

DIRECTORS' REPORT

Your Directors submit the Financial Accounts of the Credit Union for the financial year ended 30 June, 2010.

DIRECTORS' DISCLOSURES

The names of Directors in office at the date of this report, or who held office during the course of the financial year, are:

Kenneth Edward Moroney	(Chairman)
Anthony Raymond Lauer	(Deputy Chairman)
Paul Thomas Biscoe	
Raff Del Vecchio	
Geoffrey Richard Green	
Graham James Loughlin	
Lloyd William Taylor	
David Charles Walton	

MEETINGS ATTENDED

	Board		Audit Committee		Other Committees	
	Meetings Attended	Eligible to Attend	Meetings Attended	Eligible to Attend	Meetings Attended	Eligible to Attend
Moroney	11	12	-	-	3	3
Lauer	11	12	-	-	14	15
Biscoe	12	12	4	4	12	12
Del Vecchio	12	12	4	4	7	7
Green	12	12	4	4	4	4
Loughlin	12	12	4	4	7	7
Taylor	11	12	-	-	17	18
Walton	12	12	4	4	4	4

DIRECTORS' BENEFITS

No Director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by the Credit Union, controlled entity, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than that disclosed in note 31 of the financial report.

INDEMNIFICATION AND INSURANCE

During the year, a premium was paid in respect of a contract insuring Directors and Officers of the Credit Union against any costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as an Officer of the Credit Union. The Officers of the Credit Union covered by the insurance contract include the Directors, Executive Officers, Secretary and Employees. In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the Credit Union.

SHARE OPTIONS

The Credit Union has not issued any options over shares. All shares issued by the Credit Union are withdrawable shares.

PRINCIPAL ACTIVITIES

The principal activities of the Credit Union during the year were providing retail financial services to Members in the form of taking deposits and giving financial accommodation. There were no significant changes in the principal activities during the year.

OPERATING RESULTS The Credit Union's profit after providing for income tax and Minority Equity Interest amounted to \$10,715,296. The previous year's comparable result was \$6,309,275. This being an increase in profit for the year of \$4,406,021. The primary contributing factor was the upward movement in the Fair Value of Interest Rate Swaps for the year of \$1,324,354 which was written back as profit. The Credit Union only uses the Swaps to hedge a position and all Swaps are held to maturity. Assets increased during the year by \$81.8M from \$964.8M to \$1,046.6M. The years growth had no impact on the capital adequacy ratio which increased from 18.13% to 19.45%. At 19.45% the capital adequacy ratio remains well above the statutory minimum of 8%.

These results were achieved in an environment where global financial markets continued to be under stress. During the same period intense competition continued. The results reflect the continuing support of the Membership for the products and services offered by the Credit Union and the ongoing attention given by both the Board and Management to Member service, relevant products and the control of costs. It is envisaged that the results for the year ending 30 June 2011 will be similar to those achieved in 2010.

DIVIDENDS

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for by the Directors of the Credit Union.

REVIEW OF OPERATIONS

The results of the Credit Union's operations from its activities of providing financial services to Members did not change significantly from those of the previous year.

During the year a number of significant events took place:

- **Recognition of staff.** Each year a number of staff are recognised as "Star Achievers" for going beyond what is considered normal levels of service to Members (and in support of other staff in their duties). "Star Achievers" are determined through a peer nomination system whereby staff are encouraged to put forward a colleague who met the required criteria. A management panel then considers all nominations. This year we are proud that the following staff were awarded the Star Achievers for 2010:

Venita Alexander - Newcastle Branch;
Eva Csanalosi - Assistance Centre;
Liz Dowd - Marketing;
George Duffield - PCU Direct; and
Kylie Harris - Transaction Services.

- **Reserve Bank Re-Purchase Facility.** PCU's risk management has been strengthened with the implementation of a re-purchase facility with the Reserve Bank. As a result of this program, the Credit Union's liquidity has been further diversified providing greater access to funds and a higher level of security overall for the organisation. This initiative allows PCU to borrow money under contractual arrangements from the Reserve Bank for a fixed period. This new development highlights the diversity of funding that is now available and places the organisation in a position of strength in times of market volatility.

- **Continued association with Police Legacy.** The Credit Union during the year continued to be recognised by Legacy as a "Level 1 Supporter". There are only two Level 1 Supporters, the other being the Police Association of New South Wales. Police Credit Union is extremely proud to be associated with such a worthwhile organisation.

- **New Customs Credit Union Branches.** As part of the launch of Customs Credit Union (CCU) from the recent merger of HMC Credit Union, two new CCU branches were opened during the year at Custom's House Headquarters in both Mascot and Canberra. These modern facilities provide our current and future Custom's Members with a more convenient banking service and is part of our strategy to expand our product offerings into this new market.

- **Additional Products:**

Visa Chip Cards: PCU improved its Visa Card security during the year with the launch of new microchip technology. Chip cards offer a more secure way to process card transactions as each transaction is unique and generates a different identification. This process makes counterfeit activity more difficult, reducing the risk of processing a lost or stolen card transaction. Chip cards also protect against skimming.

Website Improvements: An upgrade occurred during the year of both the Police and Customs Credit Union websites. Members are now able to experience improved online navigation as well as easier search functions through quicklinks and drop-down menus making the websites overall more user friendly.

Electronic Statements: We were pleased to be able to offer Members the opportunity to receive their monthly statements electronically rather than via mail. This option allows Members to obtain their statements in an easier, faster and simpler manner as well as contributing positively towards the environment. The statements are housed within a secure site which is protected by a range of measures from firewalls to data encryption.

- **Events:**

Annual Police Games: PCU was once again a proud sponsor of the NSW Police Games. Held annually in March, the Games stage around 30 sports with the theme of encouraging integrity, fair play, team work and co-operation. The Games are a wonderful opportunity for PCU to support many of our Members and promote our services.

Family Fun Days: This year two days were held at Luna Park. The event is designed to provide an opportunity to show appreciation to Members for their support of PCU. In all over 600 Members took the opportunity to enjoy a family oriented day at an iconic venue.

Annual Charity Golf Day: PCU held its Annual Charity Golf Day on 3 May 2010 at Bexley Golf Course. The event was very successful with all money raised from the day being donated to the Police Trauma Support Group.

- **Continuous Operational Improvement.** Management has maintained its focus on continuous internal improvements through re-engineering of underlying processes aimed at improving Member service and internal productivity. The desired outcomes are to grow whilst limiting the need for additional capital, keeping cost increases to a minimum and to meet price competition without significantly impacting upon profitability.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of the affairs of the Credit Union during the year.

EVENTS OCCURRING AFTER BALANCE DATE

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, or state of affairs of the Credit Union in subsequent financial years, except for:

- **Price Competition.** Police Credit Union provides an excellent level of service, which allows it to compete on more than price alone. However, the Board and Management are mindful that competition cannot be ignored and that price is certainly a factor in Members' consideration of their ongoing relationship with the Credit Union. However, being a mutual organisation and not having to provide dividends for shareholders does allow room to pass on pricing reflective in the marketplace.

LIKELY DEVELOPMENTS AND RESULTS

The likely developments in the operations of the Credit Union and the expected results of those operations in the financial year subsequent to the year ended 30 June 2010 are as follows:

- The Board of Directors anticipate that the profit will be in the vicinity of 0.8% - 0.95% return on average assets.
- Planned capital expenditure on infrastructure amounts to \$1.2M for the year ending 30 June 2011. This covers general equipment and core banking upgrades.

No other matter, circumstances or likely development in the operations has arisen since the end of the financial year that has significantly affected or may significantly affect:

- (i) The operations of the Credit Union;
- (ii) The results of those operations; or
- (iii) The state of affairs of the Credit Union.

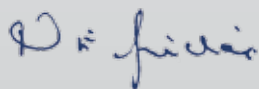
In the financial years subsequent to this financial year.

The Auditors have provided the Declaration of Independence to the Board as prescribed by the *Corporations Act 2001* as set out on this page.

DECLARATION OF INDEPENDENCE BY NEVILLE SINCLAIR TO THE DIRECTORS OF THE POLICE DEPARTMENT EMPLOYEES' CREDIT UNION LIMITED

As lead Auditor of The Police Department Employees' Credit Union Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the Auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and
- (ii) any applicable code of professional conduct in relation to the audit.



Neville Sinclair
Director

BDO Audit (NSW-VIC) Pty Ltd
Chartered Accountants

Signed in Sydney this 21st day of September 2010

INFORMATION ON DIRECTORS AND SECRETARY

Mr K E Moroney
AO, APM

	Chairman
	Remuneration Committee (Chairman)
Age	65
Qualifications	Doctor of the University, Hons Causa (Charles Sturt University) Master of Arts (Macquarie University) Diploma Justice Administration (Charles Sturt University) Graduate Diploma Management (Macquarie University)
Other Qualifications	Officer in the Order of Australia (General Division) Former Commissioner, NSW Police Former Deputy President, Police Association of NSW Life Member, Police Association of NSW Holder of Australian Police Medal for Distinguished Service Member, Australian Mutuals Institute Graduate, Federal Bureau of Investigation Academy (Quantico, Virginia, USA) Board Member since 1994
Other Responsibilities Include	Chairman, ANPR Steering Committee, Crimtrac (Federal Attorney General's Department) Chairman, National Case Management Steering Committee, Crimtrac (Federal Attorney General's Department) Chairman & Presiding Officer, Australian Graduate School of Policing, Manly Chairman, Board of Management, Leadership Development Centre, NSW Police
Experience	Member, State Parole Authority Member, Board & State Council St John's Ambulance NSW Member, Conduct Division, Judicial Authority
Interest in Shares	\$10.00 in ordinary shares in the Police Credit Union



Mr A R Lauer

	Deputy Chairman
	Credit Committee (Chairman) Risk Management & Compliance Committee
Age	74
Qualifications	Diploma in Criminology (University of Sydney) (1973) Graduate, NSW Police Senior Executive Course (Merit) (Australian Police College) (1986) Graduate, Senior Executive Police Officer Course (Australian Police Staff College) (1987) Graduate, Seventeenth National Executive Institute – Federal Bureau of Investigation Academy (Quantico, Virginia, USA) (1994) Honorary Fellow, NSW Police Academy (1996) Associate Fellow, Australian Mutuals Institute (1996)
Experience	Career Police Officer (1955 – 1996) President, Police Association of NSW (1979 – 1982) Commissioner of Police 1991 – 1996 Board Member since 1997
Interest in Shares	\$10.00 in ordinary shares in the Police Credit Union



Mr P T Biscoe

	Director
	Credit Committee Remuneration Committee
Age	59
Qualifications	Member of the Australian Mutuals Institute
Experience	President of the Retired Police Association Police Legacy Legator Police RSL Sub-Branch Member Board Member since 2000
Interest in Shares	\$10.00 in ordinary shares in the Police Credit Union



Mr R Del Vecchio

	Director
	Corporate Governance Committee (Chairman) Audit Committee Risk Management & Compliance Committee
Age	41
Qualifications	Graduate, Australian Institute of Company Directors Post Graduate Diploma in Criminology Bachelor of Policing
Experience	Member, Australasian Mutuals Institute Current Head – Administrative Services, Police Association of NSW Chairman, Police Shop of NSW Director, Police Legacy NSW Member, Police Superannuation Advisory Board Senior management positions within financial institutions – specialising in fraud identification, risk management & card operations



Co-author of ACTU publication on Financial Best Practices in Trade Unions
(nationally published)
Board Member since April 2008
\$10.00 in ordinary shares in the Police Credit Union

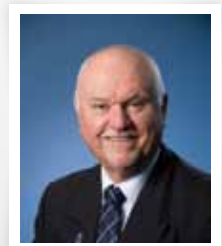
Mr G R Green

Director

Audit Committee
Corporate Governance Committee
Remuneration Committee

Age 65
Qualifications L.L.B. (Hons)

Barrister of the Supreme Court of NSW
Fellow, Australasian Mutuals Institute
Experience Former Secretary Legal & Senior Vice President of the Police Association of NSW
Life Member, Police Association of NSW
Member, Retired Police Association



Interest in Shares \$10.00 in ordinary shares in the Police Credit Union

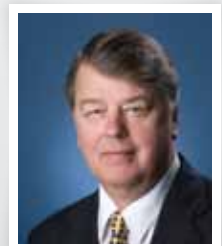
Mr G J Loughlin

Appointed Director

Risk Management & Compliance Committee (Chairman)
Audit Committee
Corporate Governance Committee

Age 59
Qualifications Bachelor of Arts, Hons (Adelaide)

Graduate Certificate Management (Monash University)
Member, Australian Institute of Company Directors
Associate, Chartered Secretaries Australia
Experience 2004 – Manager Group Strategic Development & Company Secretary, DataDot
Technology Limited
Honorary Auditor of the Retired Police Association of NSW Inc.
1989 – 2001 Non-Executive Director, Data Advantage Limited
1981 – 2001 General Manager, Credit Union Services Corporation (Aust) Limited
1986 – 1990 Member, Australian Housing Council
1985 – 1991 Member, Australian Payments System Council
1981 – 1985 Non-Executive Director, Jetset Tours (SA) Pty Ltd
1981 – 1985 Member, SA Credit Union Stabilization Board
1979 – 1981 Executive Assistant, SA Premier & Treasurer
Appointed Director April 2008



Interest in Shares \$10.00 in ordinary shares in the Police Credit Union

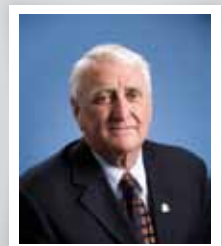
Mr L W Taylor

Director

Corporate Governance Committee
Credit Committee
Risk Management & Compliance Committee

Age 69
Qualifications Mediator, Australian Commercial Disputes Centre

Fellow, Australasian Mutuals Institute
Experience Former President, Federation of Police Credit Unions (Australia) (1999 – 2006)
Convenor, Juvenile Justice (1997 – 2009)
Deputy Chairman, 1992 – 1996, Chairman (1996 – 2001)
Former Audit Chairman
Former Secretary Administration, Police Association of NSW
Former President, Police Association of NSW
Life Member, Police Association of NSW
Life Member, Police Federation of Australia & New Zealand
Board of Management, Retired Police Association
Member, Police Education Advisory Committee (1988 – 1996)
Member, Police Superannuation Advisory Committee (1986 – 1997)
Former Honorary Secretary, Police Legacy
Board Member since 1988



Interest in Shares \$10.00 in ordinary shares in the Police Credit Union

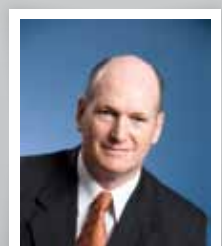
Mr D C Walton

Director

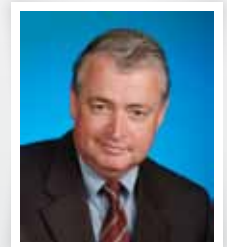
Audit Committee (Chairman)
Risk Management & Compliance Committee

Age 45
Qualifications Bachelor of Business

Master of Management & Leadership
Company Directors Course Diploma, Australian Institute of Company Directors



Experience	Fellow, Australian Institute of Company Directors Member, Australasian Mutuals Institute Former, NSW Police Fraud Squad & Detective Inspector of Police Volunteer Auditor, Police RSL Sub-Branch Volunteer Auditor, Police Provident Fund (2006 – 2010) Casual Academic Staff (Charles Sturt University) (Graduate School of Policing & Faculty of Arts) (1997 – 2008) Casual Academic Staff, University of Western Sydney (Faculty of Arts, Policing Studies) (1999) Executive Manager Audit & Risk, Energy Australia Board Member since 2001
Interest in Shares	\$10.00 in ordinary shares in the Police Credit Union

**Mr B A Williams**

Qualifications

Experience
Directorships**Secretary**Master of Business in Finance
FCIS38 years of experience in banking and finance
Credit Union Financial Support System Limited
Chelsea Wealth Management Pty Limited.

DIRECTORS' DECLARATION

ACKNOWLEDGMENTS

In concluding this Report, the Board wishes to acknowledge its appreciation of Bruce Williams, Chief Executive Officer, the Management and staff of the Credit Union without whose expertise and commitment the achievements of the past year would not have been achieved.

This Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Kenneth E Moroney
Chairman

23rd September 2010

Anthony R Lauer
Deputy Chairman

The Police Department Employees' Credit Union Limited

DIRECTORS' DECLARATION

The Directors of The Police Department Employees' Credit Union Limited declare that:-

- 1 The financial statements comprising Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Members Equity, Statement of Cash Flows, and accompanying notes related thereto, are in accordance with the Corporations Act 2001; and:
 - a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - b) give a true and fair view of the financial position of the Credit Union as at 30 June 2010 and the performance for the year ended on that date.
- 2 The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
- 3 In the Directors' opinion there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Kenneth E Moroney
Chairman

23rd September 2010

Anthony R Lauer
Deputy Chairman