

Croydon, Merton and Sutton Credit Union Limited

Report of the Directors and

Audited Financial Statements

For the Year Ended 30 September 2019

Croydon, Merton and Sutton Credit Union Limited

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For the Year ended 30 September 2019

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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
Simon Wales	Vice Chair
Clive Fraser	Honorary Secretary
Philip Butlin	Treasurer
John Tooze	
Naomi Martin	
Catherine Black	
Julia Pitt	
Steve Triner	
Dilly Dokubo	

Registered Office: Bernard Weatherill House
8 Mint Walk
Croydon
CR0 1EA

Credit Union

Registration Number: 569C

Prudential Regulation Authority and Financial Conduct Authority

Firm Reference Number: 213603

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

Bankers: The Co-operative Bank Plc
Metro Bank Plc
Nationwide Building Society
Arbuthnot Latham & Co Limited
Aldermore Bank Plc

Chair's Report

For the Year ended 30 September 2019

I am pleased to present to you our Annual Report and Accounts for 2019.

This year there has been an increasing demand for credit union services and as a result we have seen another year of growth which has been pleasing to see.

We have had continued increase in our membership. We have seen increases in the number and total value of loans to our members meaning we are helping to support more of our members through difficult times. Share (savings) balances have also increased showing that we are helping to promote financial stability.

We would not have been able to achieve this growth without the operational team of staff and the support of our 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 are fortunate to have some highly motivated volunteers working in our team.

An important priority for the Directors is 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 enhance 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

- Increase presence across all three boroughs
- Maintain financial stability
- Promote the importance of "saving for future"
- Deliver a high standard of customer service to members
- Extend digital capabilities
- Further strengthen the Board and Supervisory Committee



Manju Shahul-Hameed

Chair of Croydon Plus

28 January 2020

Report of the Directors

For the Year ended 30 September 2019

The Directors present their report and financial statements of the Credit Union for the year ended 30 September 2019.

Principal

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

Results

The surplus for the year ended 30 September 2019 was £87,597 (2018 £152,474). The General Reserves are stated at £352,499 (2018 £264,902).

Dividends will be voted upon at the Annual General Meeting. In 2019 there was a dividend recommendation of 0.75% agreed at the AGM. This was paid to qualifying members in May 2019.

Board Membership and Directors

Current

- Manju Shahul-Hameed - Chair (Corporate Director)
- Clive Fraser - Secretary (re-elected for three year term 2019 AGM)
- Philip Butlin - Treasurer (co-opted September 2017 - elected for a two year term 2018)
- Naomi Martin (re-elected for two year term 2018 AGM)
- John Tooze (re-elected for three year term 2019 AGM)
- Simon Wales (re-elected for a three year term 2019 AGM)
- Catherine Black (Corporate Director)
- Julia Pitt (Corporate Director)
- Steve Triner (elected for a three year term 2019 AGM)
- Dilly Dokubo (elected for a three year term 2019 AGM)

Previous

- Belinda Letby (resigned 30.6.2019)
- Martin Groombridge (elected for a three year term 2019 AGM, resigned 5.6.2019)

The Board met monthly throughout the year

Review of the Year

October 2018 to September 2019 has been a year of continuous improvement for Croydon Plus.

We continued on our journey of raising awareness of the Credit Union in the areas of our common bond with the intention of growing our membership.

We have worked with existing community groups and built new relationships with organisations within the community and feel that this is an important aspect to the ongoing expansion of the Credit Union. The results were extremely positive for us and this reflects in our membership figures.

To add to a successful year, we achieved a 5* rating on our lending products. This rating was awarded to us by the Fair Banking Foundation at a presentation in the House of Commons.

Report of the Directors

For the Year ended 30 September 2019

Staff & Volunteers

We successfully increased the staff team in 2018/19 in order to keep up with growing demand for our service.

The Credit Union staff team have continued to develop and show their ability to meet the growing needs of our member base. They are supported by a dedicated team of volunteer members who give their time to ensure that the needs of our members are met on a daily basis.

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

Staff Team

- Michael Wilson – Chief Executive Officer
- Peter Robinson – Operations Manager
- Kavitha Kumaresan – Customer service team leader
- Eniola Akinosho – Loans team leader
- Niyi Osilaja
- Annie Basse
- Steph Rees
- Steven Obigbesan
- Robert Crofts
- Chelsea Dash
- Emma Duncanson

Volunteers 2018-2019

- Vilma Couthino
- Jentine Nelson
- Russell Makin
- Mercedes Charles
- Jon Head
- Michael Jennett

Special Thanks

Ruby Begum and team at Croydon Council

Digital

Once again online membership & members who “Self-serve” through our website have continued to increase reflecting the importance of having a relevant digital presence. Since last year we have focused our attention on the development of a Mobile App. We have worked with technology developer’s “CU Apps” in order to find some of the features that would be beneficial to our members in the hope that this would increase the member satisfaction whilst transacting with the Credit Union and reduce some of the pressures seen by the continued member growth. This is to be soft launched in Q1 2019/20.

We are also set to invest further in our technology and telephony as this remains key to growing the capabilities of the Credit Union.

Report of the Directors

For the Year ended 30 September 2019

Supervisory committee

This year we are pleased to have a strengthened Supervisory function who provide regular reviews of the internal working of the Credit Union to ensure that we are providing a fair and consistent service to our members.

Future aims

- Invest further in our technology & telephony
- Increase outreach capabilities of the Credit Union
- Promote the benefits of the Credit Union
- Continue to grow a diverse membership from all of the boroughs that we serve
- Increase the junior members to be signed up to Save - Junior members are the future of the community
- Provide a safe environment for members
- Improve financial resilience within the communities we serve
- Office expansion

Performance

Over the year, we have aimed to build on the progress made in 2017/18 while laying the foundations for growth in the coming years. Headline figures improved in many areas. During 2017/18 we received one-off grant funding of £70,000 and where appropriate adjusted figures show the year on year change with this income ignored.

- Surplus decreased from £152,474 (adjusted £82,474) in 2018 to £87,597 (43% decrease, adjusted 6% increase)
- Retained earnings increased from £264,902 to £352,499 (33% increase)
- Membership rose from 5,953 to 7,381 (24% increase)
- Member shares increased from £3,147,878 to £3,868,934 (23% increase)
- Number of loans increased from 1,493 to 1,884 (26% increase)
- Total value of stock of loans to members at year end increased from £2,459,948 to £2,860,136 (16% increase)
- Annual revenue increased from £436,796 (adjusted £366,796) to £455,533 (4% increase, adjusted 24% increase)
- Annual expenditure increased from £283,206 to £366,501 (29% increase)
- Bad debt provisioning (Impairment allowance) increased from £113,806 to £181,793 (60% increase)
- Interest from loans issued increased from £340,863 to £426,801 (25% increase)

Report of the Directors

For the Year ended 30 September 2019

Supporting Communities

We would like to thank the many organisations with whom we have worked, for their support of the Credit Union and the local communities over the last year, these include:

- Croydon Council
- Merton Council
- Sutton Council
- St Helier Festival
- Purley Cross Job Club
- Illegal Money Lending Team (IMLT)
- Croydon Jobcentre
- London Capital Credit Union
- Lewisham Plus Credit Union
- Sutton Housing Partnership (SHP)
- Credit Union foundation
- Broad Green Big Local
- Fair Banking Foundation

Feedback

We value the views of our members and welcome any suggestions for improvement.

Report of the Directors

For the Year ended 30 September 2019

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 28 January 2020 and signed on its behalf.



Philip Butlin (Treasurer)



Manju Shahul-Hameed (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 2019 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 2019 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 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 reasonable be expected to influence the economic decisions of users taken on the basis of these financial statement.

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

4 February 2020

Croydon, Merton and Sutton Credit Union Limited

Revenue Account

For the Year ended 30 September 2019

	Note	2019 Total £	2018 Total £
Loan interest receivable	4	426,801	340,863
Interest payable	4.1	<u>(21,074)</u>	<u>(11,910)</u>
Net interest income		405,727	328,953
Fees receivable		<u>7,135</u>	<u>5,364</u>
		412,862	334,317
Other operating income	5	21,597	90,569
Administrative expenses	7.1	(228,116)	(177,375)
Other operating expenses	7.2	(12,192)	(10,143)
Impairment losses on loans to members	11.4	<u>(105,119)</u>	<u>(83,778)</u>
Surplus / (Deficit) before taxation		89,032	153,590
Taxation	9	<u>(1,435)</u>	<u>(1,116)</u>
Surplus / (Deficit) for the financial year		87,597	152,474
Other comprehensive income		-	-
Total comprehensive income		<u>87,597</u>	<u>152,474</u>

Croydon, Merton and Sutton Credit Union Limited

Balance sheet

As at 30 September 2019

	Note	2019 £	2018 £
ASSETS			
Tangible Fixed Assets	10	2,025	1,733
Loans to members	11	2,860,136	2,459,948
Other debtors		30,300	12,543
Loans and advances to banks	16	653,503	251,512
Cash and cash equivalents	16	<u>800,560</u>	<u>807,463</u>
Total assets		<u>4,346,524</u>	<u>3,533,199</u>
LIABILITIES			
Members' Share Capital	14	3,868,394	3,147,878
Subordinated Loans	13	105,000	105,000
Other creditors	12	<u>20,631</u>	<u>15,419</u>
		3,994,025	3,268,297
RESERVES			
Retained earnings		<u>352,499</u>	<u>264,902</u>
Total liabilities		<u>4,346,524</u>	<u>3,533,199</u>

The financial statements were approved, and authorised for issue, by the board on 28 January 2020 and signed on its behalf by:



Philip Butlin (Treasurer)



Manju Shahul-Hameed (Chair)



Clive Fraser (Secretary)

Croydon, Merton and Sutton Credit Union Limited

Statement of changes in retained earnings

As at 30 September 2019

	2019	2018
	£	£
As at 1 October 2018	264,902	112,428
Total comprehensive income for the year	87,597	152,474
As at 30 September 2019	<u><u>352,499</u></u>	<u><u>264,902</u></u>

Croydon, Merton and Sutton Credit Union Limited

Statement of Cash Flows

For the Year ended 30 September 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Surplus/(deficit) before taxation		89,032	153,590
Adjustments for non-cash items:			
Add: Depreciation	10	943	588
Provision for impairment losses	11.4	122,389	101,272
Less: Impairment of individual financial assets	11.4	<u>(54,402)</u>	<u>(44,754)</u>
		68,930	57,106
Movements in:			
Debtors		(17,757)	5,608
Creditors		<u>4,733</u>	<u>(15,717)</u>
		<u>(13,024)</u>	<u>(10,109)</u>
Cash flows from changes in operating assets and liabilities			
Cash inflow from members' deposits	14	5,043,648	3,643,043
Cash outflow from repaid members' deposits	14	(4,323,132)	(3,189,096)
New loans to members	11.1	(2,868,747)	(2,427,756)
Repayment of loans by members	11.1	<u>2,400,572</u>	<u>1,792,491</u>
		252,341	(181,318)
Corporation tax paid	9	(956)	(1,116)
Net cash flows from operating activities		<u>396,323</u>	<u>18,153</u>
Net cash flows from investing activities			
Purchase of office equipment	10	(1,235)	(1,082)
Net cash flow from managing liquid deposits	16	(401,991)	320,033
Cash and cash equivalents at 1 October 2018		<u>807,463</u>	<u>470,359</u>
Cash and cash equivalents at 30 September 2019	16	<u><u>800,560</u></u>	<u><u>807,463</u></u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2019

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

Dividends

Dividends are paid to members based on their actual deposits held with the credit union.

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 making loans to members, and investing surplus funds, as these are not classified as a trade. However, corporation tax is payable on investment income. 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.

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2019

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.

Loans and advances to banks

Loans and advances to banks comprises loans and advances to banks (ie cash deposited with banks) with a maturity of more than 8 days.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and loans and advances to banks (ie cash deposited with banks) with a maturity of less than or equal to 8 days.

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

Impairment losses on loans to members are provided in accordance with the guidelines issues by the Prudential Regulatory Authority. Any impairment losses are recognised in the revenue account, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

The credit union 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.

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2019

Reserves

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

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

This is made by the judgement of the Directors in accordance with the guidance issued by the Prudential Regulation Authority.

4. Loan interest receivable	2019	2018
	£	£
Loan interest receivable from members	<u>426,801</u>	<u>340,863</u>

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

4.1 Interest payable	2019	2018
	£	£
Dividends paid on members' shares in the year	<u>21,074</u>	<u>11,910</u>

The distributions on member's shares represents distributions paid in the year.

5. Other operating income	2019	2018
	£	£
Investment income	7,202	4,386
Bank interest received	319	643
Revenue Grants	5,000	81,934
Other income	9,076	3,606
	<u>21,597</u>	<u>90,569</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2019

6. Operating surplus/(deficit)		2019	2018
		£	£
This is stated after charging:			
Depreciation of owned assets		944	588
Auditors' remuneration for audit services		<u>4,000</u>	<u>4,000</u>
7. Expenses		2019	2018
	Note	£	£
Administrative expenses	7.1	228,116	177,375
Other operating expenses	7.2	12,192	10,143
		<u>240,308</u>	<u>187,518</u>
7.1 Administrative expenses			
Employment costs	8.2	181,343	137,872
Recruitment costs		197	130
Travel and meetings		2,011	1,425
Auditors' fees		4,000	4,000
Accountancy		3,180	1,820
Volunteer expenses		1,127	1,413
Training costs		2,856	255
Computer maintenance		7,162	7,404
Advertising and promotion		2,081	512
Printing, stationery and postage		7,760	5,472
Bank charges		5,265	4,157
Depreciation		944	588
Telephone and internet		2,479	2,441
Legal and professional fees		2,446	4,572
Directors' and officers' insurance		1,164	1,540
Office expenses		3,001	1,571
Interest on subordinated loans		1,100	2,203
		<u>228,116</u>	<u>177,375</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2019

7.2 Other operating expenses

Other operating expenses comprise regulatory and financial management costs.

	2019	2018
	£	£
Regulatory and financial management costs		
Financial Conduct Authority and Prudential Regulation Authority fees and Financial Services Compensation Scheme levy	646	491
Association of British Credit Unions Limited dues	4,089	4,030
Fidelity bond insurance	3,002	2,780
Credit agency fees	4,455	2,842
	<u>12,192</u>	<u>10,143</u>

8. Employees and employment costs

8.1 Number of employees

The average monthly number of employees during the year were:

	2019	2018
	Number	Number
Office staff	<u>9</u>	<u>7</u>

8.2 Employment costs

	2019	2018
	£	£
Wages and salaries	167,833	128,865
Social security costs	10,327	7,250
Payments to defined contribution pension schemes	<u>3,183</u>	<u>1,757</u>
Total employment costs	<u>181,343</u>	<u>137,872</u>

8.3 Key Management Remuneration

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

The key management personnel is the Chief Executive Officer. Total remuneration paid to key management during the year was £46,962 (2018: £45,503).

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2019

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 19% (2018: 19%) comprised:

	Note	2019 £	2018 £
Current tax			
UK Corporation tax	9.2	1,435	955
Underprovision prior years		-	161
Total current tax and total taxation expense recognised in the Revenue Account		<u>1,435</u>	<u>1,116</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:

	2019 £	2018 £
Surplus / (deficit) before taxation	<u>89,032</u>	<u>153,590</u>
Surplus / (deficit) before taxation multiplied by small profits rate of corporation tax in the UK of 19% (2018: 19%)	16,916	29,950
Effects of:		
Non-taxable surplus / (deficit) on transactions with members	(15,481)	(28,995)
Total tax charge for the year	<u>1,435</u>	<u>955</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2019

10. Tangible fixed assets

Tangible fixed assets comprise office equipment:

	Office Equipment	Total
	£	£
Cost		
At 1 October 2018	33,754	33,754
Additions	1,235	1,235
At 30 September 2019	<u>34,989</u>	<u>34,989</u>
Depreciation		
At 1 October 2018	32,021	32,021
Charge for the year	943	943
At 30 September 2019	<u>32,964</u>	<u>32,964</u>
Net book value		
At 30 September 2019	<u>2,025</u>	<u>2,025</u>
At 30 September 2018	<u>1,733</u>	<u>1,733</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2019

11. Loans to members - financial assets

11.1 Loans to members

	Note	2019 £	2018 £
At 1 October 2018		2,573,754	1,938,489
Advanced during the year		2,868,747	2,427,756
Repaid during the year		<u>(2,400,572)</u>	<u>(1,792,491)</u>
Gross loans to members	11.2	3,041,929	2,573,754
Impairment losses			
Individual financial assets		(150,014)	(85,724)
Groups of financial assets		<u>(31,779)</u>	<u>(28,082)</u>
	11.2	<u>(181,793)</u>	<u>(113,806)</u>
At 30 September 2019	11.2	<u>2,860,136</u>	<u>2,459,948</u>

Memorandum - Total loan assets for regulatory purposes

		2019 £	2018 £
Gross loans to members		3,041,929	2,573,754
Impairment of individual financial assets		<u>(150,014)</u>	<u>(85,724)</u>
Total loan assets for regulatory purposes	15.2	<u>2,891,915</u>	<u>2,488,030</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.

	2019 £	2018 £
Not impaired:		
Neither past due nor impaired	1,207,842	989,254
Up to 3 months past due	<u>1,605,380</u>	<u>1,430,833</u>
	2,813,222	2,420,087
Individually impaired:		
Between 3 and 6 months past due	74,120	71,572
Between 6 and 9 months past due	73,815	44,220
Between 9 and 12 months past due	24,558	17,771
Over 12 months past due	<u>56,214</u>	<u>20,104</u>
	3,041,929	2,573,754
Impairment allowance	<u>(181,793)</u>	<u>(113,806)</u>
Total carrying value as at 30 September 2019	<u>2,860,136</u>	<u>2,459,948</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2019

11.3 Allowance account for impairment losses

Note	2019 £	2018 £
At 1 October 2018	113,806	57,288
Allowances (reversed) / made during the year	<u>67,987</u>	<u>56,518</u>
At 30 September 2019	<u>181,793</u>	<u>113,806</u>

11.4 Impairment losses recognised for the year

	2019 £	2018 £
Impairment of individual financial assets	54,402	44,754
Allowances (reversed) / made during the year	<u>67,987</u>	<u>56,518</u>
Total impairment losses recognised for the year	122,389	101,272
Reversal of impairment where debts recovered	<u>(17,270)</u>	<u>(17,494)</u>
Total impairment recognised for the year	<u>105,119</u>	<u>83,778</u>

12. Other creditors

	2019 £	2018 £
UK Corporation tax	1,435	956
PAYE and National Insurance	-	1,798
Sundry Creditors	<u>19,196</u>	<u>12,665</u>
	<u>20,631</u>	<u>15,419</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2019

13. Subordinated loans	Note	2019 £	2018 £
London Borough of Croydon subordinated loans	13.1	100,000	100,000
Related party subordinated loans	13.2	<u>5,000</u>	<u>5,000</u>
		<u>105,000</u>	<u>105,000</u>

13.1 During the year ended 30 September 2015 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 year ended 30 September 2015 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	2019 £	2018 £
At 1 October 2018	3,147,878	2,693,931
Received during the year	5,043,648	3,643,043
Repaid during the year	<u>(4,323,132)</u>	<u>(3,189,096)</u>
At 30 September 2019	<u>3,868,394</u>	<u>3,147,878</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2019

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

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15.2 Interest rate risk disclosures

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

	2019	Average	2018	Average
	Amount	Interest	Amount	Interest
	£	rate	£	rate
Financial assets				
Loans to members	<u>2,891,915</u>	<u>14.8%</u>	<u>2,488,030</u>	<u>13.7%</u>
Financial liabilities				
Members shares	<u>3,868,394</u>	<u>0%</u>	<u>3,147,878</u>	<u>0%</u>

The interest rates applicable to loans to members are fixed and range from 5% to 42%.

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

	2019	2018
	£	£
Loans and advances to banks and cash and cash equivalents	1,454,063	1,058,975
Less: Loans and advances to banks - amounts maturing after 8 days	<u>(653,503)</u>	<u>(251,512)</u>
Total cash and cash equivalents	<u>800,560</u>	<u>807,463</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 2019

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 and their close family member (2018: one member) had loans with the credit union of £985 (2018 £1,574). These loans are issued to the directors on the same terms as those on offer to other members. They also had share values of £3,947 (2018 £3,621).

During the year ended 30 September 2015 the credit union received a subordinated loan of £5,000 from a now former director with a rate of interest of 2% per annum (see note 13.2).

During the year staff members had loans with the credit union of £48,850 (2018 £20,988) Staff members have preferential terms on their loans. Staff are given 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. They also had share values of £13,203 (2018 £3,521).