

POLICE CREDIT UNION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2010



HALLIDAYS ACCOUNTANTS LLP
Chartered Accountants & Statutory Auditor
Riverside House
Kings Reach Business Park
Yew Street
Stockport
SK4 2HD

POLICE CREDIT UNION LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2010

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POLICE CREDIT UNION LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
AS AT 30 SEPTEMBER 2010

The Board of Directors

Mr B Longdon
Mr P Watson
Mr J S Lindsay
Mr D W Raine
Mr V Mihailovic
Mr A J Duncan
Mr P Kinsella
Mr N D Alston
Mr C Arscott
Mr G D Crichton
Mrs S Price
Mr P Upham
Mrs G S Smith
Mr C Jones
Mr N Rabbitts
Mrs E Davidson

Company Secretary

John Stuart Lindsay

Registered Office

Guardians House
2111 Coventry Road
Sheldon
Birmingham
B26 3EA

Auditor

Hallidays Accountants LLP
Chartered Accountants
& Statutory Auditor
Riverside House
Kings Reach Business Park
Yew Street
Stockport
SK4 2HD

Bankers

Barclays Bank Plc
Liverpool Lord Street
Liverpool City Business Centre
Liverpool
L2 1TD

POLICE CREDIT UNION LIMITED
THE COMMITTEE OF MANAGEMENT REPORT
YEAR ENDED 30 SEPTEMBER 2010

The committee of management have pleasure in presenting their report and the financial statements of the credit union for the year ended 30 September 2010.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the credit union during the year was that of the provision of savings and lending facilities for the benefit of its members.

The qualification for admission to membership of the credit union shall be; being currently in receipt of continuing and regular payment arising from participation in the provision of public service of particular nature, or of particular services associated with such participation, so that in consequence thereof there shall be a common bond between all the members.

The results for the year showed considerable improvement on the previous year and the directors would hope, even in the prevailing climate, the current level of activity will be maintained in the foreseeable future.

RESULTS AND DIVIDENDS

The accounts show the results of the 7th year's activities for the combined operations.

The surplus for the year, after taxation, amounted to £1,396,664. Particulars of dividends paid are detailed in note 4 to the financial statements.

The dividend is calculated at 2.3% (2009 1.8%) for the Member Accounts and Junior Accounts, and 2.7% for the ISA accounts (2009 2.5%). The remainder of the surplus for the year is transferred to the general reserve and the revenue reserve.

DIRECTORS

The directors who served the credit union during the year were as follows:

Mr B Longdon	
Mr P Watson	
Mr J S Lindsay	
Mr D W Raine	
Mr V Mihailovic	
Mr A J Duncan	
Mr P Kinsella	
Mr N D Alston	
Mr C Arscott	
Mrs A M Bond	retired as a director on 13 January 2010.
Mr G D Crichton	
Mr A Jackson	resigned as a director on 31 May 2010.
Mr W McManus	resigned as a director on 31 May 2010.
Mrs S Price	
Mr P Upham	
Mrs G S Smith	
Mr S Tovagliari	resigned as a director on 9 September 2010
Mr C Jones	co-opted as a director on 13 May 2010.
Mr N Rabbitts	co-opted as a director on 9 September 2010.
Mrs E Davidson	co-opted as a director on 14 July 2010.

POLICE CREDIT UNION LIMITED

THE COMMITTEE OF MANAGEMENT REPORT *(continued)*

YEAR ENDED 30 SEPTEMBER 2010

COMMITTEE OF MANAGEMENT RESPONSIBILITIES

The committee of management are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Credit Union law requires the committee of management to prepare financial statements for each financial year. Under that law the committee of management have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under credit union law the committee of management must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the credit union and of the surplus or deficit of the credit union for that period. In preparing those financial statements, the committee of management are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the credit union will continue in business.

The committee of management are responsible for keeping adequate accounting records that are sufficient to show and explain the credit union's transactions and disclose with reasonable accuracy at any time the financial position of the credit union and enable them to ensure that the financial statements comply with the Friendly and Industrial Provident Societies Act 1968. They are also responsible for safeguarding the assets of the credit union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the committee of management are aware:

- there is no relevant audit information of which the credit union's auditor is unaware; and
- the committee of management have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

DONATIONS

During the year the credit union made the following contributions:

	2010	2009
	£	£
Charitable Donations	250	7,254

POLICE CREDIT UNION LIMITED
THE COMMITTEE OF MANAGEMENT REPORT *(continued)*
YEAR ENDED 30 SEPTEMBER 2010

AUDITOR

Hallidays Accountants LLP are deemed to be re-appointed under the Friendly and Industrial Provident Societies Act 1968.

Registered Office:

Signed by order of the directors

Guardians House
2111 Coventry Road
Sheldon
Birmingham
B26 3EA

JOHN STUART LINDSAY
Credit Union Secretary

Approved by the directors on

POLICE CREDIT UNION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
POLICE CREDIT UNION LIMITED
YEAR ENDED 30 SEPTEMBER 2010

We have audited the financial statements of Police Credit Union Limited for the year ended 30 September 2010. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the credit union's shareholders, as a body, in accordance with Sections of the Friendly and Industrial Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the credit union's shareholders those matters 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 to 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the credit union's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2010 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Friendly and Industrial Provident Societies Act 1968.

OPINION ON OTHER MATTERS

In our opinion the information given in the Committee of Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

POLICE CREDIT UNION LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
POLICE CREDIT UNION LIMITED *(continued)***

YEAR ENDED 30 SEPTEMBER 2010

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters which we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

..... (Senior Statutory Auditor)

Riverside House
Kings Reach Business Park
Yew Street
Stockport
SK4 2HD

.....

For and on behalf of
HALLIDAYS ACCOUNTANTS LLP
Chartered Accountants & Statutory Auditor

POLICE CREDIT UNION LIMITED
INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 30 SEPTEMBER 2010

	Note	2010 £	2009 £
INCOME		3,014,811	2,406,670
Administrative expenses		1,617,421	1,504,865
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		1,397,390	901,805
Tax on surplus on ordinary activities	3	726	4,983
SURPLUS FOR THE FINANCIAL YEAR		<u>1,396,664</u>	<u>896,822</u>

All of the activities of the credit union are classed as continuing.

The credit union has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 9 to 13 form part of these financial statements.

POLICE CREDIT UNION LIMITED

BALANCE SHEET

30 SEPTEMBER 2010

	Note	2010 £	£	2009 £
FIXED ASSETS				
Tangible assets	5		<u>606,807</u>	<u>627,813</u>
CURRENT ASSETS				
Debtors	6	35,406,536		28,953,097
Cash at bank and in hand		<u>566,701</u>		<u>2,298,988</u>
		35,973,237		31,252,085
CREDITORS: Amounts falling due within one year	7	<u>1,011,570</u>		<u>407,975</u>
NET CURRENT ASSETS			<u>34,961,667</u>	<u>30,844,110</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>35,568,474</u>	<u>31,471,923</u>
CREDITORS: Amounts falling due after more than one year	8		<u>750,000</u>	<u>-</u>
			<u>34,818,474</u>	<u>31,471,923</u>
CAPITAL AND RESERVES				
Members share capital	10		31,158,120	28,710,453
General reserves	11		2,624,254	2,320,158
Revenue Reserves	11		390,660	-
Income and expenditure account	12		<u>645,440</u>	<u>441,312</u>
SHAREHOLDERS' FUNDS	13		<u>34,818,474</u>	<u>31,471,923</u>

These financial statements have been prepared in accordance with the Friendly and Industrial Provident Societies Act 1968.

These financial statements were approved by the directors and authorised for issue on, and are signed on their behalf by:

.....
MR P WATSON

.....
MR J S LINDSAY

.....
MR D W RAINE

Credit Union Registration Number: 213306

The notes on pages 9 to 13 form part of these financial statements.

POLICE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2010

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable UK accounting standards.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements.

Turnover

The turnover shown in the income and expenditure account represents amounts invoiced during the year.

The policy of the credit union is to recognise revenue on the interest received on a daily basis.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	-	2 %	straight line basis
Fixtures & Fittings	-	10 %	reducing balance basis
Computer Equipment	-	25 %	reducing balance basis
Property Improvements	-	2 %	straight line basis
Branding	-	25 %	straight line basis

Taxation

UK Corporation tax is calculated on bank interest received during the year.

Provision for doubtful debts

The provision for doubtful debts is made in accordance with guidance issued by the FSA.

Amount of interest

Interest receivable on loans and other investments of the credit union are accounted for on the accruals basis.

POLICE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2010

2. OPERATING SURPLUS

Operating surplus is stated after charging:

	2010	2009
	£	£
Honoraria Provision:		
Treasurer	8,500	16,018
Compliance Officer	3,500	9,377
Secretary	-	3,605
Depreciation of owned fixed assets	66,865	76,334
Loss on disposal of fixed assets	32,966	-
Auditor's fees	8,625	8,625

3. TAXATION ON ORDINARY ACTIVITIES

Analysis of charge in the year

	2010	2009
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 21 % (2009 21%)	726	4,983
Total current tax	<u>726</u>	<u>4,983</u>

4. DIVIDENDS

Dividends

	2010	2009
	£	£
Paid during the year:		
Dividends on members shares	<u>497,779</u>	<u>911,393</u>
Proposed at the year-end:		
Dividends on members shares	<u>645,440</u>	<u>441,312</u>

POLICE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2010

5. TANGIBLE FIXED ASSETS

	Freehold Property £	Fixtures & Fittings £	Computer Equipment £	Property Improvements £	Branding £	Total £
COST						
At 1 Oct 2009	357,039	109,165	681,465	104,714	–	1,252,383
Additions	–	1,909	62,288	6,990	7,638	78,825
Disposals	–	–	(332,689)	–	–	(332,689)
At 30 Sep 2010	<u><u>357,039</u></u>	<u><u>111,074</u></u>	<u><u>411,064</u></u>	<u><u>111,704</u></u>	<u><u>7,638</u></u>	<u><u>998,519</u></u>
DEPRECIATION						
At 1 Oct 2009	53,083	63,216	495,486	12,785	–	624,570
Charge for the year	7,141	4,786	50,795	2,234	1,909	66,865
On disposals	–	–	(299,723)	–	–	(299,723)
At 30 Sep 2010	<u><u>60,224</u></u>	<u><u>68,002</u></u>	<u><u>246,558</u></u>	<u><u>15,019</u></u>	<u><u>1,909</u></u>	<u><u>391,712</u></u>
NET BOOK VALUE						
At 30 Sep 2010	<u><u>296,815</u></u>	<u><u>43,072</u></u>	<u><u>164,506</u></u>	<u><u>96,685</u></u>	<u><u>5,729</u></u>	<u><u>606,807</u></u>
At 30 Sep 2009	<u><u>303,956</u></u>	<u><u>45,949</u></u>	<u><u>185,979</u></u>	<u><u>91,929</u></u>	<u><u>–</u></u>	<u><u>627,813</u></u>

6. DEBTORS

	2010 £	2009 £
Amounts due from members for loans	35,620,562	29,099,169
Provision for doubtful debts	(340,009)	(318,799)
Other debtors	–	41,766
Prepayments and accrued income	125,983	130,961
	<u><u>35,406,536</u></u>	<u><u>28,953,097</u></u>

7. CREDITORS: Amounts falling due within one year

	2010 £	2009 £
Other creditors including taxation:		
Due to Junior Depositors	401,955	307,401
Corporation tax	726	4,983
Loans due to other credit unions	500,000	–
Accruals and deferred income	108,889	95,591
	<u><u>1,011,570</u></u>	<u><u>407,975</u></u>

POLICE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2010

8. CREDITORS: Amounts falling due after more than one year

	2010	2009
	£	£
Loans due to other credit unions	<u>750,000</u>	<u>-</u>

9. RELATED PARTY TRANSACTIONS:

No transactions with related parties were undertaken such as a required to be disclosed under Financial Reporting Standard 8.

10. SHARE CAPITAL

Members share balances:

	2010	2009
	£	£
Balance brought forward:	28,710,453	22,134,302
Net increase in shares	<u>2,447,667</u>	<u>6,576,151</u>
Balance carried forward	<u>31,158,120</u>	<u>28,710,453</u>

11. RESERVES

	2010	2009
	£	£
General reserve balance brought forward:	2,320,158	1,924,809
Transfer from /(to) the Income & Expenditure Account	<u>304,096</u>	<u>395,349</u>
Balance carried forward	<u>2,624,254</u>	<u>2,320,158</u>

	2010	2009
	£	£
Revenue reserve balance brought forward:	-	-
Transfer from /(to) the Income & Expenditure Account	<u>390,660</u>	<u>-</u>
Balance carried forward	<u>390,660</u>	<u>-</u>

12. INCOME AND EXPENDITURE ACCOUNT

	2010	2009
	£	£
Surplus for the financial year	1,396,664	896,822
Dividends paid	(56,468)	(60,161)
Transfer to general reserve	(304,096)	(395,349)
Transfer to revenue reserve	<u>(390,660)</u>	<u>-</u>
Balance carried forward	<u>645,440</u>	<u>441,312</u>

POLICE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2010

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010	2009
	£	£
Surplus for the financial year	1,396,664	896,822
Net increase in shares	2,447,667	6,576,151
Dividends paid	(497,780)	(911,393)
Net addition to shareholders' funds	<u>3,346,551</u>	<u>6,561,580</u>
Opening shareholders' funds	<u>31,471,923</u>	<u>24,910,343</u>
Closing shareholders' funds	<u><u>34,818,474</u></u>	<u><u>31,471,923</u></u>

POLICE CREDIT UNION LIMITED
MANAGEMENT INFORMATION
YEAR ENDED 30 SEPTEMBER 2010

The following pages do not form part of the statutory financial statements which are the subject of the independent auditor's report on pages 5 to 6.

POLICE CREDIT UNION LIMITED
DETAILED INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 30 SEPTEMBER 2010

	2010 £	2009 £
TURNOVER		
Interest on loans	2,916,446	2,308,296
Bank interest	3,437	16,743
Interest from CU loan	–	6,987
Accident & sickness insurance	9,221	8,033
Unpresented cheques	–	363
Bad debt recovery	53,475	41,770
Joining fees	195	235
Sundry income	5,040	239
Lottery funds	26,997	24,004
	<u>3,014,811</u>	<u>2,406,670</u>
 OVERHEADS		
Administrative expenses	<u>1,617,421</u>	<u>1,504,865</u>
SURPLUS ON ORDINARY ACTIVITIES	<u><u>1,397,390</u></u>	<u><u>901,805</u></u>

POLICE CREDIT UNION LIMITED

NOTES TO THE DETAILED INCOME AND EXPENDITURE ACCOUNT

YEAR ENDED 30 SEPTEMBER 2010

	2010		2009
	£	£	£
ADMINISTRATIVE EXPENSES			
Personnel costs			
Wages and salaries	656,222		579,688
Honoraria	12,000		29,000
		668,222	608,688
Establishment expenses			
Fidelity bond & general insurance	170,019		141,325
Association dues & affiliation fees	30,564		29,824
Office expenses	43,170		33,607
		243,753	204,756
General expenses			
Travel and meeting expenses	65,176		67,918
Telephone	14,559		16,013
Printing, stationery and postage	41,132		36,934
Computer support and maintenance	45,956		43,179
Committee of Management & staff training	21,846		13,183
Sundry expenses	4,126		2,220
Charity donations	250		7,254
Marketing and promotions	72,645		53,147
Legal and professional fees	25,048		55,290
Accountancy fees	11,076		11,986
Auditors remuneration	8,625		8,625
Depreciation	66,865		76,334
Post merger expense	48,415		–
Loss on disposal of fixed assets	32,966		–
		458,685	392,083
Financial costs			
Bad debts written off	180,912		180,821
Provision for doubtful debts	23,361		78,714
Debt recovery charges	17,141		27,495
Bank charges	25,347		12,308
		246,761	299,338
		1,617,421	1,504,865