

Croydon, Merton and Sutton Credit Union Limited

Report of the Directors and

Audited Financial Statements

For the Year Ended 30 September 2017

Croydon, Merton and Sutton Credit Union Limited

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For the Year ended 30 September 2017

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Croydon, Merton and Sutton Credit Union Limited

Administrative Information

Status: Co-operative and Community Benefit Society and Credit Union

Directors:

Cllr Manju Shahul-Hameed	Chair
Chris Skilton	Vice Chair
Clive Fraser	Honorary Secretary
Philip Butlin	Treasurer
John Tooze	
Naomi Martin	
Mark Fowler	
Graham Cadle	
Simon Wales	

Registered Office: Bernard Weatherill House
8 Mint Walk
Croydon
CRO 1EA

Credit Union

Registration Number: 569C

Financial Services Authority

Registration Number: 213603

Auditors: Hartley Fowler LLP
4th Floor Tuition House
27-37 St Georges Road
Wimbledon
London SW19 4EU

Bankers: The Co-operative Bank
Santander UK Plc
Metro Bank Plc
Nationwide

Chair's Report

For the Year ended 30 September 2017

I am pleased to present to you our Annual Report and Accounts for 2017.

This has been a very busy twelve months for the Credit Union. We started our financial year from a positive position and wanted to continue in that direction of travel.

Our financial performance was an indication that the changes we recently introduced were making a difference.

Under the leadership of the General Manager (Michael Wilson) we have seen an overall improvement with the services that the Credit Union provide to our members and increased satisfaction across the staff and volunteer teams.

We have been extremely satisfied with the improvements made to the Croydon Plus website and online account services for members.

We have had continued increase in our membership. We also saw increases in the number, total value and average size of loans to our members. These increases along with an improvement in our credit control processes mean that we had a positive year.

We wouldn't have been able to achieve this without the operational team of staff and volunteers. Our volunteers have been dedicated in supporting our vision to help our members. In return they gain valuable work experience and skills development, we have been fortunate to have some highly motivated volunteers working in our team.

We are always looking to develop the capacity of the Credit Union on all levels. As volunteers themselves, the Directors are aware of the contribution our volunteers make. We are looking for more people who can give a few hours of their time to help develop the skills and capacity of our various committees. If you think you can help, please get in touch.

As the current Chair, I would like to thank the team in the office for their hard work, and our volunteers and members for continuing to support us. I'd also like to thank all the Directors that have supported the Credit Union over the last year and those that continue to do so. Together, we are looking forward to growth in the coming and future years.

Priorities

- More volunteers to attend events
- Increase our presence in Sutton & Merton
- Encourage schools & colleges in Croydon, Merton & Sutton to promote Croydon Plus Credit Union
- Increase overall membership
- Maintain and improve current finance sustainability
- Continue to provide excellent service to existing members

Manju Shahul-Hameed
Chair of Croydon Plus

Report of the Directors

For the Year ended 30 September 2017

The Directors present their report and financial statements of the Credit Union for the year ended 30 September 2017.

Principal Activities

The principal activity of the credit union is the provision of savings and loans facilities.

Results and Dividends

The surplus for the year ended 30 September 2017 was £61,126 (2016 £44,907). The General Reserves are stated at £112,428 (2016 £51,302).

Dividends will be voted upon at the Annual General Meeting. In 2016 there was no dividend recommended.

Board Membership and Directors

- John Tooze (re-elected for two year term 2017 AGM)
- Clive Fraser (re-elected for two year term 2017 AGM)
- Naomi Martin (elected for 2 year term 2016 AGM)
- Chris Skilton (elected first time as directors 2 year term AGM 2017)
- Simon Wales (elected first time as directors 2 year term AGM 2017)
- Maria Organ (elected first time as directors 2 year term AGM 2017)
- Philip Butlin (co-opted September 2017)
- Manju Shahul-Hameed (Corporate Directors)
- Mark Fowler (Corporate Directors)
- Graham Cadle (Corporate Directors)
- Russell Makin (Stood down 2017 AGM)

The Board met monthly throughout the year.

Maria Organ resigned as Treasurer in March 2017 and was replaced by Philip Butlin in September 2017.

Review of the Year

October 2016 to September 2017 has been a positive year for Croydon Plus.

We set out on a journey to share awareness of the Credit Union in the areas of our common bond with the intention of growing our membership. We strengthened relationships with community groups, were present at local events and AGMs to simply let people know that we were there. The results were extremely positive for us and this reflects in our membership figures.

The credit union movement in the UK as a whole had a massive boost towards the end of the year with the BBC documentary series "A Matter of Life and Debt" which featured some of our local Credit Unions and gave an insight into the Credit Union world. Real people, providing real solutions to real life financial situations.

Report of the Directors

For the Year ended 30 September 2017

Review of the Year (continued)

To try to improve the financial resilience within the communities that we serve we have successfully rolled out the Engage classic account to members primarily on our Jam Jar pilot (Universal Credit). This supports members in dealing with the financial challenges of not having a bank account, providing easier access to funds and a simple way of receiving benefits and paying their essential bills. Due to the success of this we will be introducing the Engage current account (which offers more features than the classic account) to members in 2018.

When our improved website with online membership services were introduced in January 2016, we hoped our members would approve and sign up for the service. Now with over 1400 members (over 32% of our membership) managing their accounts online we think it has been a great success!

Our lending grew during the year (From £1,141,745 to £1,647,430 new loans allocated), partly due to the availability of an online facility for members to apply for loans.

To maintain excellent the level of service provided and meet deadlines we have been lucky enough to have some amazing volunteers supporting us.

We have made some changes to our credit control team and policies which means that it is now easier for members to get in contact when they need support from us.

Staff & Volunteers

Over the last year we have managed to further strengthen the team in the Credit Union office with the addition of a Credit Control Office and a Customer Solutions Officer. These additions along with enthusiastic volunteers that joined the team enabled Croydon plus to help the increasing number of members that joined us throughout the year. Although there is always room for improvement the impact the team have had on some of the members can be seen in the feedback that has been received.

"I can only pray that the same kindness Credit Union and you showed me it shall be reciprocated."

"I would like to compliment you on the service that I have recently received from the staff members at the Croydon branch. They have been courteous, informative and knowledgeable with my enquiry and subsequent loan."

"Thank you so much for being so courteous and polite."

"It was a pleasure to speak to you, I came away re-assured."

The directors would like to express their appreciation for the commitment and enthusiasm of all of our staff and volunteers.

Report of the Directors

For the Year ended 30 September 2017

Performance

Over the year, we have looked to building on the positive progress made, while also laying the foundations for growth in the coming years. Headline figures improved in many areas:

- Surplus improved from £44,907 in 2016 to £61,126 (a 36% increase)
- Retained earnings more than doubled from £51,302 to £112,428 (a 119.9% increase)
- Membership rose from 3,665 to 4,490 (a 22.5% increase)
- Member shares increased from £2,359,836 to 2,693,931 (a 14.2% increase)
- Number of loans increased from 824 to 1,140 (a 38.34% increase)
- Total value of stock of loans to members at year end increased from £1,381,889 to £1,881,201 (a 36.1% increase)
- Annual revenue increased from £285,526 to £299,477 (a 4.8% increase)
- Annual expenditure decreased from £239,145 to £237,558 (a 0.6% decrease)
- Bad debts recovered increased from £15,836 to £16,495 (a 4.2% increase)
- Bad debt provisioning (Impairment allowance) £57,276 to £57,288
- Interest from loans issued increased from £241,433 to £243,772 (a 0.97% increase)

Governance and operations

This year has seen several changes to the board with the addition of a vice chair, new treasurer and board representation from Sutton. We are again looking at the future and want to further strengthen the board as many of you would have seen from the AGM notice.

Our Loans Committee has been re-activated, we have reviewed our existing product range and are looking into how it can be improved. Recommendations have been made with an aim to introduce new products in 2018.

Our supervisory committee requires some attention and this will be a priority in 2018.

We have increased the credit union staff team and in 2018 we are looking into ensuring our team have the ability to keep up to date with administration and important training updates such as General Data Protection Regulations. We are also aiming to invest in our technology as together this will ensure that the staff are better equipped to serve our members with the aim to:

- Provide a safe environment for members
- Improve financial resilience within the communities we serve
- Encourage all active members to save regularly

Report of the Directors

For the Year ended 30 September 2017

Supporters, Stakeholders, Partners and Funding

We would like to express thanks for the support we have had from the many community groups, organisations and other credit unions we have worked with over the last year and hope to continue to do so in the future, these include to name a few:

- London Capital Credit Union
- Lewisham Plus Credit Union
- Sutton Housing Partnership (SHP)
- Croydon MELA
- St Helier Festival
- Purley Cross Job Club
- Illegal Money Lending Team (IMLT)
- St Cyprians School
- Croydon Council
- Merton Council
- Sutton Council

We have been increasingly pro-active, available and co-operative with local organisations over the last year and have actively been involved in achieving great results within the community including helping members get back into work and education by providing affordable loans and preventing homelessness by providing affordable loans for agency fees and rental deposits.

By working together with like-minded organisations, we have had the pleasure of seeing the benefits we can achieve for a common cause – our community.

Foundation for Growth

Our business plan for 2017-18 once again sets out goals to increase membership by promoting our services and responding to the requirements of our communities, increasing the number and average size of loans and improvements to our credit control.

We started the year from a positive financial position and wanted to build on the retained earnings from 2016. This was even more of a focus for us as we knew that we were approaching our 5,000 member milestone which would mean having to increase our capital ratios. We knew that this would add financial strain at this when our financial position had started to see improvement.

With this in mind we took the opportunity to seek funding to support us with our pending capital ratio increase and applied for the large fund available through the Credit Union Foundation. Once again Croydon Plus has been fortunate enough to secure a grant from Lloyds Banking Group and the Credit Union Development Fund. Which will ensure that we are able to meet the increased capital requirements introduced by the PRA once membership exceeds 5000 members.

2018 we will see an increased focus on the younger generation encouraging existing members to open junior savings accounts for their loved ones and reaching out to more schools and colleges as we believe that the children are the future. We want to help the next generation of adults start saving for their future now!

Report of the Directors

For the Year ended 30 September 2017

Statement of Directors' Responsibilities

The directors are responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Co-Operative and Community Benefit Society law requires the directors to prepare financial statements for each financial year. The directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (Financial Reporting Standard 102 and applicable law). Under that law the directors 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 income and expenditure of the Credit Union for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Credit Union will continue in business.

The directors 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 Co-Operative and Community Benefit Societies Act 2014. 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.

Disclosure of information to auditors

Each person who was a director at the time this report was approved confirms that:

- so far as he/she is aware, there is no relevant audit information of which the Credit Union's auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the Credit Union's auditor is aware of that information.

This report was approved by the Board of Directors on 27/02/2018 and signed on its behalf.

.....
Philip Butlin (Treasurer)

.....
Chris Skilton (Vice Chair)

.....
Clive Fraser (Secretary)

Report of the Independent Auditors to the Members of

Croydon, Merton and Sutton Credit Union Limited

Opinion

We have audited the financial statements of Croydon, Merton and Sutton Credit Union Limited for the year ended 30 September 2017 which comprise the Revenue Account, the Balance Sheet, the Statement of Reserves, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Credit Union's members, as a body, in accordance with the Credit Unions Act 1979. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to them in an auditors' 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.

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 2017 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 properly prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

Basis of opinion

We conducted our audit in accordance with international standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the credit union in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the credit unions ability to continue to adopt the going concern basis of accounting for a period of a least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the report of the directors, but does not include the financial statements and our Report of the Auditors thereon.

In our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Report of the Independent Auditors to the Members of

Croydon, Merton and Sutton Credit Union Limited

Opinion on other matters prescribed by the Cooperative and Community Benefits Societies Act 2014

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the credit union and its environment obtained during the audit, we have not identified material misstatements in the Report of the Directors.

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us 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 the law are not made; or
- we have not received all the information and explanations we require for our audit; or

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page seven, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frec.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Jonathan Askew (Senior Statutory Auditor)
for and on behalf of Hartley Fowler LLP
Statutory Auditors & Chartered Accountants
4th Floor Tuition House
27/37 St George's Road
London
SW19 4EU

27/02/2018

Croydon, Merton and Sutton Credit Union Limited

Revenue Account

For the Year ended 30 September 2017

	Note	2017 Total £	2016 Total £
Loan interest receivable	4	243,772	241,433
Fees receivable		<u>3,622</u>	<u>3,001</u>
		247,394	244,434
Other operating income	5	52,083	41,092
Administrative expenses	7.1	(153,813)	(151,923)
Other operating expenses	7.2	(18,825)	(19,204)
Impairment losses on loans to members	11.4	<u>(64,920)</u>	<u>(68,018)</u>
Surplus / (Deficit) before taxation		61,919	46,381
Taxation	9	<u>(793)</u>	<u>(1,474)</u>
Surplus / (Deficit) for the financial year		61,126	44,907
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>61,126</u></u>	<u><u>44,907</u></u>

Croydon, Merton and Sutton Credit Union Limited

Balance sheet

As at 30 September 2017

	Note	2017 £	2016 £
ASSETS			
Tangible Fixed Assets	10	1,239	955
Loans to members	11	1,881,201	1,381,889
Other debtors		18,151	9,618
Cash, cash equivalents and liquid deposits	16	<u>1,041,904</u>	<u>1,160,572</u>
Total assets		<u>2,942,495</u>	<u>2,553,034</u>
LIABILITIES			
Members' Share Capital	14	2,693,931	2,359,836
Subordinated Loans	13	105,000	110,000
Other creditors	12	<u>31,136</u>	<u>31,896</u>
		2,830,067	2,501,732
RESERVES			
Retained earnings		<u>112,428</u>	<u>51,302</u>
Total liabilities		<u>2,942,495</u>	<u>2,553,034</u>

The financial statements were approved, and authorised for issue, by the board on 27/02/2018 and signed on its behalf by:

.....
Philip Butlin (Treasurer)

.....
Chris Skilton (Vice Chair)

.....
Clive Fraser (Secretary)

Croydon, Merton and Sutton Credit Union Limited

Statement of changes in retained earnings

As at 30 September 2017

	2017	2016
	£	£
As at 1 October 2016	51,302	6,395
Total comprehensive income for the year	61,126	44,907
As at 30 September 2017	<u>112,428</u>	<u>51,302</u>

Croydon, Merton and Sutton Credit Union Limited

Statement of Cash Flows

For the Year ended 30 September 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Surplus/(deficit) before taxation		61,919	46,381
Adjustments for non-cash items:			
Add: Depreciation	10	1,012	7,219
Provision for impairment losses	11.4	64,920	68,018
Less: Impairment of individual financial assets	11.4	<u>(64,908)</u>	<u>(103,817)</u>
		1,024	(28,580)
Movements in:			
Debtors		(8,533)	15,898
Creditors		<u>116</u>	<u>(23,499)</u>
		(8,417)	(7,601)
Cash flows from changes in operating assets and liabilities			
Cash inflow from members' deposits	14	2,348,016	1,946,125
Cash outflow from repaid members' deposits	14	(2,013,921)	(1,712,586)
New loans to members	11.1	(1,647,430)	(1,129,566)
Repayment of loans by members	11.1	1,148,106	1,079,920
Cash inflow from subordinated loans	13	-	110,000
Cash outflow from subordinated loans	13	<u>(5,000)</u>	<u>-</u>
		(170,229)	293,893
Corporation tax paid	9	(1,670)	(714)
		<u>(117,373)</u>	<u>303,379</u>
Net cash flows from operating activities			
Net cash flows from investing activities			
Purchase of office equipment	10	(1,296)	(293)
Cash and cash equivalents at 1 October 2016		<u>1,160,572</u>	<u>857,486</u>
Cash and cash equivalents at 30 September 2017		<u><u>1,041,904</u></u>	<u><u>1,160,572</u></u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2017

1. Legal and regulatory framework

Croydon, Merton and Sutton Credit Union Limited is an organisation established under the Co-operative and Community Benefit Societies Act 2014 whose principal activity of the society is to operate as a credit union within the meaning of the Credit Unions Act 1979. Croydon, Merton and Sutton Credit Union Limited has registered with the Financial Conduct Authority and is regulated by the Prudential Regulation Authority under the provisions of the Financial Services and Markets Act 2000.

In accordance with the regulatory environment for credit unions, deposits from members can be made by subscription for redeemable shares, deferred shares and interest-bearing shares. At present Croydon, Merton and Sutton Credit Union Limited has only issued redeemable shares.

2. Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with FRS102 The Financial Reporting Standard applicable in the UK and Republic Ireland. The financial statements are prepared on the historical cost basis.

Going Concern

The financial statements are prepared on a going concern basis.

Income recognition

Interest on members' loans

Interest on loans to members is recognised on an accrual basis using the effective interest method

Fee receivable

Fees receivable comprise entrance fees.

Grant income

Revenue Grant income is recognised in the Revenue account in the period to which it relates. Grant income relating to future periods is credited to deferred income.

Investment income

Investment income comprises interest on funds held on deposit and is included when receivable and the amount can be measured reliably; this is normally upon notification of the interest paid or payable by the bank.

Other income

Other income predominately comprises bad debts recovered. Other income is recognised when the criteria have been performed that enable the credit union to claim the income concerned.

Taxation

The tax charge for the year reflects current tax payable. Current tax is the expected corporation tax payable for the year, using tax rates in force for the year. Croydon, Merton and Sutton Credit Union Limited is not liable to corporation tax payable on its activities of makings loans to members., and

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2017

As a result of the limited activities of Croydon, Merton and Sutton Credit Union Limited from which profits are chargeable to corporation tax, it is unlikely that deferred tax will arise.

Tangible fixed assets

Tangible fixed assets comprises items of office equipment which are stated at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is provided to write off the cost of the office equipment, less its estimated residual value, on a straight line basis over its estimated useful. Office equipment is depreciated over 3 years.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and loans and advances to banks (ie cash deposited with banks) with maturity of less than or equal to three months.

Financial assets - loans to members

Loans to members are financial assets with fixed to determinable payments, and are not quoted in an active market. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

Loans are derecognised when the right to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member.

Impairment of financial assets

Croydon, Merton and Sutton Credit Union Limited assesses, at each balance sheet date, if there is objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics, because no loans are individually significant. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised.

Financial liabilities - members deposits

Members' shareholdings in Croydon, Merton and Sutton Credit Union Limited are redeemable and therefore are classified as financial liabilities. They are recognised at the amount of cash deposited.

Creditors

Short term creditors are measured at transaction price (which is usually the invoice price).

Employee Benefits

Defined contribution plans: The amounts charged as expenditure for the defined contribution plan are the contributions payable by Croydon, Merton and Sutton Credit Union Limited for the relevant period.

Other employee benefits: Other short and long term employee benefits, including holiday pay, are recognised as an expense over the period they are earned.

Reserves

Reserves are the accumulated surpluses to date that have not been declared as dividends returnable to members.

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2017

Pensions

Contributions to defined contribution plans are charged in the period to which they relate.

3. Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain accounting estimates. It also requires the directors to exercise judgement in applying Croydon, Merton and Sutton Credit Union Limited's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below:

Impairment losses on loans to members

Croydon, Merton and Sutton Credit Union Limited reviews arrears reports to identify impairment losses on loans to members.

4. Loan interest receivable	2017	2016
	£	£
Loan interest receivable from members	<u>243,772</u>	<u>241,433</u>

The loan interest receivable from members is derived from the area within its common bond

5. Other operating income	2017	2016
	£	£
Investment income	4,531	5,838
Bank interest received	188	637
Bad debts recovered	16,495	15,836
Revenue Grants	27,704	15,000
Other income	3,165	3,781
	<u>52,083</u>	<u>41,092</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2017

6. Operating surplus/(deficit)	2017	2016
	£	£
This is stated after charging:		
Depreciation of owned assets	1,012	7,219
Auditors' remuneration for audit services	<u>4,000</u>	<u>4,000</u>

7. Expenses		2017	2016
	Note	£	£
Administrative expenses	7.1	153,813	151,923
Other operating expenses	7.2	18,825	19,204
		<u>172,638</u>	<u>171,127</u>

7.1 Administrative expenses

Employment costs	8.2	98,667	71,195
Temporary staff		20,572	39,105
Recruitment costs		92	-
Travel and meetings		561	440
Auditors' fees		4,000	4,000
Accountancy		2,600	2,600
Volunteer expenses		1,281	541
Training costs		330	-
Computer maintenance		8,463	10,018
Advertising and promotion		684	300
Printing, stationery and postage		5,179	6,025
Bank charges		3,225	2,637
Depreciation		1,012	7,219
Telephone and internet		2,858	2,867
Legal and professional fees		836	1,884
Directors' and officers' insurance		1,524	778
Office expenses		1,892	1,467
Interest on subordinated loans		37	847
		<u>153,813</u>	<u>151,923</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2017

7.2 Other operating expenses

Other operating expenses comprise regulatory and financial management costs.

	2017	2016
	£	£
Regulatory and financial management costs		
Financial Conduct Authority and Prudential Regulation Authority fees and Financial Services Compensation Scheme levy	1,383	2,323
Association of British Credit Unions Limited dues	3,634	3,900
Loans and savings insurance	8,009	7,809
Fidelity bond insurance	2,691	2,690
Credit agency fees	3,108	2,482
	<u>18,825</u>	<u>19,204</u>

8. Employees and employment costs

8.1 Number of employees

The average monthly number of employees during the year were:

	2017	2016
	Number	Number
Office staff	<u>5</u>	<u>5</u>

8.2 Employment costs

	2017	2016
	£	£
Wages and salaries	89,203	68,465
Social security costs	6,797	1,938
Payments to defined contribution pension schemes	<u>2,667</u>	<u>792</u>
Total employment costs	<u>98,667</u>	<u>71,195</u>

8.3 Key Management Remuneration

The Directors of Croydon, Merton and Sutton Credit Union Limited do not receive any remuneration.

Total remuneration paid to key management during the year was £57,408 (2016: £51,876). Included in the key management remuneration for 2016 is a termination payment of £3,682.

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2017

9. Taxation

9.1 Recognised in the Revenue Account

The taxation charge for the year, based on the small profits rate of Corporation tax of 20% (2016: 20%) comprised:

	Note	2017 £	2016 £
Current tax			
UK Corporation tax	9.2	793	1,474
Total current tax and total taxation expense recognised in the Revenue Account		<u>793</u>	<u>1,474</u>

9.2 Reconciliation of taxation expense

Croydon, Merton and Sutton Credit Union Limited is not liable to corporation tax payable on its activities of making loans to members, and investing surplus funds, as these are not classified as trade. However, corporation tax is payable on investment income. As a result, the tax charge for the year differs from the standard rate of Corporation tax. The differences are explained below:

	2017 £	2016 £
Surplus / (deficit) before taxation	<u>61,919</u>	<u>46,381</u>
Surplus / (deficit) before taxation multiplied by small profits rate of corporation tax in the UK of 20% (2016: 20%)	12,384	9,276
Effects of:		
Non-taxable surplus / (deficit) on transactions with members	(11,591)	(7,802)
Total tax charge for the year	<u>793</u>	<u>1,474</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2017

10. Tangible fixed assets

Tangible fixed assets comprise office equipment:

	Office Equipment £	Total £
Cost		
At 1 October 2016	31,376	31,376
Additions	<u>1,296</u>	<u>1,296</u>
At 30 September 2017	<u>32,672</u>	<u>32,672</u>
Depreciation		
At 1 October 2016	30,421	30,421
Charge for the year	<u>1,012</u>	<u>1,012</u>
At 30 September 2017	<u>31,433</u>	<u>31,433</u>
Net book value		
At 30 September 2017	<u><u>1,239</u></u>	<u><u>1,239</u></u>
At 30 September 2016	<u><u>955</u></u>	<u><u>955</u></u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2017

11. Loans to members - financial assets

11.1 Loans to members

	Note	£	£
As at 1 October 2016		1,439,165	1,389,519
Advanced during the year		1,647,430	1,129,566
Repaid during the year		<u>(1,148,106)</u>	<u>(1,079,920)</u>
Gross loans to members	11.2	1,938,489	1,439,165
Impairment losses			
Individual financial assets		(35,554)	(42,759)
Groups of financial assets		<u>(21,734)</u>	<u>(14,517)</u>
	11.2	<u>(57,288)</u>	<u>(57,276)</u>
As at 30 September 2017	11.2	<u>1,881,201</u>	<u>1,381,889</u>
Memorandum - Total loan assets for regulatory purposes		2017	2016
		£	£
Gross loans to members		1,938,489	1,439,165
Impairment of individual financial assets		<u>(35,554)</u>	<u>(42,759)</u>
Total loan assets for regulatory purposes	15.2	<u>1,902,935</u>	<u>1,396,406</u>

11.2 Credit risk disclosures

Croydon, Merton and Sutton Credit Union Limited does not offer mortgages and as a result all loans to members are unsecured, except that there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding.

	2017	2016
	£	£
Not impaired:		
Neither past due nor impaired	795,076	626,420
Up to 3 months past due	<u>1,078,657</u>	<u>705,719</u>
	1,873,733	1,332,139
Individually impaired:		
Between 3 and 6 months past due	31,780	33,771
Between 6 and 9 months past due	17,269	31,763
Between 9 and 12 months past due	12,206	33,771
Over 12 months past due	<u>3,501</u>	<u>7,721</u>
	1,938,489	1,439,165
Impairment allowance	<u>(57,288)</u>	<u>(57,276)</u>
Total carrying value as at 30 September 2017	<u>1,881,201</u>	<u>1,381,889</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2017

11.3 Allowance account for impairment losses

Note	2017 £	2016 £
As at 1 October 2016	57,276	93,075
Allowances (reversed) / made during the year	<u>12</u>	<u>(35,799)</u>
As at 30 September 2017	<u><u>57,288</u></u>	<u><u>57,276</u></u>

11.4 Impairment losses recognised for the year

	2017 £	2016 £
Impairment of individual financial assets	64,908	103,817
Allowances (reversed) / made during the year	<u>12</u>	<u>(35,799)</u>
Total impairment losses recognised for the year	<u><u>64,920</u></u>	<u><u>68,018</u></u>

12. Other creditors

	2017 £	2016 £
UK Corporation tax	758	1,263
Grants	14,235	10,000
PAYE and National Insurance	2,075	629
Sundry Creditors	<u>14,066</u>	<u>20,004</u>
	<u><u>31,134</u></u>	<u><u>31,896</u></u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2017

13. Subordinated loans	Note	2017	2016
		£	£
London Borough of Croydon subordinated loans	13.1	100,000	100,000
Related party subordinated loans	13.2	5,000	10,000
		<u>105,000</u>	<u>110,000</u>

- 13.1 During the previous year the credit union received an unsecured subordinated loan from London Borough of Croydon of £100,000. The rate of interest on this loan is 1% per annum.

The loan will be repaid in the following instalments:

	£
Year ended 30 September 2021	20,000
Year ended 30 September 2022	20,000
Year ended 30 September 2023	20,000
Year ended 30 September 2024	20,000
Year ended 30 September 2025	20,000
	<u>100,000</u>

- 13.2 During the previous year the credit union received two unsecured subordinated loans from two directors. One has been repaid. The remaining loan is for £5,000 with a rate of interest of 2% per annum.

The loans will be repaid in the following instalments:

	£
Year ended 30 September 2021	1,000
Year ended 30 September 2022	1,000
Year ended 30 September 2023	1,000
Year ended 30 September 2024	1,000
Year ended 30 September 2025	1,000
	<u>5,000</u>

14. Members' deposits	2017	2016
	£	£
As at 1 October 2016	2,359,836	2,126,297
Received during the year	2,348,016	1,946,125
Repaid during the year	<u>(2,013,921)</u>	<u>(1,712,586)</u>
As at 30 September 2017	<u>2,693,931</u>	<u>2,359,836</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2017

15. Additional financial instruments disclosures

15.1 Financial risk management

Croydon, Merton and Sutton Credit Union Limited manages its members' deposits and loans to members so that it earns income which is adequate to meet the overheads of the credit union and to provide a reasonable return to members on shares.

The main financial risks arising from Croydon, Merton and Sutton Credit Union Limited's activities are credit risk, liquidity risk and interest rate risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Credit risk:

Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to Croydon, Merton and Sutton Credit Union Limited, resulting in financial loss to the credit union. In order to manage this risk the Board approves the credit union's lending policy and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed.

Liquidity risk:

The credit union's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due. The objective of the credit union's liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

Market risk:

Market risk is generally comprised of interest rate risk, currency risk and other price risk. Croydon, Merton and Sutton Credit Union Limited conducts all its transactions in sterling and does not deal in derivatives or commodity markets. Therefore the credit union is not exposed to any form of currency risk or other price risk.

Interest rate risk:

Croydon, Merton and Sutton Credit Union Limited's main interest rate risk arises from differences between the interest rate exposures on the receivables and payables that form an integral part of a credit union's operations. Croydon, Merton and Sutton Credit Union Limited maintains its members shares in non-interest bearing accounts. The credit union considers rates of interest receivable when deciding on the dividend rate payable on member's deposits. Croydon, Merton and Sutton Credit Union Limited does not use interest rate options to hedge its own positions.

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2017

15.2 Interest rate risk disclosures

The following table shows the average interest rates applicable to relevant financial assets and financial liabilities.

	2017	Average	2016	Average
	Amount	Interest	Amount	Interest
	£	rate	£	rate
Financial assets				
Loans to members	<u>1,902,935</u>	<u>12.8%</u>	<u>1,396,406</u>	<u>17.3%</u>
Financial liabilities				
Members shares	<u>2,693,931</u>	<u>0%</u>	<u>2,359,836</u>	<u>0%</u>

The interest rates applicable to loans to members are fixed and range from 5% to 24%.

Any interest payable in the form of dividends is determined after the end of the relevant financial year, as a result, the surplus or deficit for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented.

15.3 Liquidity risk disclosures

Excluding short-term other creditors, Croydon, Merton and Sutton Credit Union Limited's financial liabilities are mainly repayable on demand.

15.4 Fair value of financial instruments

Croydon, Merton and Sutton Credit Union Limited does not hold any financial instruments at fair value.

16. Cash and cash equivalents

	2017	2016
	£	£
Loans and advances to banks	1,041,904	1,160,572
Less: amounts maturing after three months	<u>(571,545)</u>	<u>(128,985)</u>
Total cash and cash equivalents	<u>470,359</u>	<u>1,031,587</u>

17. Post balance sheet events

There are no material events after the balance sheet to disclose.

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2017

18. Contingent liabilities

Croydon, Merton and Sutton Credit Union Limited participates in the Financial Services Compensation Scheme (FSCS) and therefore has a contingent liability, which cannot be quantified, in respect of contributions to the FSCS, as required by the Financial Services and Markets Act 2000. The Financial Conduct Authority (FCA) had provided details of how the calculation of next year's contribution towards the FSCS will be calculated and full provision has been included for this liability. However this is subject to future changes in interest rates and levels of deposits held by UK deposit takers. Therefore there is inherent uncertainty regarding the totality of the levy that Croydon, Merton and Sutton Credit Union Limited will have to pay.

19. Related party transactions

During the year one member of the board, staff and their close family members (2016 one member) had loans from Croydon, Merton and Sutton Credit Union Limited.

Loans are issued to the directors on the same terms as those on offer to other members.

During the year the credit union repaid one unsecured subordinated loan of £5,000 to a director. The remaining loan from a director was for £5,000 with a rate of interest of 2% per annum.

Paid Employees are eligible to apply for loans at 25% of the prevailing interest rate. Normal eligibility criteria are applied and if a loan is granted, the interest is charged at a reduced rate.