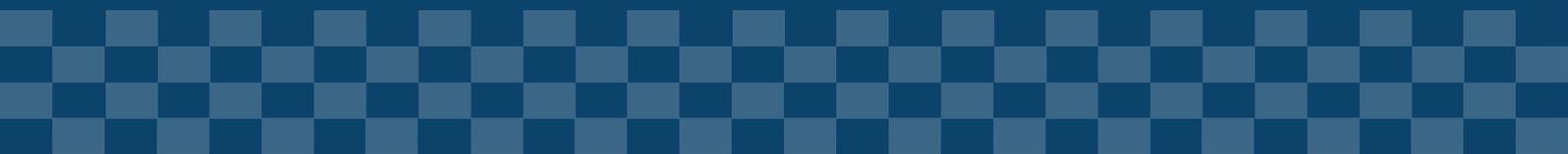


Annual Review

2018



Te Uniana Whakanama Pirihimana



To make a real difference to the financial wellbeing of our Police family

What our Members Say

"I've been a member of the Police Credit Union since I joined the Police and have continually been impressed by the outstanding customer service that I've received over the years. At all times, staff have given sound options and knowledgeable recommendations to assist with my financial matters.

In 2016 I embarked on the first Police Moneywise Course which was hugely beneficial. I wasn't particularly savvy in this space, however, after completing the course not only was I more informed and able to make better budgeting decisions but I also had achieved tangible results to show for it such as purchasing property and being in a much better financial position.

I couldn't recommend the Police Credit Union more highly for friendly service by people you can trust to have your best interests at heart."

Sergeant Erina Mako

Police Credit Union

PO Box 12344, Wellington 6144

info@policecu.org.nz

0800 429 000

www.policecu.org.nz

2017-2018 Year in Review

\$128m

Total Credit Union Assets

\$24.7m

Total Equity

\$1.59m

Strong Net Profit

18,744

Strong Membership Base

92%

of members rated the Credit Union's service as excellent or very good

BBB

Equifax Australasia Credit Ratings affirmed the Credit Union's Credit Rating of BBB (with a stable outlook)

INVESTED
\$141.5k

in Police Moneywise and Financing your First Home Courses

523

Members attended Police Moneywise and Financing your First Home Courses

60

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

Chairman's Report 2018



Since 2010 I have reported that governance of your Credit Union has become more and more complex. The passing of the Friendly Societies and Credit Unions (Regulatory Improvements) Amendment Act 2018 means we will have to operate in a far more complex legislative environment.

The Police Credit Union opposed this legislative change. However we weren't able to prevent it from being enacted and as a result, we will be forced to convert our ownership structure if we are to survive. The Credit Union will now have to own itself rather than trustees owning it on behalf of members. In order to comply with the Act, in the next financial year we will hold a special general meeting to change our rules, and we will have to change the make-up of the board.

Regulatory change has also affected the governance environment. It requires us to select directors who must pass a 'fit and proper person' test as deemed by the Reserve Bank. Accordingly we have

now formed a nominations committee to guide director selection against agreed parameters. From now on we will also assess the skills of future candidates to ensure they enhance the make-up of the board. Although ultimately, it is still for you the members to vote at each election for the candidate you want.

This year we had eight nominations for three director positions. It was the first time in our history that we had such a large number putting their names forward. I believe this level of interest reflects our efforts to lift our profile, our financial capability training, scholarships, and our introduction of a shadow board which allowed six members from around the country to undertake some governance training and participate in two board meetings. I was encouraged to see such interest in the future governance of your Credit Union.

During the past year the board voted to rebrand our Credit Union by changing our trading name from

“This year we had eight nominations for three director positions. It was the first time in our history that we had such a large number putting their names forward.

Police and Families Credit Union, to simply the Police Credit Union and incorporating the Te Reo Māori translation, Te Uniana Whakanama Pirihiimana. Our registered name remains unchanged. This is the first rebranding in more than 20 years and aims to ensure that our brand is relevant today and beyond.

Two very long-standing board members, Steve Hinds and Steve Vaughan retired their positions this year. Each has given 20+ years service to the board, and their business acumen will be missed. Both Steves started out as trustees and more recently became directors. Throughout their respective tenures they have always made decisions based on the principle of “what is in the best interests of our members”. I pay tribute to both Steves for their dedication to serving the Police Credit Union.

My final thanks go to our Chief Executive Helen Hatchard, and her team. Without their dedicated efforts to support you, our members, we would not be able to operate as efficiently as we do.

In particular I mention Giorgio Canderle who is retiring at the end of the year and thank him for his 18 years’ service as our Chief Financial Officer. His institutional knowledge will be sorely missed by both management and the board.



Richard Middleton
Chairman



Scholarships

Our scholarship programme supports various opportunities for individual members who want to improve their financial well-being through training, education courses or self-development activities.

Each year applications open in December and successful applicants are advised in January.

This is the fourth year your Credit Union has offered the opportunity to members to apply for a scholarship payment of up to \$1,000 to assist with increasing their financial well-being. We have provided scholarships for everything from

beekeeping, completing a PhD and obtaining a skipper’s restricted licence, through to speech language therapy, supporting sporting goals and just about everything in between.

We are delighted to hear from our successful recipients on how they are progressing and the successes they have had. This year we awarded Stefan Harris \$1,000 to assist him to create a film for the New Zealand International Film Festival. Stef wrote, produced and directed the feature length drama – *Blue Moon*. Here is Stef’s story:

‘The story for *Blue Moon* was inspired when I gassed up my patrol car at 4.20am. I looked back at the petrol station lit up like a spaceship in the inky black night and I knew it was a perfect location to set a drama.

To create a feature film of such a limited budget I had to be very creative, using a single location and a concertina time frame to contain the action. So this film occurs at 4.20 am in a 24 hour gas station and plays out in real time over 90 minutes.

The two main characters, mild mannered businessman Horace (Mark Hadlow) and drug addled villain Darren Cates (Jed Brophy) are in a tense contained conflict throughout the present day film noir thriller. Trapped at the scene of the crime Horace and Darren are two men who couldn't be any more different.

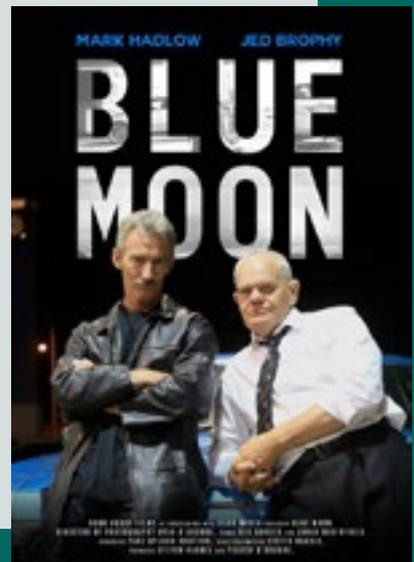
By shooting long takes, sometimes rolling the camera as long as ten minutes the actors were empowered to run the scenes unencumbered by the usual stop start nature of filmmaking.

In addition to the main players I populated the world with Horace’s family members. I made good use of my colleagues including nine police members assisting in production and acting roles alongside film makers who were professionals, even one Oscar winner, and aspiring amateurs. Together we made a fabulous team and created something that has thrilled and surprised all of us.

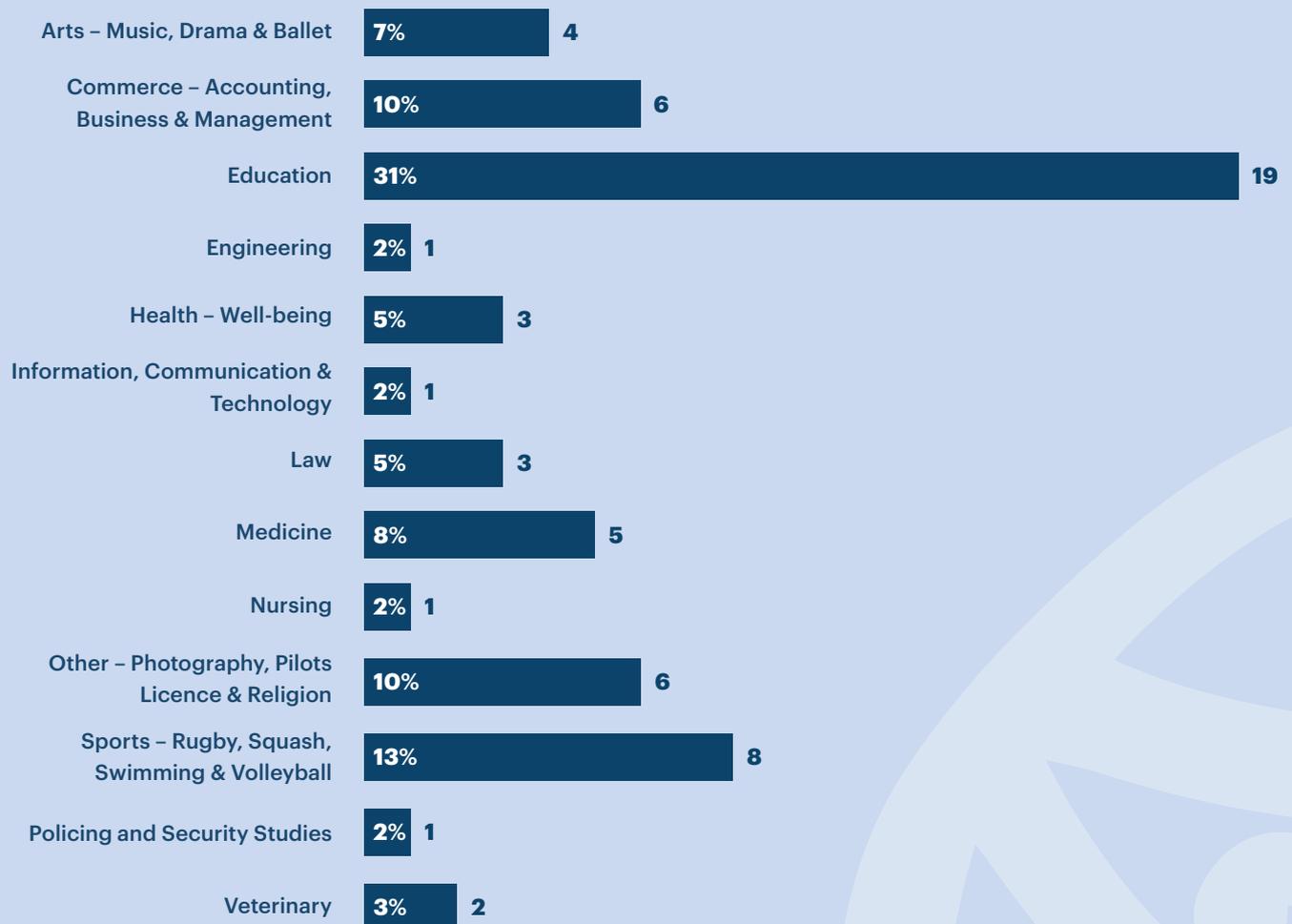
Blue Moon being selected for the New Zealand International Film festival is a great start to our worldwide film festival campaign.

Blue Moon will now go on screening in cinemas throughout New Zealand and Film festivals in Australia, Europe and the United States.

The Police Credit Union scholarship came at just the right time to help me complete the project and realise my dream.’



This graph shows the diversity amongst our successful scholarship requests



60

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

Blue Trust

Police Moneywise and Financing your First Home

What is the Police Moneywise course?

The course is for everyday people wanting to take control of their finances. It provides participants with impartial and relevant information. The course doesn't provide personal financial advice, sell or market any financial services, products or organisations.

Over the period 1 July 2017 – 30 June 2018, 375 people participated in 25 courses right across the country from Auckland to Queenstown.

Participants shared how they felt about their financial situation pre and post the course, with many seeing a large improvement after attending Police Moneywise.



“Fantastic programme, wish I did it 30 years ago.”

“What I’ve done differently is discuss money with my partner, set a savings goal, lessen unnecessary spending and put a plan in place.”

“I learned more in those sessions than I have learned in my whole life about saving, budgeting, investing and planning for the future.”

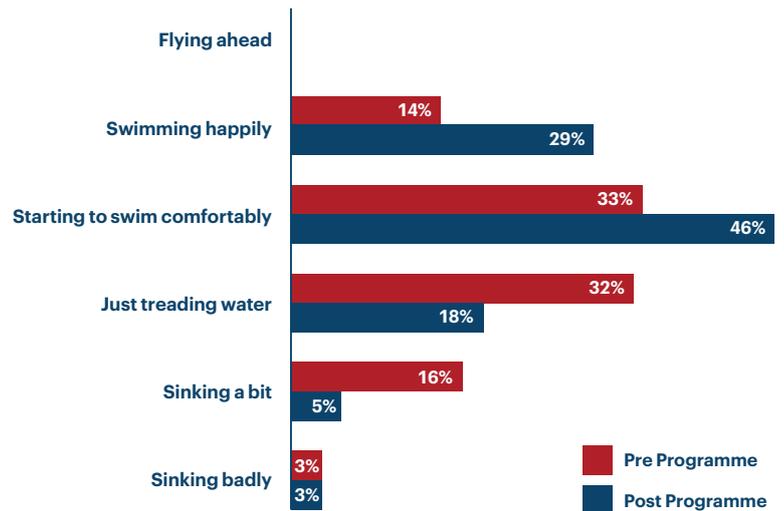
Financing your First Home

This seminar was introduced in 2018 for those considering buying a home, whether purchasing an existing home or building a new house. The course aims to provide participants with ways to better understand and negotiate a mortgage that best suits their circumstances.

Over the period 1 July 2017 – 30 June 2018, 148 people participated in 10 courses across New Zealand.

“The seminar has given me a more in depth look at mortgage options. I have more confidence in the process of financing my first home.”

How would you describe your financial situation?



“I will be more aware of the hidden corners and costs of buying a home as well as the prerequisite documents required for banks.”



Moneywise Participants

Chief Executive's Report 2018



The 2017/18 financial year has been another successful year for your Credit Union with 897 brand new members joining us.

We continue first and foremost to focus on you our members, ensuring we are offering the best possible service at the best possible cost along with our strategic initiatives of Blue Trust, the Scholarship programme and our diversity of thought initiative – the shadow board.

We have also focussed on ensuring that we keep your information safe. We have engaged with professionals to test our systems to ensure that they are fit for purpose around cyber security and the results have been pleasing.

Blue Trust

I am delighted that we have again this year assisted a further 375 Police employees take control of their money through our Police Moneywise courses.

In addition, this year we also held 'financing your first home' seminars across the country, which were open to Police employees and their families.

We have also partnered with NZ Housing Foundation to run a pilot in Counties Manukau District.

This partnership is in the process of building homes off Barrowcliffe Place which are due for completion by July 2019. We have developed some home ownership methods that are outside the 'norm' to assist our South Auckland Police and Police employees into these first homes in an affordable way.

This three-way partnership with your Credit Union, the Commission for Financial Capability and the NZ Police is helping the Credit Union achieve some of our strategic goals, which include supporting the financial wellbeing of you, our members, by showing ways to create wealth, provide financial security, safety and resilience, and by supporting families and providing financial education.

As a member-owned organisation, we are excited to be able to assist at every opportunity to remove the shackles of financial stress from our members and open up possibilities for them.

While we work hard to promote your Credit Union, you are our best advocates for encouraging your colleagues and families to find out more about us.

Growth

We have seen growth in all parts of our business over the last 12 months with the exception of our loan portfolio. However we are very pleased with the growth of our Vehicle Secured Loans. This loan product has been specifically designed for Police employees and our family members. The following graph shows:

- Reserves (equity) – now sits at \$24.4m, up from \$20.8m last year
- Loans – 2,548 members currently have loans with a total of \$53.7m
- Shares (on call accounts and term deposits) – this has increased to \$103.2m, up from \$99.6m last year
- Total Assets – a strong \$128m, an increase of over \$5.3m



Advocacy

Thank you to all members who completed our survey in April. This year we not only sent the survey out via Bluenotes but we emailed it as well. This resulted in over 2,500 responses – a fantastic response rate.

These are strong results which build on the very good results of our first member satisfaction survey in 2014. We will continue to measure our performance through annual member surveys, although I encourage you to contact us directly should you have any ideas for improvement.

We must ensure that we continue to grow. While we work hard to promote your Credit Union, you are our best advocates for encouraging your colleagues and families to find out more about us. Then, we can directly assist them too.

Service and satisfaction

92%

Rated overall service as **excellent** or **very good**

96%

Were **very satisfied** or **satisfied** with their **lending experience**

93%

Were **very satisfied** or **satisfied** with their **joining experience**

Why you're a member

OUR SERVICE

Our people are **professional, helpful and knowledgeable**

YOU OWN US

As a member you are also an owner

MAKING A DIFFERENCE

Through our Scholarship Programme for Police and their family members

We help you reach your financial goals

OUR CHRISTMAS CLUB

We make it easy to save for Christmas and reward you when you do

OUR PERSONAL LOANS

Getting a personal loan is easy and efficient with a lightning fast approval

FINANCIAL CAPABILITY

We offer Financial Capability and Financing your First Home programmes

Our Focus for 2018 and Beyond

Delivering the right financial products and assistance at the right time and in a personalised way is at the core of what we do. We are always looking for different ways to meet your needs whether it be person to person or electronically – or of course, a combination of both. We are passionate about ensuring we remain relevant for our members and for our future members too.

Our Blue Trust Programmes are expanding with the addition of a seminar on how to afford to retire, and we are exploring new opportunities for how to help Police employees into their own homes, no matter where in the country that may be.

The underlying principle of your Credit Union is one of co-operation. In everything we do, we will always have our members' best interests at heart.

In Conclusion

Thank you to all our members for your continued support of your Credit Union.

To our chairman, directors and trustees, thank you for the support and expertise you provide to the Credit Union and for the strong level of governance you offer. I'd like to pass on my sincere thanks to our

retiring directors Steve Hinds and Stephen Vaughan. Both have offered me their constant support and guidance over the past five years. I have always welcomed their strong institutional knowledge, continual focus on our members and the thoughtful and considered contribution they have made around the board table.

And at the end of this year we say farewell to our Chief Financial Officer Giorgio Canderle. Giorgio, who has decided he'd like to try out retirement, has been instrumental over his many years in building your Credit Union to what it is today. The Credit Union will always remain indebted to Giorgio's strong fiscal management and his passion for our members, their personal and financial well-being, and the success of the Credit Union.

Also, a very big thank you to my team. They are the face of your Credit Union. I am privileged to lead a team of enthusiastic and committed individuals who, together, are always working for you – our members.



Helen Hatchard
Chief Executive

 **We are excited to be able to assist at every opportunity to remove the shackles of financial stress from our members and open up possibilities to them.**

Trustees' Report 2018



It is with great pleasure that I present the 2018 Police Credit Union Trustee report on behalf of my fellow trustees Ian Harris and Amelia Steel.

The trustees have the responsibility to hold "in trust" all the assets of the Credit Union for the use and benefit of all members. The trustees meet monthly to ensure the lending operations at the Credit Union are conducted within established policies and procedures. The personal loan and mortgage portfolios are evaluated and any loan defaulters are examined.

Additionally, the trustees along with the rest of the board and management have responsibilities to ensure your Credit Union operates its business within a clearly defined risk appetite which needs to balance our financial objectives and the long term security of members' funds. I can confirm that in the 2017/18 financial year your Credit Union operated comfortably within the regulatory and prudential requirements while at the same time achieving good financial results which allowed us to continue with our strategic initiatives such as the Financial Capability Programme, Scholarships and governance development for the future through our shadow board.

I highlight some statistics from the 2017-2018 financial year to demonstrate this:

- An additional 630 members took out new loans totalling \$8.1m
- Bad debts written off were only \$3,543
- Total assets increased from \$122.7 million to \$128 million
- Total reserves increased from \$24.4 million to \$22.7 million
- Net surplus of \$1.59 million

It is the view of the trustees that the success of 2018 is characterised by your active membership, a committed and dedicated Credit Union team and an effective governance structure.

The trustees thank you, the members, for your continued support and confirm we are well placed to continue to develop and grow in 2018 and beyond.

Lane Todd
Trustee



It is the view of the trustees that the success of 2018 is characterised by your active membership, a committed and dedicated Credit Union team and an effective governance structure.

Police and Families Credit Union

Summary Financial Statements

	2018 \$	2017 \$
Summary Statement of Comprehensive Income		
<i>For the year ended 30 June 2018</i>		
Income		
Interest Revenue	7,477,847	7,400,515
Other Income	223,274	207,966
Total Income	7,701,121	7,608,481
Expenses		
Interest Expense	2,225,943	2,282,230
Operating Expenses	3,678,634	3,422,060
Strategic Objective Expenses	201,823	256,835
Total Expenses	6,106,400	5,961,125
Total Comprehensive Income	1,594,721	1,647,356
Summary Statement of Changes in Equity		
<i>For the year ended 30 June 2018</i>		
Equity at Beginning of Period	22,779,183	21,131,827
Total Comprehensive Income	1,594,721	1,647,356
Equity at End of Period	24,373,904	22,779,183
Summary Statement of Cashflows		
<i>For the year ended 30 June 2018</i>		
Net Cashflows from Operating Activities	9,108,788	7,098,275
Net Cashflows from Investing Activities	(6,237,331)	(9,926,583)
Net Increase/(Decrease) in Cash Held	2,871,457	(2,828,308)
Add Opening Cash and Cash Equivalents	3,667,515	6,495,823
Ending Cash and Cash Equivalents	6,538,972	3,667,515
Summary Balance Sheet		
<i>As at 30 June 2018</i>		
Assets		
Cash, Bank and Short Term Balances	73,536,891	64,822,355
Prepayments	53,845	71,953
Loans To Members	53,706,230	57,516,849
Property, Plant & Equipment	141,162	170,178
Intangible Assets	576,691	119,570
Total Assets	128,014,819	122,700,905
Liabilities		
Accounts Payable	329,132	254,023
Member Share Accounts	103,235,400	99,588,609
Holiday & Leave Provisions	76,383	79,090
Total Liabilities	103,640,915	99,921,722
Equity		
Retained Earnings	24,373,904	22,779,183
Total Equity	24,373,904	22,779,183
	128,014,819	122,700,905

Notes to the Summary Financial Statements for the year ended 30 June 2018

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1. Policies

These summary financial statements are those of the reporting entity the Police and Families Credit Union (Credit Union) for the year ended 30 June 2018. The Credit Union has no subsidiaries or associate entities.

The summary financial statements were extracted from the full financial statements authorised for issue by the directors on 22 August 2018. The presentation currency is New Zealand Dollars rounded to the nearest dollar.

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 Standards ("PBE Standards") as appropriate for Tier 1 not for profit public benefit entities.

The full financial statements received an unqualified audit opinion.

2. Credit Risk

As part of its management of Credit Risk, the Credit Union recognises collateral security risk. This is the risk to a lending portfolio whereby the value of the security held for its loans may depreciate. The Credit Union recognises this risk by regularly reviewing its lending policy.

	30 June 2018 \$	30 June 2017 \$
Loan Security Analysis		
Loans secured by First Mortgage	4,840,104	5,253,378
Loans secured by a registered charge over PSS and/or GSF	46,256,374	49,911,538
Loans partially secured by a registered charge over PSS and/or GSF	1,405,483	1,407,202
Loans secured by Motor vehicle	494,690	106,465
Unsecured Loans	820,310	948,997
	53,816,961	57,627,580
Less Loan Impairment Allowance	(110,731)	(110,731)
Total Loans to Members	53,706,230	57,516,849

3. Solvency and Liquidity Risk

This is the risk of the Credit Union not having sufficient cash to meet share repayment (withdrawal) obligations to members. This risk requires the Credit Union to manage the maturity of loans and balance this with the anticipated need to repay members' shares. To remain solvent the Credit Unions' assets must exceed its liabilities and it must be able to meet its debts as they fall due. Financial assets and liabilities have differing maturity profiles depending on the contractual term, and in the case of loans the repayment amount and frequency. On-Call Shares and Fixed Term Shares (Call and Term Deposits) are presented below on a contractual basis, however as part of our normal banking operations the Credit Union expects that a large proportion of these balances are retained.

Maturity Profile	Within 6 months \$	6 months– 12 months \$	12 months– 24 months \$	24 months– 60 months \$	Over 60 months \$	Total \$	Total Carrying Amount \$
30 June 2018							
Financial Assets	40,203,822	39,498,037	17,545,955	26,436,877	26,737,472	150,422,163	127,243,121
Financial Liabilities	86,078,218	12,387,069	5,925,762	-	-	104,391,049	103,519,865
30 June 2017							
Financial Assets	37,907,794	38,985,050	14,053,992	28,239,325	30,298,674	149,484,835	122,339,204
Financial Liabilities	82,208,236	14,529,943	3,852,097	-	-	100,590,276	99,803,132

4. Credit Rating

The Credit Union has obtained a BBB/Stable credit rating from Equifax.

The report can be found on the Credit Union's website www.policecu.org.nz under Investor Information.

The full financial statements for the year ended 30 June 2018 are available at www.policecu.org.nz or by request.



You have reached the end of the Police Credit Union Annual Review 2018.
Please flip over to read the New Zealand Police Association Annual Review 2018. →