• Stage 2: Lifetime ECL - performing

For financial assets where there has been a significant increase in credit risk since origination but where the asset is still performing, a provision for lifetime ECL is recognised.

Loans past due are specifically assessed, with an increase in credit risk is presumed if the loan is more than 30 days past due in making contractual repayment with no mitigating factors or when there is reasonable and/or supportable information that there is an increase in the risk of default occurring on the asset as at the reporting date. Interest revenue is calculated based on the gross carrying amount of the financial asset.

• Stage 3: Lifetime ECL – non-performing:

For financial assets that are non-performing, a provision for lifetime ECL is recognised. Loans are deemed non-performing when they are over 90 days past due in making a contractual repayments and/or when there is objective evidence of the events that indicate the borrower is in significant financial difficulty.

Interest revenue is recognised based on a carrying amount net of the provision for ECL rather than gross carrying amount.

ii. Collective and individual assessment

Financial assets that are in Stage 1 and 2 are assessed on a collective basis. All financial assets in Stage 3 are assessed on an individual basis.

iii. Expected life

Expected credit losses are determined as a lifetime expected credit loss in Stage 2 and Stage 3.

In considering the lifetime timeframe, the standard generally requires use of the remaining contract life adjusted where appropriate for prepayment, extension and other options available.

iv. Movement between stages

Assets may move in both directions through the stages of the impairment model. Assets previously classified in Stage 2 may move back to Stage 1 if it is no longer considered that there has been a significant increase in credit risk. Similarly, assets in Stage 3 may move back to Stage 2 if they are no-longer assessed to be non-performing. Increases/decreases in credit risk are primarily identified through defaults on agreed payment terms, with consideration given to the quality of the security and members employment status when determining if a significant increase in credit risk has occurred.

v. Forward looking information

The measurement of ECL for each stage and the assessment of significant increase in credit risk consider information about past events and current condition as well as reasonable and supportable projection of future events and economic conditions. The economic factors that the PCU considers in measuring ECL include unemployment rates and inflation.

PCU derives a forward looking “base case” economic scenario which reflects our view of the most likely future economic conditions. The expected outcomes of key economic drivers for the base case scenario as at 30 June 2026 and those previously used as at 30 June 2025 are described in note 4.2.

The unpredictable nature of the economic factors and assumptions used in the ECL make estimates inherently uncertain and accordingly, actual results may differ from these estimates. In addition to the base case forecast PCU has forecast an upside case and a downside case where probability weightings are applied to the economic factors in each case. The key consideration for probability weightings in the current year are unemployment and inflation. In addition to the base case forecast, greater weighting has been applied to the downside scenario given PCU's assessment of downside risks (note 4.2).

vi. Critical accounting assumptions and estimates

Key judgements include when a significant increase in credit risk has occurred and the estimation of forward looking economic information, in particular unemployment and inflation. The estimation of these factors have a high degree of uncertainty and different assumptions and impacts of these assumptions are detailed in note 4.2 Recognition of ECL The ECL determined under PBE IPSAS 41 are recognised as follows:

- Members' loans: As a reduction of the carrying value of the financial asset through an offsetting impairment allowance.

Notes to the Financial Statements

For the year ended 30 June 2026

Other Financial Position Notes

5.1 Property, Plant and Equipment	Computer Equipment \$ 000	Furniture & Fittings \$ 000	Leasehold Improvements \$ 000	Deposit Help \$ 000	Total \$ 000
Cost					
Opening Balance 1 July 2025	87	131	284	449	951
Additions/(Disposals)	-	2	-	103	105
Closing Balance 30 June 2026	87	133	284	552	1,056
Accumulated Depreciation					
Opening Balance 1 July 2025	84	123	265	-	472
Depreciation for the Period	2	2	7	-	12
Closing Balance 30 June 2026	86	125	272	-	484
Net Book Value at 30 June 2026	1	8	12	552	573
Opening Balance 1 July 2024	87	130	284	403	904
Additions/(Disposals)	-	1	-	46	47
Closing Balance 30 June 2025	87	131	284	449	951
Accumulated Depreciation					
Opening Balance 1 July 2024	83	120	259	-	462
Depreciation for the Period	1	3	6	-	10
Closing Balance 30 June 2025	84	123	265	-	472
Net Book Value at 30 June 2025	3	8	19	449	479

Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses.

Historical cost includes expenditure directly attributable to the acquisition of the asset and is recognised only when it is probable that future benefits associated with the item will flow to PCU and the cost of the item can be measured reliably.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to PCU and the cost of the item can be measured reliably. All other repairs and maintenance are charged to surplus and deficit during the financial period in which they are incurred.

First Home Together is a new product introduced in September 2022. PCU holds an equity share in homes purchased using PCU's First Home Together product referred to as Deposit Help. This share is a maximum of 10% of the property value. Deposit Help charges 0% interest, with a 10 year maximum maturity period. Repayment may be made at any time subject to a property revaluation, at which point the ownership share held by both PCU and the member are revalued. PCU's share will always be the greater of: PCU's share at initial purchase multiplied by the initial property value, or, PCU's current share multiplied by the current property value. For risk weighting purposes Deposit Help is considered a part of the member's mortgage and weighted in the appropriate mortgage band. Registered valuations are obtained prior to purchase, with Deposit Help Properties measured and carried at cost. The net book value of our share in these properties was \$552,160 at 30 June 2026 (2025: 448,760).

Depreciation

All assets other than leasehold improvements are depreciated to their residual value over their estimated useful lives from the time the asset is ready for use. Depreciation on leasehold improvements is calculated based on the term of the building lease. Deposit Help property interests are not depreciated because, under the contractual terms, the amount recoverable by PCU cannot be less than its initial contribution. The following rates have been used in the current and prior period:

Computer Equipment	30-33%
Furniture & Fittings	20-30%
Leasehold Improvements	10-20%

The residual value, depreciation methods and useful lives are reviewed, and adjusted if appropriate, annually. Depreciation is calculated on a straight line basis.

Prepayments

Information technology prepayments arise as a result of development work on the Sovereign core banking system. PCU has entered into a 10 year Master Services Agreement with Finzsoft and as a result prepayments for development in Sovereign are amortised over 10 years. The existing prepayments schedule has been realigned for consistency.

Notes to the Financial Statements

For the year ended 30 June 2026

5.2 Intangible Assets	2026	2025
	\$ 000	\$ 000
Cost or Valuation		
Opening Balance	72	72
Additions	-	-
Closing Balance	72	72
Accumulated Amortisation		
Opening Balance	72	71
Amortised During the Year	-	1
Closing Balance 30 June	72	72
Intangible Assets Net Book Value at 30 June	-	-

Intangible assets comprise Computer Software. Computer Software is capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their expected lives on a straight line basis of 20-30% amortisation.

5.3 Impairment Testing of Non Financial Assets

The carrying amounts of PCUs non-financial assets (Property, Plant and Equipment and Joint Venture) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount, being the higher of the assets fair value less costs to sell and the value in use, is compared to the assets carrying value.

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 discount rate that reflects the current market rates and the risks specific to the asset.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Any excess of the asset's carrying value over its recoverable amount is expensed.

5.4 Payables	2026	2025
	\$ 000	\$ 000
Trade Payables	95	152
Sundry Creditors and Accrued Expenses	301	394
Resident Withholding Tax	40	64
Total Trade and Other Payables	436	610

RECOGNITION AND MEASUREMENT

A Financial Liability is any liability where there is a contractual obligation to exchange Financial Assets with another party. Trade Payables, Sundry Creditors, Accrued Expenses and Resident Withholding Tax are all classified as Financial Liabilities. These amounts represent liabilities for goods and services provided to the Credit Union prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

An accrual is made for the liability for employee benefits arising from services rendered by employees to the reporting date. Employee benefits that are expected to be settled within one year have been measured at amounts expected to be paid when the liability settles, on an undiscounted basis.

Notes to the Financial Statements

For the year ended 30 June 2026

5.5 Investment in Joint Venture

PCU jointly controls the following entity which is accounted for using the equity method.

Finzsoft Solutions Limited	2026 \$ 000	2025 \$ 000
Ownership Interest	48.9%	48.9%
Current Assets	7,097	6,665
Non-current Assets	5,746	5,818
Current Liabilities	2,835	3,245
Non-current Liabilities	784	887
Revenue	8,379	8,580
Surplus/(Deficit)	873	927

In addition to the summarised financial information, we note the following for Finzsoft Solutions Limited:

Finzsoft Solutions Limited	2026 \$ 000	2025 \$ 000
Cash & Cash Equivalents*	5,929	5,825
Financial Liabilities	222	307
Non-Financial Liabilities	3,397	3,825
Income Tax Expense	320	357

*Note that Cash & Cash Equivalents includes Short-Term Investments classified as a current asset.

Reconciliation of PCU equity investment in Finzsoft Solutions Limited from the beginning of the period to the end of the period:

Finzsoft Solutions Limited	2026 \$ 000	2025 \$ 000
Carrying value of investment as at 1 July	8,598	8,145
Share of Equity Accounted Joint Venture Surplus for the year	427	453
Total investment as at 30 June	9,024	8,598

RECOGNITION AND MEASUREMENT

Finzsoft Solutions Limited (Finzsoft) is a key supplier to PCU, providing its core banking system, and is therefore considered a strategic investment that supports the ongoing provision of that key system. In 2021, PCU acquired a further 19.3% interest in Finzsoft, increasing its ownership interest from 29.6% to 48.9%. At balance date, PCU's ownership interest was 48.9% (last year: 48.9%), as disclosed in the table above.

Finzsoft is considered a Joint Venture for accounting and reporting purposes, refer to the Joint Arrangements - Accounting Policy for further information. The investment in Finzsoft has been accounted for using the equity method and is recognised initially at cost, including directly attributable transaction costs and subsequently adjusted to reflect the share of surplus/(deficit) for the period.

The financial statements of PCU include a share of the surplus or deficit of Finzsoft of \$426,570 (last year: \$452,910).

Finzsoft has the same reporting date as PCU, being 30 June, and is domiciled in New Zealand.

There are no significant restrictions regarding the distribution of dividends or repayment of loans from Finzsoft.

As at balance date, there were no contingent liabilities relating to interests in joint ventures to which PCU was jointly and/or severally liable (last year: nil). There were also no contingent assets relating to interests in joint ventures to which PCU would benefit either jointly and/or severally (last year: nil). Additionally, there were no capital or other commitments relating to interests in joint ventures to which PCU was jointly and/or severally liable (last year: nil).

5.6 Members' Deposits	2026 \$ 000	2025 \$ 000
Call Shares	64,492	64,166
Term Shares	50,615	51,644
Total Members' Deposits	115,107	115,810
Current	111,740	113,498
Non-Current	3,367	2,312
Total Members' Deposits	115,107	115,810

Notes to the Financial Statements

For the year ended 30 June 2026

5.6 Members' Deposits (continued)

RECOGNITION AND MEASUREMENT

For the purpose of financial reporting, members' deposits are recognised as debt instruments. They are recorded initially at fair value plus directly attributable transaction costs and subsequently at amortised cost.

Members contribute to the Credit Union by way of shares. Members' shares are classified as financial liabilities of PCU, as they have the characteristics of debt instruments as opposed to equity.

To be a member, a person must hold a minimum of one \$1.00 fully paid-up share. All shares are of one class, rank equally with each other, are of a fixed amount of \$1.00 denomination and cannot be allotted to a member until fully paid-up in cash.

Subject to the provisions of the Friendly Societies and Credit Unions Act 1982, members operate their share account in a similar manner to savings and withdrawals in a savings account and term deposit account. While shares are usually available to be withdrawn at call, the Rules of the Credit Union provide that 60 days notice for withdrawal may be required. Withdrawals may not be available where such withdrawal of shares would reduce a member's paid-up shareholding in the Credit Union to less than the member's total liability (including any contingent liability) to the Credit Union.

Shares in the Credit Union are not transferable and the Credit Union may not issue to a member a certificate denoting ownership of a share. The Credit Union reserves the right to decline any new application for a share subscription without giving any reason.

On every matter determined by a vote of members of the Credit Union, each member aged 16 or over is entitled to vote, however that member has one vote only, irrespective of the number of shares held by that member. Interest expense is recognised on an accruals basis for shares.

Members' shares are secured by an 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 of shares and unpaid share capital (if any).

The equitable assignment by way of security has been granted in favour of Public Trust ("Supervisor").

Other Notes

6.1 Commitments

Outstanding Loan Commitments

Loans and credit facilities approved but not funded or drawn at the end of the reporting period.

	2026 \$ 000	2025 \$ 000
Loans Approved but not Funded	9	431
Undrawn Overdraft and Line of Credit	2,952	3,068
Total Outstanding Loan Commitments	2,961	3,499

Outstanding Licensing Commitments

Contractual commitments for software licences at the end of the reporting period.

	2026 \$ 000	2025 \$ 000
Licence less than one year	899	854
Licence between two to five years	3,594	3,414
Licence more than five years	3,445	4,083
Total Outstanding Licensing Commitments	7,938	8,351

Outstanding Lease Commitments

Contractual commitments for lease of premises at the end of the reporting period.

	2026 \$ 000	2025 \$ 000
Lease less than one year	97	66
Lease between two to five years	194	-
Lease more than five years	-	-
Total Outstanding Lease Commitments	291	66

6.2 Contingent Liabilities

The Credit Union has no contingent liabilities as at 30 June 2026 (2025: Nil).

Notes to the Financial Statements

For the year ended 30 June 2026

6.3 Related Parties

Remuneration of Directors and Key Management Personnel (KMP)

	2026 Directors	2026 KMP	2025 Directors	2025 KMP
Short-Term Employee Benefits	151	483	152	482

RECOGNITION AND MEASUREMENT

Remuneration of Directors and Key Management Personnel (KMP)

Key Management Personnel (KMP) are those people having authority and responsibility for planning, directing and controlling the activities of PCU, directly or indirectly, including any Director (whether executive or otherwise) of PCU.

This year, KMP comprised seven directors and two executive managers (last year: seven directors and two executive managers).

Connected Parties are defined as the immediate relatives of Directors and Key Management Personnel.

Short-Term Employee Benefits

In the above table, remuneration shown as short-term employee benefits means (where applicable) directors fees, wages, salaries, paid annual leave and sick leave, bonuses and value for fringe benefits received, but excludes out of pocket reimbursements. There are no post-employment benefits.

Related Party Holdings

	2026 Shares \$ 000	2025 Shares \$ 000
Directors	210	178
KMP	21	21
Connected Parties	40	147
Related Party Holdings	272	346

As at balance date, there were no loans issued to directors, KMP, or connected parties (last year: \$nil).

RECOGNITION AND MEASUREMENT

There are no loans to executive managers. PCU Rules state that the Chief Executive Officer and Chief Financial Officer (executive managers) cannot become borrowers from PCU. Other than this exclusion all KMP and other employees have available to them all the services under normal members terms and conditions.

As a joint venture, Finzsoft is a related party. Finzsoft is also a provider of the PCU core banking system and as such is now considered a related party. Total expenditure on Finzsoft services for the year was \$1,159,892 (last year: \$1,324,692), total prepayments as at balance date was \$1,409,727 (last year: \$1,438,141). The accounts payable balance for Finzsoft at balance date was \$9,331 (last year: \$28,299).

6.4 Events Occurring After Reporting Date

In August 2026, the Board approved the investment of \$5 million of surplus funds through Squirrel Mortgages Limited in mortgage investment funds. PCU invested \$2.5 million on 31 August 2026 and a further \$1.5 million on 7 September 2026. The remaining \$1 million is expected to be invested by 31 December 2026. These investments change the composition of PCU's financial assets but are not expected to have a material effect on total assets or equity.

7 Other Accounting Policies

7.1 Changes to Accounting Policies

The accounting policies applied by the Credit Union in these financial statements are the same as those applied in the annual financial statements for the year ended 30 June 2025.

Notes to the Financial Statements

For the year ended 30 June 2026

7.2 New Investment Activity – Managed Funds

During the year ended 30 June 2026, the Credit Union established a managed investment portfolio with Craigs Investment Partners Limited (Craigs), a New Zealand-registered investment services provider. A total of \$8,000,000 was transferred to Craigs during the financial year, with the portfolio invested across two funds:

- Balanced Income Fund – targeting a diversified income-oriented portfolio comprising NZ and international fixed income securities, listed equities, listed property securities, and cash.
- Growth Fund – targeting a growth-oriented portfolio comprising predominantly listed equities and listed property securities, with some fixed income exposure and cash.

Purpose and Strategic Rationale

The decision to establish the Managed Funds portfolio reflects the Credit Union's revised investment strategy, approved by the Board during the 2025/26 year. The strategy was developed in response to the sustained decline in NZ term deposit interest rates and the need to optimise returns on the Credit Union's surplus liquidity over the medium to long term, consistent with PCU's obligations to members.

The key objectives of the Managed Funds are to:

- Generate a diversified investment return above the term deposit rate over a rolling 3-5 year investment horizon;
- Preserve capital over the investment horizon;
- Provide an additional source of medium-term liquidity, supplementing the Credit Union's direct term deposit and cash holdings; and
- Contribute to the financial sustainability of the Credit Union in a lower-rate environment.

The Board has approved an Investment Policy Statement governing the Craigs mandate, including permitted asset classes, geographic and sector concentration limits, minimum credit quality of fixed income holdings (investment grade), and liquidity requirements.

Presentation in Financial Statements

The Managed Funds are presented as a separate line item in the Statement of Financial Position ("Managed Funds") at their fair value as at 30 June 2026. The portfolio contains instruments measured under three categories in accordance with PBE IPSAS 41 Financial Instruments:

- Fair value through surplus or deficit (FVTSD): listed equity securities, listed property securities, and fixed interest PIE managed fund units are mandatorily measured at FVTSD. Net fair value movements and any income distributions received are recognised in surplus or deficit.
- Fair value through other comprehensive revenue and expense (FVOCRE) – debt instruments: New Zealand corporate bonds and local authority bonds held within the portfolio pass the solely payments of principal and interest (SPPI) test and are held in a hold-to-collect-and-sell business model. They are measured at fair value, with interest income (calculated using the effective interest method) recognised in surplus or deficit, and other fair value changes recognised in other comprehensive revenue and expense. On derecognition, cumulative fair value gains or losses are reclassified to surplus or deficit.
- Amortised cost: cash held in ANZ Bank call accounts and term deposits held within the portfolio are measured at amortised cost using the effective interest method.

Further information on the classification and measurement of the Managed Funds instruments, fair value hierarchy, credit risk, market risk, and liquidity risk is provided in Note 9 – Financial Risk Management Objectives and Policies.

Movement in Managed Funds

	2026 \$ 000	2025 \$ 000
Amounts invested during the year	8,000	-
Net gain/(loss) recognised in surplus or deficit (FVTSD)	177	-
Net gain/(loss) recognised in OCI (FVOCRE – debt instruments)	106	-
Closing balance – Managed Funds	8,283	-
Comprising of:		
– FVTSD instruments (equities, property and fixed interest managed funds)	5,507	-
– FVOCRE debt instruments (bonds)	1,411	-
– Amortised cost (cash and term deposits)	1,365	-
Total	8,283	-

The net gain on FVTSD instruments recognised in surplus or deficit during the period represents market value movements on listed equities, property securities, and PIE fund units since initial investment. The net gain on FVOCRE instruments represents market value movements on debt instruments.

8 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 rating (IDR) of BB with a stable outlook, issued on 10 August 2026 (2025 BB with a stable outlook).

Notes to the Financial Statements

For the year ended 30 June 2026

9 Financial Risk Management Objectives and Policies

The Board has endorsed a policy 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
- Credit risk management
- Liquidity risk management
- Capital adequacy management

9.1 Interest Rate Risk

PCU is exposed to interest rate risk through its lending, deposit and investment activities. The Board manages this risk by maintaining a balanced strategy and ensuring that net interest-rate gaps between members' loans, deposits and investments are not excessive. During the year ended 30 June 2026, PCU also established a managed-funds portfolio that includes corporate and local-authority bonds measured at FVOCRE. These bonds carry fixed coupon rates and mature between 2029 and 2034. Changes in market interest rates affect their fair value, with fair-value movements recognised in other comprehensive revenue and expense within the fair-value reserve.

Repricing period at 30 June 2026 - Fixed Interest Rate Maturing:

	Weighted average effective interest rate	Floating Interest Rate \$ 000	Within 6 months \$ 000	6 months to 1 Year \$ 000	1 to 5 Years \$ 000	Over 5 Years \$ 000	Non-interest sensitive \$ 000	Total \$ 000
Monetary Assets								
Cash & Bank	2.31%	5,600	-	-	-	-	-	5,600
Term Deposits	3.93%	-	43,503	25,184	5,721	-	-	74,408
FVOCRE Financial Assets	4.41%	-	-	-	916	495	-	1,411
FVTSD Financial Assets	n/a	-	-	-	-	-	5,507	5,507
Loans to Members - Fixed	4.89%	-	3,540	7,595	13,514	-	-	24,649
Loans to Members - Floating	9.80%	22,101	-	-	-	-	-	22,101
Total Monetary Assets		27,701	47,043	32,779	20,152	495	5,507	133,676
Monetary Liabilities								
Members' Deposits	1.85%	64,492	34,796	12,436	3,383	-	-	115,107
Trade and Other Payables	n/a	-	-	-	-	-	436	436
Total Monetary Liabilities		64,492	34,796	12,436	3,383	-	436	115,543

Repricing period at 30 June 2025 - Fixed Interest Rate Maturing:

	Weighted average effective interest rate	Floating Interest Rate \$ 000	Within 6 months \$ 000	6 months to 1 Year \$ 000	1 to 5 Years \$ 000	Over 5 Years \$ 000	Non-interest sensitive \$ 000	Total \$ 000
Monetary Assets								
Cash & Bank	1.05%	6,020	-	-	-	-	-	6,020
Term Deposits	4.83%	-	36,493	36,499	22,062	-	-	95,054
Loans to Members - Fixed	6.34%	-	4,160	3,599	1,881	-	-	9,640
Loans to Members - Floating	8.50%	23,641	-	-	-	-	-	23,641
Total Monetary Assets		29,661	40,653	40,098	23,943	-	-	134,355
Monetary Liabilities								
Members' Deposits	2.43%	64,166	34,845	14,465	2,334	-	-	115,810
Trade and Other Payables	n/a	-	-	-	-	-	610	610
Total Monetary Liabilities		64,166	34,845	14,465	2,334	-	610	116,420

Interest Rate Sensitivity Analysis

At 30 June 2026, a general decrease of three percentage points in interest rates on PCU's direct portfolio of cash, term deposits, loans to members and members' deposits would decrease surplus and equity by \$1,099,077 (2025: \$628,605). An equivalent increase would have the opposite effect. The FVOCRE bond portfolio was \$1,411,000 at 30 June 2026 and had a weighted average coupon of approximately 4.41%. Based on an approximate weighted modified duration of 4.35 years, a 1% parallel downward shift in NZD yield curves would increase the fair value of the bond portfolio by approximately \$61,000, recognised in other comprehensive revenue and expense; a 1% upward shift would have the opposite effect. The preceding table shows the interest-rate repricing profile of PCU's monetary assets and liabilities at 30 June 2026.

FVTSD investments are presented as non-interest sensitive because their returns are driven principally by market prices rather than contractual interest rates and are addressed in note 9.6. FVOCRE assets are fixed rate and are allocated according to their contractual maturity or next call/reset date.

Notes to the Financial Statements

For the year ended 30 June 2026

9.2 Credit Risk

Credit risk is the risk that a counterparty will fail to discharge its obligation, resulting in a financial loss for PCU.

(a) Board Policy and Framework

The Board has endorsed a comprehensive risk-management strategy. For direct term investments, Board policy requires investments to be placed with registered banks with a minimum credit rating of BBB (Fitch or Standard & Poor's). For the managed-funds portfolio, the Board-approved investment mandate governs permitted asset classes, concentration limits and minimum credit quality. Corporate and local-authority bond holdings are investment grade and consistent with the Board's credit-risk appetite. The strategy also includes:

- 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, and groups considered at high risk of default
- Reassessing and review of the credit exposures on loans and facilities
- Establishment of appropriate provisions to recognise the impairments of loans
- Debt recovery procedures
- Review of compliance with the above policies

(b) Expected Credit Loss (ECL) – Managed Funds

PBE IPSAS 41 requires expected credit losses to be assessed for financial assets measured at amortised cost and FVOCRE. PCU performed a 12-month ECL assessment for the FVOCRE bonds and amortised-cost instruments within the managed-funds portfolio. All bond holdings were assessed as Stage 1, with no significant increase in credit risk since initial recognition. The aggregate calculated ECL was immaterial (less than \$1,000); accordingly, no loss allowance was recognised.

(c) Counterparty Concentration

The counterparty tables below show PCU's identifiable credit exposure by counterparty, combining direct exposures from cash and term deposits with underlying bond and cash exposures held through the managed-funds portfolio. Amounts are measured at 30 June 2026.

Direct exposure includes cash at bank and term deposits. Managed-fund exposure is attributed to the underlying issuers and cash counterparties rather than to the investment service provider. The Board monitors significant concentrations relative to PCU's equity under its liquidity and market risks policy.

FVTSD equity, property and PIE fund investments do not create traditional contractual credit exposure and are instead subject to market-price risk, disclosed in Section 9.6. The maximum credit exposure for other financial assets is generally their carrying amount. Refer also to Notes 3.3 and 4.2.

Other Credit Risks Comprise of the Following Items:

(i) Large Counterparties

PCU has exposure to counter-parties in excess of 10% of equity as follows:

	Number of counterparties 2026	Number of counterparties 2025
Over 100%	1	2
Between 80% and 100% of equity	-	1
Between 60% and 80% of equity	-	-
Between 40% and 60% of equity	2	-
Between 20% and 40% of equity	1	1
Between 10% and 20% of equity	-	-

Counterparty Exposure	2026 \$ 000	2025 \$ 000
ANZ	40,420	37,232
Heartland Bank	16,564	24,394
Kiwibank	130	8,494
Westpac	10,271	30,871
SBS Bank	12,964	-
BNZ	161	85

Managed-fund counterparty exposures are attributed to the underlying issuers, fund vehicles and cash counterparties rather than to the investment service provider. Matching exposures to ANZ, Westpac, Kiwibank and BNZ are aggregated with PCU's direct exposures in the table above. No other individual underlying managed-fund counterparty exceeded 10% of PCU's equity at 30 June 2026.

Notes to the Financial Statements

For the year ended 30 June 2026

(d) Loans to Members

Loans can only be made to Credit Union members. Loan and overdraft interest rates range from 4.44% to 17.55% p.a. (2025: 4.89% to 17.55%)

PCU has a lending policy that allows for various levels and types of security, and 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.

Credit Unions are required to lend within their rules and policies. The key elements of PCU's lending policy are as follows:

- Personal loans can be approved for a period up to 20 years with adequate security;
- Mortgages can be approved for a period up to 30 years;
- Arrears in loan payments of less than 90 days may be renegotiated in consultation with the borrower.

	2026	2025
Proportion of Loans with Repayments in Arrears in Excess of 90 Days:	0.04%	0.03%
Proportion of Loans owed in Aggregate by the Six Largest Debtors	10.49%	12.26%
Weighted Average Maturity of Loans (in Months) is:	218.0	153.1

(e) Other Credit Risk Assets

Other than loans, PCU had no financial assets in arrears. Loans are advanced for varying terms; standard personal-loan contracts include an on-demand clause, while mortgages are governed by their contractual repayment terms. The Credit Union also offers an overdraft facility, which is monitored daily and subject to the same recovery processes as loans where balances remain unpaid.

	2026	2025
	\$ 000	\$ 000
The amounts drawn down are as follows:	9	24

The above includes unarranged overdrafts of \$3,400 at 30 June 2026 (last year: \$10,341)

Daily reports monitor the overdrawn account balances to detect unarranged overdrafts. Withdrawals set up in the system to automatically dishonour if funds are not available. Any fees incurred by PCU as a result are passed through to the member. Any unarranged overdrafts not dishonoured are subject to the same recovery processes as PCUs loans.

9.3 Fair Value of Financial Assets and Liabilities

(a) Classification by Measurement Category

In accordance with PBE IPSAS 41 and PBE IPSAS 30, PCU classifies financial instruments as FVTSD, FVOCRE or amortised cost. The classification, measurement basis and carrying amounts of all instruments within the managed-funds portfolio are disclosed in Note 3.3. Directly held financial instruments are disclosed in the relevant notes: cash and cash equivalents in Note 3.1, term deposits in Note 3.2, loans to members in Note 4.1, trade and other payables in Note 5.4, and members' deposits in Note 5.6. These directly held instruments are measured at amortised cost.

(b) Fair Value Hierarchy – Managed Funds

Listed equity and property securities are Level 1 instruments because they are valued using unadjusted quoted prices in active markets. FVOCRE bonds and fixed-interest PIE fund units are Level 2 instruments because valuations use observable dealer quotations or fund unit prices derived from observable market data. PCU held no Level 3 managed-fund instruments, and there were no transfers between levels during the year. The carrying amounts of directly held cash, term deposits, loans to members, members' deposits and trade payables approximate fair value because they are on demand, short-to-medium term, priced at market-comparable rates or carried net of impairment allowances.

(c) Fair Value of Directly Held Instruments

The carrying amounts of directly held financial instruments (cash and cash equivalents, term deposits, loans to members, members' deposits, and trade payables) approximate their fair values because:

- Cash and call deposits are on call and at market rates.
- Term deposits are short-to-medium term (all mature within 36 months) and are contracted at rates comparable to current market rates for equivalent terms; carrying amount is considered a reasonable estimate of fair value (PBE IPSAS 30.35).
- Loans to members: carrying amount net of impairment provisions represents a reasonable estimate of net fair value, given loan interest rates (4.44% to 17.55%) are at market rates.
- Members' deposits: all call shares are at call; term shares repriced within 12-36 months at current market rates. Carrying amount is a reasonable estimate of fair value.

9.4 Capital Adequacy

PCU is regulated under the Friendly Societies and Credit Union Act 1982. There is a statutory requirement over the minimum capital requirements as prescribed by the Reserve Bank of New Zealand to maintain a minimum capital ratio of 8%. PCU Trust Deed requires a minimum capital ratio of 10%. PCU's Risk Weighted Capital Ratio as at 30 June 2026 is 17.68% (2025: 25.52%), as calculated under the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposure) Regulations 2017.

PCU has, throughout the year, complied with all regulatory requirements pursuant to the Reserve Bank of New Zealand's "Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposure) Regulations 2017".

To manage PCU's capital, which can be affected by excessive growth and by changes in total assets PCU reviews the capital adequacy ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the Board if the capital ratio falls below 12.5% and the Supervisor if the capital ratio falls below 10%. Further, an annual capital budget projection of the capital level is maintained to address how strategic decisions or trends may impact on the capital level.

Notes to the Financial Statements

For the year ended 30 June 2026

9.5 Liquidity Risk

Liquidity risk is the risk that PCU may encounter difficulties raising funds to meet commitments associated with financial instruments.

PCU's policy is to maintain at least 30% of total assets as liquid assets convertible to cash within 12 months, while the Trust Deed requires at least 10% of total assets to be convertible to cash within 183 days. PCU complied with both requirements throughout the year. With effect from the current year, the managed funds provide an additional source of liquidity. The FVTSD equity and PIE investments are listed on recognised exchanges or available for redemption within 2-5 business days, providing a liquid reserve that can be accessed if required. The FVOCRE bond portfolio is traded in the NZ fixed income market and can be liquidated within approximately 2-5 business days under normal market conditions. The cash holdings within the managed funds are held in ANZ call accounts and are available on demand.

	On Call	Within 6 Months \$ 000	6 Months to 1 Year \$ 000	1 to 5 Years \$ 000	Over 5 Years \$ 000	No Maturity \$ 000	Total \$ 000
Financial Assets							
Cash and Cash Equivalents	5,600	-	-	-	-	-	5,600
Term Deposits	-	43,503	25,184	5,721	-	-	74,408
FVOCRE Financial Assets	-	1,411	-	-	-	-	1,411
FVTSD Financial Assets	-	5,507	-	-	-	-	5,507
Loans to Members	-	1,344	1,914	13,919	28,779	795	46,750
Total Financial Assets 30 June 2026	5,600	51,764	27,098	19,640	28,779	795	133,676
Total Financial Assets 30 June 2025	6,020	38,116	38,369	35,198	16,008	644	134,355
Monetary Liabilities							
Members Call Accounts	64,492	-	-	-	-	-	64,492
Members Share Accounts	-	34,075	12,802	3,738	-	-	50,615
Trade and Other Payables	-	436	-	-	-	-	436
Total Financial Liabilities 30 June 2026	64,492	34,511	12,802	3,738	-	-	115,543
Total Financial Liabilities 30 June 2025	64,166	34,414	14,852	2,378	-	-	115,810
Liquidity (Shortfall)/Surplus 30 June 2026	(58,891)	17,253	14,296	15,902	28,779	795	18,133
Liquidity (Shortfall)/Surplus 30 June 2025	(58,146)	3,702	23,517	32,820	16,008	644	18,545

Recognition and Measurement

The preceding table presents PCU's maturity profile of financial assets and liabilities at 30 June 2026, including managed funds. Financial assets are presented according to expected realisation or contractual maturity. Financial liabilities are presented using contractual undiscounted cash flows; call shares are shown on demand, and trade and other payables are shown in the earliest period in which payment can be required. For short-duration liabilities, contractual undiscounted amounts approximate carrying values.

PCU manages liquidity risk by monitoring actual and forecast cash flows and member withdrawals, reviewing contractual maturity profiles, maintaining cash and term deposits, and holding diversified investments capable of realisation within the investment mandate.

For loans to members, the table shows the period over which principal is contractually expected to be repaid, assuming scheduled repayments are maintained. Future interest receivable and payable is considered in PCU's broader liquidity monitoring.

9.6 Market Risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market prices. PCU is exposed to the following market risks through its Managed Funds

(a) Price Risk - Equity and Property Securities

PCU is exposed to equity price risk through its FVTSD equity and property security holdings within the Managed Funds. These instruments are measured at fair value with changes recognised in surplus or deficit. As at 30 June 2026, FVTSD equity and property investments total approximately \$4,033,000. A hypothetical 10% decrease in equity and property market values would reduce PCU's surplus for the year by approximately \$403,000 (2025: nil). An equivalent increase would have the opposite effect.

PCU mitigates equity price risk through diversification across multiple sectors, geographies, and asset classes as prescribed in the Craigs Investment Partners investment mandate. The Managed Funds hold investments across New Zealand, Australian, and international listed equities, as well as NZ and Australian listed property securities, thereby reducing concentration to any single market.

(b) Interest Rate Risk - Fair Value of FVOCRE Bonds

The FVOCRE bond portfolio is exposed to interest rate risk as rising market interest rates reduce bond fair values. Fair value changes are recognised in other comprehensive revenue and expense (the fair value reserve) and reclassified to surplus or deficit on derecognition. A 1% increase in NZD interest rates would decrease the fair value of the FVOCRE bond portfolio by approximately \$61,000, recognised in other comprehensive revenue and expense. This would not affect reported surplus directly.

(c) Currency Risk

PCU holds foreign currency-denominated assets within the Managed Funds, comprising Australian dollar (AUD) and US dollar (USD) call account balances, and certain international equity securities denominated in AUD, USD, and EUR. As at 30 June 2026, the NZD equivalent of foreign currency exposures within the Managed Funds are:

- AUD-denominated cash: approximately \$3,000 (immaterial).
- USD-denominated cash: approximately \$2,000 (immaterial).
- AUD-denominated equities (ASX listed): approximately \$346,000 - translated at the AUD/NZD closing rate.
- USD/EUR-denominated international equities and ETFs: approximately \$1,649,000 - the two NZD-hedged PIE funds (Kernel and Schroder) eliminate currency risk on approximately \$1,209,000 of international equity exposure.

A 10% weakening of NZD against AUD would increase the carrying value of AUD-denominated equities by approximately \$35,000. A 10% weakening of NZD against USD/EUR on the unhedged direct international equity holdings would increase carrying value by approximately \$165,000. These movements would be recognised in surplus or deficit as part of the FVTSD fair value movement. The NZD-hedged PIE fund units eliminate the currency exposure on the related underlying investments.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF POLICE AND FAMILIES CREDIT UNION**

Opinion

We have audited the general purpose financial report of Police and Families Credit Union ("the Credit Union"), which comprise the financial statements on pages 4 to 25, and the statement of service performance on page 3. The complete set of financial statements comprise the statement of financial position as at 30 June 2026, the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies

In our opinion, the accompanying general purpose financial statements presents fairly, in all material respects:

- the financial position of the Credit Union as at 30 June 2026, and of its financial performance, and its cash flows for the year then ended; and
- the statement of service performance for the year ended 30 June 2026, in that the service performance information is appropriate and meaningful and prepared in accordance with the Credit Union's measurement bases or evaluation methods,

in accordance with Public Benefit Entity Standards ("PBE Standards") issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit of the financial statements in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and the audit of the statement of service performance in accordance with the ISAs (NZ) and New Zealand Auditing Standard 1 (NZ AS 1) (Revised) *The Audit of Service Performance Information (NZ)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the General Purpose Financial Report section of our report. We are independent of the Credit Union in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Subject to certain restrictions, partners and employees of our firm may also deal with the Credit Union on normal terms within the ordinary course of trading activities of the business of the Credit Union. These matters have not impaired our independence as auditor of the Credit Union. The firm has no other relationship with, or interest in, the Credit Union.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the general purpose financial report of the current period. These matters were addressed in the context of our audit of the statement of service performance and financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected Credit Loss Provision - Loans	How The Matter Was Addressed in Our Audit
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The Credit Union's gross loans to members balance was \$46,848,000 and expected credit loss provision of \$98,000 as at 30 June 2026. These balances are further discussed in Notes 4 and 9 to the financial statements.

The Credit Union applies PBE IPSAS 41 - *Financial Instruments* to calculate their expected credit loss provision. This requires the Credit Union to:

- identify relevant circumstances to the Credit Union that could indicate when there is a significant deterioration in credit quality;
- incorporate identified circumstances and forward-looking macroeconomic information to reflect current or external factors into the credit loss provision.

Note 4.2c of the financial statements describes the key assumptions in determining the credit loss provision. These disclosures include key judgements and assumptions in relation to the expected credit loss provision and highlights the estimation uncertainty around the provision as at 30 June 2026.

As described in note 4.2c, the underlying forecasts and assumptions are subject to uncertainties which are often outside the control of the Credit Union. Actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected.

We considered this to be a key audit matter based on the material size of the loans to members balance and the estimation required to calculate the expected credit loss provision.

We performed the following procedures on the expected credit loss provision:

- We gained an understanding of the design and implementation of the control environment in regard to loans to members and the assessment of the expected credit loss provision;
- We tested a sample of newly approved loans from the loan portfolio listing and verified the loan details against source documentation for the financial year. This included checking the collateral held and the original loan balance, as loan applications must be reviewed (including assessment of security adequacy) and approved by the delegated authority. We also assessed whether the loans were approved in accordance with the credit control policy, to confirm that key loan data inputs were accurately entered into the loan system;
- We tested a sample of delinquent loans, loan write-offs, and the controls in place over loan collections;
- We performed testing on member loan repayments to determine whether repayment terms were being adhered to;
- We assessed the value of loan securities held to evaluate their adequacy against the corresponding member loan balances;
- We performed an assessment over mortgage loans to consider the recoverability of mortgage loans based on market factors, considering impact and potential exposure should the market value drop;
- We reviewed the Credit Union's accounting policies and expected credit loss model methodology against the requirements of PBE IPSAS 41;
- We reviewed the Credit Union's approach to incorporating forward looking macroeconomic factors into the credit loss provision;
- We examined and analysed the loans in arrears report at balance date to determine whether they were being appropriately reflected in the provision for expected credit loss;
- We developed expectations based on historical data and trends to assess the completeness of the provision;
- We assessed the security of the loans and considered how external economic factors may have affected the security;
- We evaluated the extent and appropriateness of disclosures in note 4.2 in relation to the specific assumptions, sensitivities and uncertainties on this year's expected credit loss provision.

Directors' Responsibilities for the General Purpose Financial Report

The Directors are responsible on behalf of the Credit Union for:

- a) the preparation and fair presentation of the financial statements and statement of service performance in accordance with PBE Standards;
- b) the selection of elements/aspects of service performance, performance measures and/or descriptions and measurement bases or evaluation methods that present a statement of service performance that is appropriate and meaningful in accordance with PBE Standards;
- c) the preparation and fair presentation of the statement of service performance in accordance with the Credit Union's measurement bases or evaluation methods, in accordance with PBE Standards;
- d) the overall presentation, structure and content of the statement of service performance in accordance with PBE Standards; and
- e) such internal control as the Directors determine is necessary to enable the preparation of the financial statements and statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the general purpose financial report the Directors are responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Credit Union or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the General Purpose Financial Report

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole, and the statement of service performance are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and NZ AS 1 (Revised) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate or collectively, they could reasonably be expected to influence the decisions of users taken on the basis of this general purpose financial report.

A further description of the auditor's responsibilities for the audit of the general purpose financial report is located at the XRB's website at

<https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-10-1/>

This description forms part of our auditor's report.

Who we Report to

This report is made solely to the Credit Union's members, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bewley.



BDO WELLINGTON AUDIT LIMITED

Wellington

New Zealand

30 September 2026