

**Croydon, Merton and Sutton Credit Union Limited**

**Report of the Directors and**

**Audited Financial Statements**

**For the Year Ended 30 September 2023**

# Croydon, Merton and Sutton Credit Union Limited

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**For the Year ended 30 September 2023**

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# Croydon, Merton and Sutton Credit Union Limited

## Administrative Information

For the Year ended 30 September 2023

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

**Directors:**

Victoria Tonks	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-Thomas	

**Registered Office:** 221 The Lansdowne Building  
2 Lansdowne Road  
Croydon  
Surrey  
CR9 2ER

### 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  
Cambridge & Counties Bank Limited

**Chair's Report**

**For the Year ended 30 September 2023**

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I am pleased to present to you our Annual Report and Accounts for 2022-2023.

I think that after the Covid Pandemic and all the social and economic issues that arose we probably felt that heading into 2023 we'd experience more stability. Conflict between Russia and Ukraine that began in 2022 demonstrated that global events can have a huge impact on our personal finance and this, with local political complications, has continued to contribute to high inflation and cost of living for us all.

The good news is that our Credit Union is continuing to prosper and provides certainty amongst the turmoil. We've been able to provide you with the products and services that you need.

By the end of the 2022-23 financial year, we had:

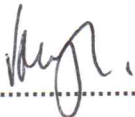
- Reviewed and reduced our membership down to approximately 7000 members, this allows us to focus more on the members who are actively engaged
- Supported our membership with loans allocated in the year totaling £2.6m;
- Seen an increase in service requests from members considered vulnerable, meaning we are helping to support more of our members through difficult times
- Worked with Merton Council to establish the Merton Young Saver scheme which encourages our children to build positive habits around saving money and future financial resilience

2023 presented our credit union with some challenges; we'd planned to establish a new office in Sutton to allow us to better serve the needs of members there, we moved into the ORU space Sutton in October. An unplanned change came from Croydon Council serving 3 months' notice for us to quit Bernard Wetherall House in October 2023. We had to find new premises and relocate within Croydon, both for our office team, IT server and member access point. It is a credit to the whole team that they achieved two moves in three months whilst also serving the needs of our members, well done!

I joined the board following the AGM in March 2023 and agreed to become Chair in April 2023, I like my fellow directors am a volunteer, our role is to provide oversight and direction for the credit union. We're fortunate to have a talented and hardworking team and I'd like to thank all 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.

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.

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 every day. Thank you for being a member!



.....  
**Victoria Tonks 19 March 2024**

**Chair**



**Report of the Directors**

**For the Year ended 30 September 2023**

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The Directors present their report and financial statements of the Credit Union for the year ended 30 September 2023.

**Principal Activities**

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

**Results**

The surplus for the year ended 30 September 2023 was £80,313 (2022 £20,942 deficit). The General Reserves are stated at £449,659 (2022 £369,346).

The Directors intend to recommend a dividend payment of 1% in respect of the year ended 30 September 2023.

**Board Membership and Directors**

**Current**

- Victoria Tonks – Chair (elected 2023 AGM)
- Simon Byrne – Vice Chair (elected 2023 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 2023 AGM)
- Catherine Black (Corporate Director)
- Daniel Ayeni (elected 2021 AGM)
- Laurie Pocock (elected 2022 AGM)
- Carol Squires (Corporate Director)
- Victoria Roberts (elected 2023 AGM)

**Previous**

- Simon Wales – Vice Chair /Acting Chair (resigned)

**Review of the Year**

During the year, an average of 77 new members joined the Credit Union each month, with over 20 from Merton or Sutton. Approximately 1,400 dormant accounts with nil balances and no transactions in the last year were closed. As at 30 September 2023 total membership was 6,869. There were also 265 junior members. The total value of members' share accounts was £6.1m at the year end, up from £5.9m in 2022.

A total of 2,663 new loans were allocated in the year with a total value of £2.6m. At the year end the value of loans outstanding, before provisions, was £3.7m, broadly unchanged from 2022. Total interest receivable from loans to members was £525,813 (2022 £488,598).

The credit union has reached an agreement with the London Borough of Merton to operate a scheme for young savers entering school Year 7. Eligible young people will receive an initial deposit into their account and an associated adult account will have their joining fee paid. This should boost member numbers in Merton and help to improve financial literacy. The scheme was launched in September 2023.

Providing a timely and professional service to our members is a key priority. We continually review our systems and processes to ensure we can provide the best service we can, whether by telephone, electronic channels or face to face.

**Report of the Directors**

**For the Year ended 30 September 2023**

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During the year we handled over 16,000 calls via our new VoIP telephony system. About 73% of calls received were answered. We aim to improve this to at least 80% in 2023-24.

Online services are provided via our website, Nivo and our Mobile App. Big changes to improve our service further are planned for 2023/24 with the aim of enabling members to self-serve 24 hours a day.

We attended over 500 pre-booked face to face appointments with our members and served around 600 members via a walk-in service.

We continue to provide services to some of the most vulnerable members of our community, providing them with access to financial services. We processed over 700 cheques enabling vulnerable members to access their benefits.

CroydonPlus now has a permanent presence on Sutton High Street at Oruspace in Times Square. We expect this move to improve the service to Sutton-based members and make it easier to attract new members from Sutton. We have received notice to vacate our space in Croydon Council offices (Bernard Weatherill House) and have secured alternative accommodation in central Croydon.

Along with our office changes, we have invested in our IT infrastructure and technology which allows us to remain flexible in our future operations and provide improved levels of services to our members.

**Staff & Volunteers**

The Credit Union staff team has continued to provide excellent service to our members.

During the year we welcomed one new staff member and two new member volunteers who joined the team.

We said goodbye to three team members who left the team to engage in new career opportunities.

**Credit Union Team 2022-2023**

**Staff**

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

**Member Volunteers**

- Amanda Browne
- Jentine Nelson
- Lailani Wilson

**Report of the Directors**

**For the Year ended 30 September 2023**

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All new and existing team members undergo regular training to ensure that they keep up to date with the latest developments in the financial services sector.

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

We would like to say a special thanks to the following departing staff members and wish them well in their future endeavors:

- Annie Bassey
- Chelsea Dash
- Eva Musoke

**Supervisory committee**

During 2022-23 we recruited new members for the Supervisory Committee, which provides an independent review function for the Credit Union.

Current members are:

- Bello Endurance (Chair)
- Megha Agarwal
- Marcus Sinclair

**Supporting Communities**

We would like to thank the many organisations with whom we have worked and who have supported the Credit Union and the local community over the last year. These include:

**Croydon**

- Croydon Council
- Council Croydon - Security and Corporate Reception Teams
- Croydon JobCentre (Access Croydon)
- New Addington Family Centre

**Merton**

- Merton Council
- FLEX FM 101.4 - Community Radio
- Merton Adult Learning

**Sutton**

- Sutton Council
- Hill House - Sutton Community Action
- OruSpace Sutton
- Sutton Housing Partnership (SHP)
- Sutton JobCentre



**Report of the Directors**

**For the Year ended 30 September 2023**

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**Other**

- Association of British Credit Unions Limited (ABCUL)
- Citizens Advice Bureau
- Credit Union Foundation
- CU Apps
- ENGAGE
- Fair 4 All Finance
- Illegal Money Lending Team (IMLT)
- London Capital Credit Union
- Lewisham Plus Credit Union
- Money and Pension Service (MaPS)
- Network London
- Nivo
- Sercle
- SCIP | IT Services for Charities and Community
- Voip Studio
- Wix

**Feedback**

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

**Future aims**

- Maintain and improve the financial resilience 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
- Identify and secure accommodation across Croydon, Merton and Sutton that supports the delivery of our business strategy

**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.

**Report of the Directors**

**For the Year ended 30 September 2023**

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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**

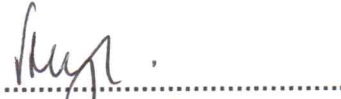
Each person who was a director at the time this report was approved confirms that:

- 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.

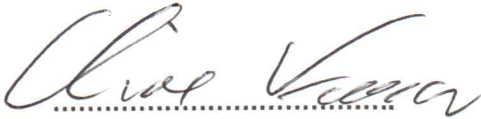
This report was approved by the Board of Directors on 19 March 2024 and signed on its behalf by:



Philip Butlin (Treasurer)



Victoria Tonks (Chair)



Clive Fraser (Secretary)

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

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***Opinion***

We have audited the financial statements of Croydon, Merton and Sutton Credit Union Limited for the year ended 30 September 2023 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 2023 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**

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***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 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**

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- 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.

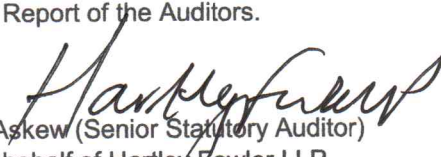
As a result of performing the above, we did not identify any key matters related to the potential risk of fraud or non-compliance with laws and regulations.

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](http://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

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# Croydon, Merton and Sutton Credit Union Limited

## Revenue Account

For the Year ended 30 September 2023

	Note	2023 Total £	2022 Total £
Loan interest receivable	5	525,813	488,598
Interest payable	5.1	-	(24,551)
Net interest income		525,813	464,047
Fees receivable		14,008	13,110
		539,821	477,157
Other operating income	6	53,658	18,274
Administrative expenses	8.1	(447,089)	(384,186)
Other operating expenses	8.2	(22,430)	(24,424)
Exceptional items	8.3	-	(36,711)
Impairment losses on loans to members	12.4	(37,387)	(69,772)
Surplus / (Deficit) before taxation		86,573	(19,662)
Taxation	9	(6,260)	(1,280)
Surplus / (Deficit) for the financial year		80,313	(20,942)
Other comprehensive income		-	-
Total comprehensive income		80,313	(20,942)

# Croydon, Merton and Sutton Credit Union Limited

## Balance sheet

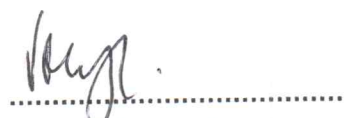
For the Year ended 30 September 2023

	Note	2023 £	2022 £
<b>ASSETS</b>			
Tangible Fixed Assets	11	3,831	10,589
Loans to members	12	3,457,511	3,454,544
Other debtors		32,566	7,275
Loans and advances to banks	19	1,889,289	964,069
Cash and cash equivalents	19	<u>1,301,136</u>	<u>1,992,618</u>
<b>Total assets</b>		<b><u>6,684,333</u></b>	<b><u>6,429,095</u></b>
<b>LIABILITIES</b>			
Members' Share Capital	15	6,135,971	5,948,772
Subordinated Loans	14	63,000	84,000
Other creditors	13	<u>35,703</u>	<u>26,977</u>
		<b>6,234,674</b>	<b>6,059,749</b>
<b>RESERVES</b>			
Retained earnings	17	<u>449,659</u>	<u>369,346</u>
<b>Total liabilities</b>		<b><u>6,684,333</u></b>	<b><u>6,429,095</u></b>

The financial statements were approved, and authorised for issue, by the board on 19 March 2024 and signed on its behalf by:



Philip Butlin (Treasurer)



Victoria Tonks (Chair)



Clive Fraser (Secretary)

**Croydon, Merton and Sutton Credit Union Limited**

**Statement of changes in Retained Earnings**

**For the Year ended 30 September 2023**

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	<b>2023</b>	2022
	<b>£</b>	£
As at 1 October 2022	369,346	390,288
Total comprehensive income for the year	80,313	(20,942)
As at 30 September 2023	<u><b>449,659</b></u>	<u><b>369,346</b></u>

# Croydon, Merton and Sutton Credit Union Limited

## Statement of Cash Flows

For the Year ended 30 September 2023

	Note	2023 £	2022 £
<b>Cash flows from operating activities</b>			
Surplus/(deficit) before taxation		86,573	(19,662)
Adjustments for non-cash items:			
Add: Depreciation	11	6,758	7,846
Provision for impairment losses	12.4	49,986	87,116
Less: Impairment of individual financial assets	12.4	<u>(72,480)</u>	<u>(73,420)</u>
		(15,736)	21,542
Movements in:			
Debtors		(25,291)	(891)
Creditors		<u>3,746</u>	<u>(2,301)</u>
		(21,545)	(3,192)
<b>Cash flows from changes in operating assets and liabilities</b>			
Cash inflow from members' deposits	15	6,659,900	6,564,584
Cash outflow from repaid members' deposits	15	(6,472,700)	(5,992,651)
New loans to members	12.1	(3,112,268)	(3,374,140)
Repayment of loans by members	12.1	<u>3,131,795</u>	<u>2,843,178</u>
		206,726	40,971
Corporation tax paid	10	(1,280)	(671)
<b>Net cash flows from operating activities</b>		<u>254,738</u>	<u>38,987</u>
<b>Financing activities</b>			
Repayment of subordinated loans		(21,000)	(21,000)
<b>Net cash flows from investing activities</b>			
Purchase of office equipment	11	-	(1,556)
Net cash flow from managing liquid deposits	19	(925,220)	(399,448)
Cash and cash equivalents at 1 October 2022	19	<u>1,992,618</u>	<u>2,375,635</u>
Cash and cash equivalents at 30 September 2023	19	<u><u>1,301,136</u></u>	<u><u>1,992,618</u></u>



# Croydon, Merton and Sutton Credit Union Limited

## Notes to the financial statements

### For the Year ended 30 September 2023

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#### 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 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.

# Croydon, Merton and Sutton Credit Union Limited

## Notes to the financial statements

### For the Year ended 30 September 2023

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#### **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. 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 2023

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#### 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	2023	2022
	£	£
Loan interest receivable from members	<u>525,813</u>	<u>488,598</u>

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

5.1 Interest payable	2023	2022
	£	£
Dividends paid on members' shares in the year	<u>-</u>	<u>24,551</u>

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

6. Other operating income	2023	2022
	£	£
Investment income	17,386	4,311
Bank interest received	15,562	2,425
Grant Income	20,000	10,000
Other income	710	1,539
	<u>53,658</u>	<u>18,274</u>



# Croydon, Merton and Sutton Credit Union Limited

## Notes to the financial statements

### For the Year ended 30 September 2023

7. Operating surplus/(deficit)		2023	2022
		£	£
This is stated after charging:			
Depreciation of owned assets		6,758	7,846
Auditors' remuneration for audit services		4,550	4,540
		<u>4,550</u>	<u>4,540</u>
8. Expenses		2023	2022
	Note	£	£
Administrative expenses	8.1	447,089	384,186
Other operating expenses	8.2	22,430	24,424
		<u>447,089</u>	<u>384,186</u>
		<u>469,519</u>	<u>408,610</u>
8.1 Administrative expenses			
Employment costs	9.2	355,638	300,622
Electronic Computer Crime and Public liability insurance		400	-
Travel and meetings		2,733	3,183
Auditors' fees		4,550	4,540
Accountancy		1,850	1,850
Volunteer expenses		393	196
Training costs		5,720	4,009
Computer maintenance		29,999	28,378
Advertising and promotion		7,902	3,179
Printing, stationery and postage		2,933	1,465
Bank charges		9,593	8,646
Depreciation		6,758	7,846
Telephone and internet		5,729	4,917
Legal and professional fees		71	4,418
Directors' and officers' insurance		900	900
Office expenses		11,270	9,187
Interest on subordinated loans		650	850
		<u>447,089</u>	<u>384,186</u>

# Croydon, Merton and Sutton Credit Union Limited

## Notes to the financial statements

### For the Year ended 30 September 2023

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#### 8.2 Other operating expenses

Other operating expenses comprise regulatory and financial management costs.

	2023	2022
	£	£
<b>Regulatory and financial management costs</b>		
Financial Conduct Authority and Prudential Regulation Authority fees and Financial Services Compensation Scheme levy	1,400	1,400
Association of British Credit Unions Limited dues	5,169	7,108
Fidelity bond insurance	3,260	3,260
Credit agency fees	12,601	12,656
	<u>22,430</u>	<u>24,424</u>

#### 8.3 Exceptional Items

	2023	2022
	£	£
Balances written off	<u>-</u>	<u>36,711</u>

In the previous 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:

	2023	2022
	Number	Number
Office staff	<u>13</u>	<u>12</u>

#### 9.2 Employment costs

	2023	2022
	£	£
Wages and salaries	318,687	271,013
Social security costs	23,068	18,728
Payments to defined contribution pension schemes	6,845	5,242
Staff benefit insurance	5,091	3,768
Payroll bureau costs	1,947	1,871
Total employment costs	<u>355,638</u>	<u>300,622</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 £101,956 (2022: £101,179).

# Croydon, Merton and Sutton Credit Union Limited

## Notes to the financial statements

### For the Year ended 30 September 2023

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#### 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% (2022: 19%) comprised:

	Note	2023 £	2022 £
Current tax			
UK Corporation tax	10.2	6,260	1,280
Underprovision prior years		-	-
Total current tax and total taxation expense recognised in the Revenue Account		<u>6,260</u>	<u>1,280</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:

	2023 £	2022 £
Surplus / (deficit) before taxation	<u>86,573</u>	<u>(19,662)</u>
Surplus / (deficit) before taxation multiplied by small profits rate of corporation tax in the UK of 19% (2022: 19%)	16,449	(3,736)
<b>Effects of:</b>		
Non-taxable surplus / (deficit) on transactions with members	(10,189)	5,016
Total tax charge for the year	<u>6,260</u>	<u>1,280</u>



# Croydon, Merton and Sutton Credit Union Limited

## Notes to the financial statements

### For the Year ended 30 September 2023

#### 11. Tangible fixed assets

Tangible fixed assets comprise office equipment:

	Office Equipment £	Total £
<b>Cost</b>		
At 1 October 2022	59,104	59,104
Additions	-	-
<b>At 30 September 2023</b>	<u>59,104</u>	<u>59,104</u>
<b>Depreciation</b>		
At 1 October 2022	48,515	48,515
Charge for the year	6,758	6,758
<b>At 30 September 2023</b>	<u>55,273</u>	<u>55,273</u>
Net book value		
<b>At 30 September 2023</b>	<u>3,831</u>	<u>3,831</u>
At 30 September 2022	<u>10,589</u>	<u>10,589</u>

#### 12. Loans to members - financial assets

##### 12.1 Loans to members

	Note	2023 £	2022 £
At 1 October 2022		3,732,979	3,202,017
Loans advanced during the year		2,586,455	2,885,542
Loan Interest charged		525,813	488,598
Loans written off during the year		(72,480)	(73,420)
Loans recovered during the year		12,599	17,344
Loans repaid during the year		<u>(3,071,914)</u>	<u>(2,787,102)</u>
<b>Gross loans to members</b>	<b>12.2</b>	3,713,452	3,732,979
Impairment losses			
Individual financial assets		(223,648)	(243,414)
Groups of financial assets		<u>(32,293)</u>	<u>(35,020)</u>
	<b>12.2</b>	<u>(255,941)</u>	<u>(278,435)</u>
<b>At 30 September 2023</b>	<b>12.2</b>	<u>3,457,511</u>	<u>3,454,544</u>

# Croydon, Merton and Sutton Credit Union Limited

## Notes to the financial statements

### For the Year ended 30 September 2023

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<b>Memorandum - Total loan assets for regulatory purposes</b>	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Gross loans to members	3,713,452	3,732,979
Impairment of individual financial assets	<u>(223,648)</u>	<u>(243,414)</u>
Total loan assets for regulatory purposes <b>16.2</b>	<u><u>3,489,804</u></u>	<u><u>3,489,565</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.

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Not impaired:</b>		
Neither past due nor impaired	1,861,708	1,672,307
Up to 3 months past due	<u>1,614,644</u>	<u>1,750,942</u>
	3,476,352	3,423,249
<b>Individually impaired:</b>		
Between 3 and 6 months past due	47,226	66,578
Between 6 and 9 months past due	48,638	43,680
Between 9 and 12 months past due	26,223	27,848
Over 12 months past due	<u>115,013</u>	<u>171,624</u>
	3,713,452	3,732,979
<b>Impairment allowance</b>	<u>(255,941)</u>	<u>(278,435)</u>
<b>Total carrying value as at 30 September 2023</b>	<u><u>3,457,511</u></u>	<u><u>3,454,544</u></u>

# Croydon, Merton and Sutton Credit Union Limited

## Notes to the financial statements

### For the Year ended 30 September 2023

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#### 12.3 Allowance account for impairment losses

	2023	2022
Note	£	£
At 1 October 2022	278,435	264,739
Allowances (reversed) / made during the year	<u>(22,494)</u>	<u>13,696</u>
At 30 September 2023	<u>255,941</u>	<u>278,435</u>

#### 12.4 Impairment losses recognised for the year

	2023	2022
	£	£
Impairment of individual financial assets	72,480	73,420
Allowances (reversed) / made during the year	<u>(22,494)</u>	<u>13,696</u>
Total impairment losses recognised for the year	49,986	87,116
Reversal of impairment where debts recovered	<u>(12,599)</u>	<u>(17,344)</u>
<b>Total impairment recognised for the year</b>	<u>37,387</u>	<u>69,772</u>

#### 13. Other creditors

	2023	2022
	£	£
UK Corporation tax	6,260	1,280
Sundry Creditors	<u>29,443</u>	<u>25,697</u>
	<u>35,703</u>	<u>26,977</u>

# Croydon, Merton and Sutton Credit Union Limited

## Notes to the financial statements

### For the Year ended 30 September 2023

14. Subordinated loans	Note	2023	2022
		£	£
London Borough of Croydon subordinated loans	14.1	60,000	80,000
Related party subordinated loans	14.2	<u>3,000</u>	<u>4,000</u>
		<u>63,000</u>	<u>84,000</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 2024	20,000
Year ended 30 September 2025	20,000
Year ended 30 September 2026	20,000
	<u>60,000</u>

Only 40% 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 second 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 2024	1,000
Year ended 30 September 2025	1,000
Year ended 30 September 2026	1,000
	<u>3,000</u>

Only 40% 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 second repayment was made of £1,000.

15. Members' deposits	2023	2022
	£	£
At 1 October 2022	5,948,772	5,376,839
Received during the year	6,659,900	6,564,584
Repaid during the year	<u>(6,472,700)</u>	<u>(5,992,651)</u>
<b>At 30 September 2023</b>	<u>6,135,971</u>	<u>5,948,772</u>



# Croydon, Merton and Sutton Credit Union Limited

## Notes to the financial statements

### For the Year ended 30 September 2023

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#### 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

## Notes to the financial statements

### For the Year ended 30 September 2023

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#### 16.2 Interest rate risk disclosures

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

	2023	Average	2022	Average
	Amount	Interest	Amount	Interest
	£	rate	£	rate
<b>Financial assets</b>				
Loans to members	<u>3,489,804</u>	<u>15.1%</u>	<u>3,489,565</u>	<u>14.0%</u>
<b>Financial liabilities</b>				
Members shares	<u>6,135,971</u>	<u>0%</u>	<u>5,948,772</u>	<u>0%</u>

The interest rates applicable to loans to members are fixed and range from 1% to 36%.

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:

	2023	2022
	%	%
Regulatory capital as % of total assets	<u>7.10</u>	<u>6.40</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 2023

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19. Cash and cash equivalents	2023	2022
	£	£
Loans and advances to banks and cash and cash equivalents	3,190,425	2,956,687
Less: Loans and advances to banks - amounts maturing after 8 days	<u>(1,889,289)</u>	<u>(964,069)</u>
Total cash and cash equivalents	<u>1,301,136</u>	<u>1,992,618</u>

#### 20. Post balance sheet events

After the balance sheet date the credit union entered into office service agreements for a one year period with total annual fees of £42,825.

#### 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.

	2023	2022
	£	£
Loans to directors and their close family	10,260	10,254
Shares held by directors and their close family	13,465	2,750

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.

	2023	2022
	£	£
Loans to key management and their close family	14,613	17,633
Shares held by key management and their close family	12,781	24,561

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 second repayment was made of £1,000. (see note 14.2).