

Croydon, Merton and Sutton Credit Union Limited

Report of the Directors and

Audited Financial Statements

For the Year Ended 30 September 2022

Croydon, Merton and Sutton Credit Union Limited

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Croydon, Merton and Sutton Credit Union Limited

Administrative Information

For the Year ended 30 September 2022

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

Directors:

Simon Bryne	Chair
Simon Wales	Vice Chair
Clive Fraser	Honorary Secretary
Philip Butlin	Treasurer
John Tooze	
Naomi Martin	
Catherine Black	
Laurie Pocock	
Carol Squires	
Daniel Ayeni	
Victoria Roberts	

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 2022

I am pleased to present to you our Annual Report and Accounts for 2021-2022.

We encountered numerous obstacles in 2020 and 2021 as a result of the Covid-19 pandemic and some of these persisted into 2022. During 2022 we also had to deal with the cost-of-living crisis and the challenges this has presented.

As financial service providers, Credit Unions are considered essential businesses by the government, and we have a duty to sustain operations and support for our members. Even at the height of the pandemic, we had staff in the office, as well as working from home.

The good news is that our Credit Union is continuing to prosper and is well placed to continue to provide you with the products and services that you need.

By the end of the 2021-2022 financial year, we had:

- continued to increase membership with over 8700 members, a 6% increase on last year;
- increased the value of loans allocated in the year to £2.9m;
- seen an increase in service requests from members considered vulnerable, meaning we are helping to support more of our members through difficult times.

We would not have been able to keep up with the number of requests or achieve this growth in membership without the dedication of the operational staff team 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. The Directors are also committed to developing their own skills by undergoing ABCUL training modules.

We are always looking for more people who can give a few hours of their time to enhance the skills and capacity of various committees and support the staff. If you think you can help, please get in touch.

As the current acting Chair, following the resignation of Manju Shahul-Hameed, 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 would also like to thank my fellow Directors who have supported the Credit Union over the last year. Together, we are looking forward to implementing our plans for growth in the coming and future years.

I am pleased to say that the Board has recently co-opted a new Chair, Simon Byrne and a new Director, Victoria Roberts to fill vacancies caused by resignations. We will be seeking confirmation of these appointments at the AGM. A number of Directors have completed their three-year term of office and are eligible to stand again.

At CroydonPlus, there is always room for improvement. If you have any ideas for improving the Credit Union, please contact anyone on the staff or the Board. We are dedicated to earning your trust each and every day. Thanks for being a member.



.....
Simon Wales 28 February 2023
Acting Chair of CroydonPlus

Croydon, Merton and Sutton Credit Union Limited

Report of the Directors

For the Year ended 30 September 2022

The Directors present their report and financial statements of the Credit Union for the year ended 30 September 2022.

Principal Activities

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

Results

The deficit for the year ended 30 September 2022 was £20,942 (2021 £57,717 surplus). The General Reserves are stated at £369,346 (2021 £390,288).

In the light of the financial deficit the Directors do not intend to recommend a dividend payment in respect of the year ended 30 September 2022.

Board Membership and Directors

Current

- Simon Byrne – Chair (co-opted December 2022)
- Simon Wales – Vice Chair /Acting Chair June to December 2022 (re-elected 2022 AGM)
- Clive Fraser – Secretary (re-elected 2021 AGM)
- Philip Butlin – Treasurer (re-elected 2022 AGM)
- John Tooze (re-elected 2021 AGM)
- Naomi Martin (re-elected 2020 AGM)
- Catherine Black (Corporate Director)
- Daniel Ayeni (elected 2021 AGM)
- Laurie Pocock (elected 2022 AGM)
- Carol Squires (Corporate Director)
- Victoria Roberts (co-opted December 2022)

Previous

- Manju Shahul-Hameed – Chair (Corporate Director) (resigned 31 May 2022)
- Carlla Kennedy (resigned)
- Ranil Perera (resigned)
- Enid Mollyneaux (resigned)

Review of the Year

2021/22 continued the recovery from the impact of the Covid-19 pandemic that had begun in 2020/21. New loan allocations increased by a further 7% by value (from £2.7m to £2.9m), with the total number of new loans up by 11% (from 2,303 to 2,570).

We attracted an average of around 70 new members each month, with a welcome increase in members joining from Merton and Sutton (23% of new members). This was helped by getting back out into the community and having access to facilities at Hill House in St Helier which borders both boroughs.

We saw an increase in member activity with previously used accounts being re-activated after some time.

Our online offer continued to grow with more and more members utilising our online services to access their funds, view balances and make loan applications.

Some staff members continued to work from home, but we continued to meet the service requirements of our more vulnerable members by ensuring that the office was adequately staffed five days a week. We received exceptional support from Croydon Council Security and Corporate Reception Teams, and we could not have achieved what we did without their valued support and assistance.

Report of the Directors

For the Year ended 30 September 2022

The whole CroydonPlus Staff Team sends them a massive thank you.

Staff & Volunteers

Throughout the challenging year, the Credit Union staff team has continued to develop and show its ability to adapt and meet the changing needs of our member base.

The team is supported by dedicated volunteer members who give their time to ensure that the needs of our members are met.

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

Staff Team

Michael Wilson
Peter Robinson
Annie Bassey
Ruby Begum
Hayden Brenen
Chelsea Dash
Emma Duncanson
Eniola Akinosho
Kavitha Kumaresan
Steph Hunt
Steven Obigbesan
Thiviya Sunthar
Tracy Wager

Volunteers 2021-2022

Jentine Nelson

Digital Services

During the year, online membership, and members who 'self-serve' through our website and other online facilities has continued to increase, reflecting the importance of having a relevant digital and mobile presence. The CroydonPlus Mobile App became a vital and pivotal tool to ensure members could interact with the Credit Union for balance requests, loan applications, withdrawals, and upkeep of static data.

Website

4,981 members have successfully registered to access the members area within our website www.CroydonPlus.co.uk and therefore are able to download the CroydonPlus Mobile App.

Mobile App - provided by CU Apps

3,700 members used the app.

The average user logged in at least once a month.

- 104,000 balance views
- 39,000 statement views
- 7,000 loan applications viewed
- 4,300 withdrawals

Report of the Directors

For the Year ended 30 September 2022

We have also seen an increase in usage of our other online facility 'Nivo'. This app enables members to complete and sign documentation online as well as to make simple service requests.

We hope our enhanced and increased digital offerings improve member satisfaction and that transacting with the Credit Union is much simpler, time saving, and pressure free.

We aim to continue to invest further in our technology and telephony as this remains key to growing the capabilities of CroydonPlus Credit Union and improve our all-around service to our members.

Supervisory committee

The Directors recognise that an effective Supervisory Committee or internal audit service provides vital assurance that the business of the Credit Union is being conducted with due regard to propriety, regulatory compliance and efficiency. We would like to thank those who have contributed to the Committee's work during the year. Although the constraints imposed by the Covid-19 pandemic have now eased it has taken longer than we would have liked to bring the Supervisory Committee back to full effectiveness. Work is already under way to address this in 2022/23.

Future aims

- Maintain and improve the financial, social and environmental sustainability of the Credit Union.
- Achieve continuous improvement in the quality, accessibility and inclusiveness of our services to members.
- Offer excellent and competitive savings and loan products.
- Increase our membership across Croydon, Merton and Sutton.
- Improve financial competence and resilience within the communities that we serve.
- Work collaboratively with partner organisations to achieve shared goals .
- Strengthen the Supervisory Committee and/or establish alternative means of providing assurance to the Board.

Performance

After something of a recovery in 2020/21, 2021/22 was affected by continuing effects of the Covid-19 pandemic as well as the emerging cost of living crisis. The financial results for the year were a deficit of £20,942 (2021 £57,717 surplus) but this was after charging the cost of a dividend in respect of 2020/21 (£24,551) so the underlying position for 2021/22 was a small surplus.

- Retained earnings decreased from £390,288 to £369,346 (5% decrease)
- Membership rose from 8,260 to 8,770 (6% increase)
- Member shares increased from £5,376,839 to £5,948,772 (11% increase)
- Number of loans increased from 1,767 to 2,043 (16% increase)
- Total value of stock of loans to members at year end increased from £2,937,278 to £3,454,544 (18% increase).
- Annual revenue increased from £485,318 to £519,982 (7% increase)
- Annual expenditure (excluding dividend) increased from £427,601 to £516,373 (21% increase)
- Bad debt provisioning (impairment allowance) increased from £264,739 to £278,435 (5% increase)
- Interest from loans issued increased from £424,250 to £488,598 (15% increase)

Report of the Directors

For the Year ended 30 September 2022

Supporting Communities

We would like to thank the many organisations that we have worked with and that have supported the Credit Union and the local communities over the last year, these include:

- Croydon Council – especially Security and Corporate Reception Teams
- Merton Council
- Sutton Council
- 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
- Fair banking Foundation
- Money and Pension Service (MaPS)
- Fair 4 All Finance
- CU Apps
- Hill House
- Sutton Community Action
- Nivo
- Sercle
- Voip Studio
- Good Choice IT
- Just Borrow
- ABCUL
- Citizens Advice Bureau
- New Addington Family Centre

Feedback

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

Report of the Directors

For the Year ended 30 September 2022

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.

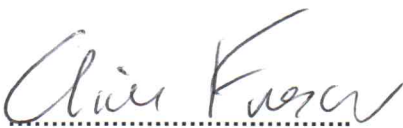
This report was approved by the Board of Directors on 28 February 2023 and signed on its behalf by:



Philip Butlin (Treasurer)



Simon Wales (Acting 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 2022 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 2022 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. We identify and assess risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- results of our enquiries of management about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;

**Report of the Independent Auditors to the Members of
Croydon, Merton and Sutton Credit Union Limited**

- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in. The key laws and regulations we considered in this context included the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

In addition we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

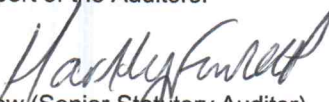
As a result of performing the above, we did not identify any key matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provision of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reviewing minutes of meetings of those charged with governance, reviewing internal reports and reviewing correspondence with Bank of England, and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments, assessing whether the judgements made in making accounting estimates are indicative of a potential bias and evaluating the business rationale for any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indication of fraud or non-compliance with laws and regulations throughout the audit.

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

28 February 2023

Croydon, Merton and Sutton Credit Union Limited

Revenue Account

For the Year ended 30 September 2022

	Note	2022 Total £	2021 Total £
Loan interest receivable	5	488,598	424,250
Interest payable	5.1	<u>(24,551)</u>	<u>-</u>
Net interest income		464,047	424,250
Fees receivable		<u>13,110</u>	<u>5,951</u>
		477,157	430,201
Other operating income	6	18,274	55,117
Administrative expenses	8.1	(384,186)	(358,819)
Other operating expenses	8.2	(24,424)	(17,994)
Exceptional items	8.3	(36,711)	-
Impairment losses on loans to members	12.4	<u>(69,772)</u>	<u>(50,117)</u>
Surplus / (Deficit) before taxation		(19,662)	58,388
Taxation	9	<u>(1,280)</u>	<u>(671)</u>
Surplus / (Deficit) for the financial year		(20,942)	57,717
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>(20,942)</u></u>	<u><u>57,717</u></u>

Croydon, Merton and Sutton Credit Union Limited

Balance sheet

For the Year ended 30 September 2022

	Note	2022 £	2021 £
ASSETS			
Tangible Fixed Assets	11	10,588	16,879
Loans to members	12	3,454,544	2,937,278
Other debtors		7,276	6,385
Loans and advances to banks	19	964,069	564,621
Cash and cash equivalents	19	<u>1,992,618</u>	<u>2,375,635</u>
Total assets		<u><u>6,429,096</u></u>	<u><u>5,900,798</u></u>
LIABILITIES			
Members' Share Capital	15	5,948,772	5,376,839
Subordinated Loans	14	84,000	105,000
Other creditors	13	<u>26,977</u>	<u>28,671</u>
		6,059,749	5,510,510
RESERVES			
Retained earnings	17	<u>369,346</u>	<u>390,288</u>
Total liabilities		<u><u>6,429,096</u></u>	<u><u>5,900,798</u></u>

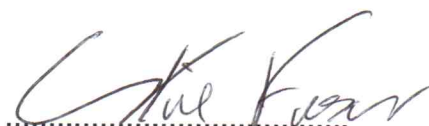
The financial statements were approved, and authorised for issue, by the board on 28 February 2023 and signed on its behalf by:



Philip Butlin (Treasurer)



Simon Wales (Acting Chair)



Clive Fraser (Secretary)

Croydon, Merton and Sutton Credit Union Limited

Statement of changes in Retained Earnings

For the Year ended 30 September 2022

	2022	2021
	£	£
As at 1 October 2021	390,288	332,571
Total comprehensive income for the year	(20,942)	57,717
As at 30 September 2022	<u><u>369,346</u></u>	<u><u>390,288</u></u>

Croydon, Merton and Sutton Credit Union Limited

Statement of Cash Flows

For the Year ended 30 September 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
Surplus/(deficit) before taxation		(19,662)	58,388
Adjustments for non-cash items:			
Add: Depreciation	11	7,846	5,669
Provision for impairment losses	12.4	87,116	69,923
Less: Impairment of individual financial assets	12.4	<u>(73,420)</u>	<u>(61,045)</u>
		21,542	14,547
Movements in:			
Debtors		(891)	6,918
Creditors		<u>(2,301)</u>	<u>(2,778)</u>
		(3,193)	4,140
Cash flows from changes in operating assets and liabilities			
Cash inflow from members' deposits	15	6,564,584	6,328,343
Cash outflow from repaid members' deposits	15	(5,992,651)	(5,925,843)
New loans to members	12.1	(3,303,620)	(3,097,305)
Repayment of loans by members	12.1	<u>2,772,658</u>	<u>2,715,298</u>
		40,971	20,493
Corporation tax paid	10	(671)	(1,649)
Net cash flows from operating activities		<u>38,987</u>	<u>95,919</u>
Financing activities			
Repayment of subordinated loans		(21,000)	-
Net cash flows from investing activities			
Purchase of office equipment	11	(1,556)	(13,329)
Net cash flow from managing liquid deposits	19	(399,448)	96,541
Cash and cash equivalents at 1 October 2021	19	<u>2,375,635</u>	<u>2,196,504</u>
Cash and cash equivalents at 30 September 2022	19	<u><u>1,992,618</u></u>	<u><u>2,375,635</u></u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2022

1. Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

2. 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.

3. 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. The financial statements are prepared in sterling, which is the functional currency of the credit union. Monetary amounts in these financial statements are rounded to the nearest pound.

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 then 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.

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2022

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.

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 life. 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 or 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 issued 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 2022

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.

4. 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.

5. Loan interest receivable	2022	2021
	£	£
Loan interest receivable from members	<u>488,598</u>	<u>424,250</u>

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

5.1 Interest payable	2022	2021
	£	£
Dividends paid on members' shares in the year	<u>24,551</u>	<u>-</u>

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

6. Other operating income	2022	2021
	£	£
Investment income	4,311	2,712
Bank interest received	2,425	819
London Borough of Sutton Grant	10,000	10,000
Fair4All Finance Grant	-	28,370
Coronavirus Job Retention Grants	-	8,915
Other income	1,539	4,301
	<u>18,274</u>	<u>55,117</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2022

7. Operating surplus/(deficit)	2022	2021
	£	£
This is stated after charging:		
Depreciation of owned assets	7,846	5,669
Auditors' remuneration for audit services	<u>4,540</u>	<u>4,150</u>

8. Expenses		2022	2021
	Note	£	£
Administrative expenses	8.1	384,186	358,819
Other operating expenses	8.2	24,424	17,994
		<u>408,610</u>	<u>376,813</u>

8.1 Administrative expenses			
Employment costs	9.2	300,622	292,310
Recruitment costs		-	-
Travel and meetings		3,183	100
Auditors' fees		4,540	4,150
Accountancy		1,850	1,700
Volunteer expenses		196	37
Training costs		4,009	3,692
Computer maintenance		28,378	26,280
Advertising and promotion		3,179	3,758
Printing, stationery and postage		1,465	2,264
Bank charges		8,646	8,926
Depreciation		7,846	5,669
Telephone and internet		4,917	4,404
Legal and professional fees		4,418	1,078
Directors' and officers' insurance		900	775
Office expenses		9,187	2,576
Interest on subordinated loans		850	1,100
		<u>384,186</u>	<u>358,819</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2022

8.2 Other operating expenses

Other operating expenses comprise regulatory and financial management costs.

	2022	2021
	£	£
Regulatory and financial management costs		
Financial Conduct Authority and Prudential Regulation Authority fees and Financial Services Compensation Scheme levy	1,400	1,328
Association of British Credit Unions Limited dues	7,108	6,007
Fidelity bond insurance	3,260	2,840
Credit agency fees	12,656	7,819
	<u>24,424</u>	<u>17,994</u>

8.3 Exceptional Items

	2022	2021
	£	£
Balances written off	<u>36,711</u>	<u>-</u>

During the year the credit union wrote off various account balances which were not recoverable.

9. Employees and employment costs

9.1 Number of employees

The average monthly number of employees during the year were:

	2022	2021
	Number	Number
Office staff	<u>12</u>	<u>13</u>

9.2 Employment costs

	2022	2021
	£	£
Wages and salaries	271,013	264,869
Social security costs	18,728	16,396
Payments to defined contribution pension schemes	5,242	5,134
Staff benefit insurance	3,768	4,100
Payroll bureau costs	1,871	1,811
Total employment costs	<u>300,622</u>	<u>292,310</u>

9.3 Key Management Remuneration

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

The key management personnel is considered to be the Chief Executive Officer and the Operations Manager. Total remuneration paid to key management during the year was £101,179 (2021: £87,708).

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2022

10. Taxation

10.1 Recognised in the Revenue Account

The taxation charge for the year, based on the small profits rate of Corporation tax of 19% (2021: 19%) comprised:

	Note	2022 £	2021 £
Current tax			
UK Corporation tax	10.2	1,280	671
Underprovision prior years		-	-
Total current tax and total taxation expense recognised in the Revenue Account		<u>1,280</u>	<u>671</u>

10.2 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:

	2022 £	2021 £
Surplus / (deficit) before taxation	<u>(19,662)</u>	<u>58,388</u>
Surplus / (deficit) before taxation multiplied by small profits rate of corporation tax in the UK of 19% (2021: 19%)	(3,736)	11,094
Effects of:		
Non-taxable surplus / (deficit) on transactions with members	5,016	(10,423)
Total tax charge for the year	<u>1,280</u>	<u>671</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2022

11. Tangible fixed assets

Tangible fixed assets comprise office equipment:

	Office Equipment	Total
	£	£
Cost		
At 1 October 2021	57,548	57,548
Additions	<u>1,556</u>	<u>1,556</u>
At 30 September 2022	<u>59,104</u>	<u>59,104</u>
Depreciation		
At 1 October 2021	40,669	40,669
Charge for the year	<u>7,846</u>	<u>7,846</u>
At 30 September 2022	<u>48,515</u>	<u>48,515</u>
Net book value		
At 30 September 2022	<u>10,588</u>	<u>10,588</u>
At 30 September 2021	<u>16,879</u>	<u>16,879</u>

Croydon, Merton and Sutton Credit Union Limited

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For the Year ended 30 September 2022

12. Loans to members - financial assets

12.1 Loans to members	Note	2022 £	2021 £
At 1 October 2021		3,202,017	2,820,010
Advanced during the year		3,303,620	3,097,305
Repaid during the year		<u>(2,772,658)</u>	<u>(2,715,298)</u>
Gross loans to members	12.2	3,732,979	3,202,017
Impairment losses			
Individual financial assets		(243,414)	(233,683)
Groups of financial assets		<u>(35,020)</u>	<u>(31,056)</u>
	12.2	<u>(278,435)</u>	<u>(264,739)</u>
At 30 September 2022	12.2	<u><u>3,454,544</u></u>	<u><u>2,937,278</u></u>
Memorandum - Total loan assets for regulatory purposes		2022	2021
		£	£
Gross loans to members		3,732,979	3,202,017
Impairment of individual financial assets		<u>(243,414)</u>	<u>(233,683)</u>
Total loan assets for regulatory purposes	169.2	<u><u>3,489,565</u></u>	<u><u>2,968,334</u></u>

12.2 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.

	2022 £	2021 £
Not impaired:		
Neither past due nor impaired	1,672,307	1,678,248
Up to 3 months past due	<u>1,750,942</u>	<u>1,224,251</u>
	3,423,249	2,902,499
Individually impaired:		
Between 3 and 6 months past due	66,578	73,104
Between 6 and 9 months past due	43,680	45,268
Between 9 and 12 months past due	27,848	37,272
Over 12 months past due	<u>171,624</u>	<u>143,874</u>
	3,732,979	3,202,017
Impairment allowance	<u>(278,435)</u>	<u>(264,739)</u>
Total carrying value as at 30 September 2022	<u><u>3,454,544</u></u>	<u><u>2,937,278</u></u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2022

12.3 Allowance account for impairment losses

Note	2022 £	2021 £
At 1 October 2021	264,739	255,861
Allowances (reversed) / made during the year	<u>13,696</u>	<u>8,878</u>
At 30 September 2022	<u><u>278,435</u></u>	<u><u>264,739</u></u>

12.4 Impairment losses recognised for the year

	2022 £	2021 £
Impairment of individual financial assets	73,420	61,045
Allowances (reversed) / made during the year	<u>13,696</u>	<u>8,878</u>
Total impairment losses recognised for the year	87,116	69,923
Reversal of impairment where debts recovered	<u>(17,344)</u>	<u>(19,806)</u>
Total impairment recognised for the year	<u><u>69,772</u></u>	<u><u>50,117</u></u>

13. Other creditors

	2022 £	2021 £
UK Corporation tax	1,280	676
PAYE and National Insurance	-	-
Sundry Creditors	<u>25,697</u>	<u>27,995</u>
	<u><u>26,977</u></u>	<u><u>28,671</u></u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2022

14. Subordinated loans	Note	2022	2021
		£	£
London Borough of Croydon subordinated loans	14.1	80,000	100,000
Related party subordinated loans	14.2	<u>4,000</u>	<u>5,000</u>
		<u>84,000</u>	<u>105,000</u>

- 14.1 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 2023	20,000
Year ended 30 September 2024	20,000
Year ended 30 September 2025	20,000
Year ended 30 September 2026	<u>20,000</u>
	<u>80,000</u>

Only 75% of this subordinated loan can be treated as capital under the capital assets ratio in accordance with PRA rule 8.4. During the year the first repayment was made of £20,000.

- 14.2 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 2023	1,000
Year ended 30 September 2024	1,000
Year ended 30 September 2025	1,000
Year ended 30 September 2026	<u>1,000</u>
	<u>4,000</u>

Only 75% of this subordinated loan can be treated as capital under the capital assets ratio in accordance with PRA rule 8.4. During the year the first repayment was made of £1,000.

15. Members' deposits	2022	2021
	£	£
At 1 October 2021	5,376,839	4,974,339
Received during the year	6,564,584	6,328,343
Repaid during the year	<u>(5,992,651)</u>	<u>(5,925,843)</u>
At 30 September 2022	<u>5,948,772</u>	<u>5,376,839</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2022

16. Additional financial instruments disclosures

16.1 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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For the Year ended 30 September 2022

16.2 Interest rate risk disclosures

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

	2022	Average	2021	Average
	Amount	Interest	Amount	Interest
	£	rate	£	rate
Financial assets				
Loans to members	<u>3,489,565</u>	<u>14.0%</u>	<u>2,968,334</u>	<u>14.3%</u>
Financial liabilities				
Members shares	<u>5,948,772</u>	<u>0%</u>	<u>5,376,839</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.

16.3 Liquidity risk disclosures

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

16.4 Fair value of financial instruments

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

17. Reserves

Retained earnings represent the base capital of the credit union. It consists of the retained surpluses and deficits which have not been distributed as dividends.

18. Capital

The credit union classes all of its reserves as capital. Additionally capital comprises the subordinated debt that qualifies as capital. The credit union manages its reserves through its financial policies and procedures. The Prudential Regulation Authority (PRA) sets out the requirements for regulatory capital which the credit union must maintain. The credit union's compliance with the requirements at the year end is set out below:

	2022	2021
	%	%
Regulatory capital as % of total assets	<u>6.40</u>	<u>7.68</u>
Minimum threshold stipulated in Rule 8.5a (PRA rulebook)	<u>5.00</u>	<u>5.00</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2022

19. Cash and cash equivalents	2022	2021
	£	£
Loans and advances to banks and cash and cash equivalents	2,956,687	2,940,256
Less: Loans and advances to banks - amounts maturing after 8 days	<u>(964,069)</u>	<u>(564,621)</u>
Total cash and cash equivalents	<u>1,992,618</u>	<u>2,375,635</u>

20. Post balance sheet events

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

21. 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.

22. Related party transactions

Balances held by directors and their close family members in the credit union are set out below. Loans to directors and their close family members are on the same terms as those on offer to other members.

	2022	2021
	£	£
Loans to directors and their close family	10,254	4,789
Shares held by directors and their close family	2,750	4,253

Balances held by members of key management and their close family members in the credit union are set out below. Loans to key management are provided at a discounted rate of 25% of the normal rate for the relevant loan product. Loans to close family members of key management are on standard terms.

	2022	2021
	£	£
Loans to key management and their close family	17,633	16,021
Shares held by key management and their close family	24,561	12,185

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. During the year the first repayment was made of £1,000. (see note 14.2).