

The Co-Operative Family Credit Union Limited

**Report and
Financial statements**

For the year ended

30th September 2016

Firm Reference Number	213649
Registered Number	588c

The Co-Operative Family Credit Union Limited

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For the year ended 30th September 2016

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The Co-Operative Family Credit Union Limited

Administrative Information
For the year ended 30th September 2016

Directors at the date of authorisation of the financial statements

Christopher Smith
Claire Dalton
David Dickman
Nick Money
Andrew Oldale
Karen Knott
Rebecca Hamilton
David Roberts

Reg No: 588c

Registered Office:

1 Angel Square
Manchester
Lancashire
M60 0AG

Auditors:

Beever and Struthers
St. George's House
215/219 Chester Road
Manchester
M15 4JE

Bankers:

The Co-operative Bank

The Co-Operative Family Credit Union Limited

Directors' Report and Statement of the Board of Directors Responsibilities
For the year ended 30th September 2016

The directors present their report and the financial statements of the credit union for the year ended 30 September 2016.

Principal activity

The Credit Union's principal activity is that of a credit union offering savings and loan opportunities to its members.

Statement of the Board of Directors responsibilities

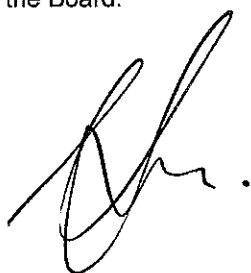
Under the Co-operative and Community Benefit Societies Act 2014, as a registered society the Credit Union is required to:

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

The Board of Directors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Credit Union and to enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. The Board is also responsible for safeguarding the assets of the Credit Union and hence for taking reasonable steps for the protection and detection of fraud and other irregularities.

Signed on behalf of the Board:

Director



The Co-Operative Family Credit Union Limited

Auditors' report to the members

We have audited the financial statements of The Co-Operative Family Credit Union Limited for the year ended 30 September 2016 incorporating the revenue account, balance sheet, statement of retained earnings and cash flow statement. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Credit Union's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditor

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

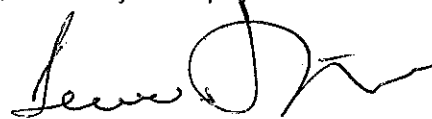
- give a true and fair view of the state of the credit union's affairs as at 30 September 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and with the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

- proper books of account have not been kept by the credit union in accordance with the requirements of the legislation,
- a satisfactory system of control over transactions has not been maintained by the credit union in accordance with the requirements of the legislation,
- the revenue account or the other accounts (if any) to which our report relates, and the balance sheet are not in agreement with the books of account of the credit union, or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

St. George's House
215/219 Chester Road
Manchester
M15 4JE


Beaver and Struthers
Statutory Auditors
Chartered Accountants

Dated: 25.1.2017

The Co-Operative Family Credit Union Limited

Revenue Account
For the year ended 30th September 2016

	Note	2016 £	2015 £
Loan interest and similar income receivable	4	405,907	380,029
Interest payable	5	<u>(10,060)</u>	<u>(30,506)</u>
Net interest income		395,847	349,523
Other income	6	<u>74,041</u>	<u>58,294</u>
Total net income		469,888	407,817
Administration expenses	8a	(276,591)	(312,331)
Other operating expenses	8b	(22,051)	(24,704)
Depreciation and amortisation		-	-
Grant income		-	100,000
Impaired losses on loans to members	11d	<u>(67,536)</u>	<u>(135,353)</u>
Surplus before taxation		103,710	35,429
Taxation	9a	(8,810)	(8,185)
Total comprehensive income		<u>94,900</u>	<u>27,244</u>

There are no other items of comprehensive income other than reported above.

There is no difference between the result transferred to reserve above and its historical cost equivalent.

The notes on pages 8 to 18 form part of these financial statements

The Co-Operative Family Credit Union Limited

Balance Sheet
As at 30th September 2016

ASSETS	Note	2016 £	2015 £
Cash, cash equivalents and liquid deposits:			
Loans and advances to banks	16	<u>3,113,740</u>	<u>2,129,842</u>
Loans and advances to members	11c	1,918,445	2,312,623
Tangible fixed assets	10	-	-
Prepayments and accrued income		491	4,381
Total assets		<u><u>5,032,676</u></u>	<u><u>4,446,846</u></u>
LIABILITIES			
Subscribed capital - repayable on demand	13	4,559,036	4,058,551
Other payables	14	<u>25,310</u>	<u>34,865</u>
		4,584,346	4,093,416
Retained earnings			
General reserve	12	448,330	353,430
Total liabilities		<u><u>5,032,676</u></u>	<u><u>4,446,846</u></u>

The financial statements were approved, and authorised for issue, by the Board and signed on its behalf by:

Director



Director



Secretary



Date of approval: 25.01.2017

The notes on pages 8 to 18 form part of these financial statements

The Co-Operative Family Credit Union Limited

Statement of changes to retained earnings
For the year ended 30th September 2016

	2016 £	2015 £
As at 1st October 2015	353,430	326,186
Total comprehensive surplus for the year	94,900	27,244
As at 30th September 2016	<u>448,330</u>	<u>353,430</u>

The notes on pages 8 to 18 form part of these financial statements

The Co-Operative Family Credit Union Limited

Cash Flow Statement

For the year ended 30th September 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Surplus before taxation		103,710	35,429
Adjustment for non-cash items			
Depreciation	10	-	-
Impaired (gains) / losses	11e	76,869	143,209
		<u>76,869</u>	<u>143,209</u>
Movements in:			
Debtors		3,890	(1,084)
Other payables	14	(10,180)	(9,998)
		<u>(6,290)</u>	<u>(11,082)</u>
Cash flows from changes in operating assets and liabilities			
Cash inflow from subscribed capital	13	4,183,193	3,965,557
Cash outflow from repaid capital	13	(3,692,768)	(3,526,249)
New loans (to) / repaid by members	11a	(2,345,365)	(2,718,480)
Interest charged	11a	(361,858)	(339,103)
Repayment of loans by members	11a	3,024,532	3,051,027
		807,734	432,752
Dividends paid		10,060	30,506
Taxation paid		(8,185)	(5,070)
Net cash flow from operating activities		<u>983,898</u>	<u>625,744</u>
Cash flows from investing activities			
Additions to tangible fixed assets	10	-	-
		<u>983,898</u>	<u>625,744</u>
Net increase in cash and cash equivalents			
Cash and cash equivalent at beginning of year		2,129,842	1,504,098
Cash and cash equivalent at end of year	16	<u>3,113,740</u>	<u>2,129,842</u>

The notes on pages 8 to 18 form part of these financial statements

The Co-Operative Family Credit Union Limited

Notes to the financial statements
For the year ended 30th September 2016

1 Legal and regulatory framework

The Credit Union is a society registered under the Co-operative and Provident Societies Act 1965, whose principal activity is to operate as a credit union, within the meaning of the Credit Union Act 1979. The Credit Union has registered with the Financial Conduct 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 the Credit Union has only issued redeemable shares.

2 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the UK and the Republic of Ireland.

The financial statements are prepared on the historic cost basis.

First-time adoption of FRS 102

These are the Credit Union's first financial statements to comply with FRS102.

The 1 October 2014 transition to reporting under FRS 102 has resulted in a small number of necessary accounting policy changes compared to those applied previously. These policy changes have had no material impact on retained earnings and surplus or deficit presented previously.

Going concern

The financial statements are prepared on a going concern basis.

Income

Loan interest receivable and similar income: Interest on both loans to members and loans to banks (i.e. cash and equivalents held on deposit with other financial institutions) is recognised using the effective interest method and is calculated and accrued on a daily basis.

Fees and commissions receivable: Fees and charges either accrue evenly over the year or arise in connection with a specific transaction. Income relating to a specific transaction is recognised when the transaction is complete.

Other income: Other income is recognised either evenly over the period to which it relates or when the transaction is complete.

Tangible fixed assets

Fixed assets are stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation on each item of fixed assets is provided on straight line basis over its estimated useful life as follows:

Computer equipment	33.30% on cost
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The Co-Operative Family Credit Union Limited

Notes to the financial statements
For the year ended 30th September 2016

2 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents represent cash on hand and loans and advances to banks (i.e. cash deposited with banks with short-term maturity).

Deferred grants and funding / revenue contributions

Deferred grants in respect of capital expenditure are credited to the income and expenditure account over the estimated useful life of the relevant fixed assets. Deferred grants and funding in respect of revenue items are credited to the income and expenditure account over the period to which they relate or to match the relevant expenditure. The grants / funding shown in the balance sheet represent the grants / funding receivable to date less the amount so far credited to the income and expenditure account.

Financial assets - Loans and advances to members

Loans to members are financial assets with fixed or determinable payments. Loans are made to members for provident or productive purposes on such security (or without security) and terms as the rules of the Credit Union provide. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

The Credit Union does not transfer loans to third parties.

Impairment of financial assets

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 characteristics, because no loans are individually significant, if during the year there is objective evidence that any individual loan is impaired then a separate loss will be recognised.

Financial liabilities - subscribed capital

Members' shareholdings in the Credit Union are redeemable and therefore are classified as financial liabilities, and defined as subscribed capital.

Retained earnings

Retained earnings are the audited accumulated profits or losses, or both of The Credit Union after payment of tax and dividends. Retained earnings also include other realised gains and gifts of capital from sponsoring organisations.

There are two components within retained earnings:

General reserves: Each year a credit union must transfer 20% of any after tax profit to its general reserve until the general reserve stands at 10% of total assets. A credit union may not transfer from its general reserve where its general reserve stands at less than 10% of total assets.

Unappropriated reserve: Retained earnings not applied to general reserves are for the purpose of absorbing unexpected losses, the payment of dividends and enabling extraordinary expenditure.

The Co-Operative Family Credit Union Limited

Notes to the financial statements
For the year ended 30th September 2016

3 The use of 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 the Credit Union's accounting policies. The area where assumptions, judgements and estimates are most significant to the financial statements is discussed below.

Impaired losses on loans to members

Impaired losses on loans to members are determined after specifically reviewing all loans in arrears. The criteria used is whether the loan will be paid in the medium term and whether there is a regular pattern of repayments.

4 Loan interest receivable and similar income

	2016 £	2015 £
Loan interest receivable from members	361,858	339,103
Bank interest receivable on cash and liquid deposits	<u>44,049</u>	<u>40,926</u>
Total loan interest receivable and similar income	<u>405,907</u>	<u>380,029</u>

5 Interest expense

Interest expense is the dividend paid to members for the prior year. The dividend is formally proposed by the Directors after the year end and is confirmed at the following AGM. As a result it does not represent a liability at the balance sheet date. The Credit Union has no interest bearing shares and does not offer rebates on loan interest received. Any donations made are expensed.

	2016 £	2015 £
Dividend paid during the year	<u>10,060</u>	<u>30,506</u>
Dividend rate:		
Ordinary share accounts	0.25%	1.00%

The Co-Operative Family Credit Union Limited

Notes to the financial statements

For the year ended 30th September 2016

6 Other income

	2016 £	2015 £
Donations	-	13,912
Entrance fees	3,798	5,586
Performance	5,776	-
Grant income - revenue	47,603	5,362
Legal fees recovered	16,864	13,025
CUEP income	-	19,639
Sundry	-	770
	<u>74,041</u>	<u>58,294</u>

7 Expenses

		2016 £	2015 £
Administration expenses	8a	276,591	312,331
Other operating expenses	8b	22,051	24,704
Depreciation and amortisation	11	-	-
		<u>298,642</u>	<u>337,035</u>

8a Administrative expenses

	2016 £	2015 £
Employment costs	202,782	241,161
Training and conferences	4,871	3,994
Auditor's remuneration - external audit	5,828	3,980
Bank charges	3,885	3,918
Debt collection fees and ID checks	21,897	39,000
Computer maintenance	15,903	10,321
Legal and professional	648	(1,061)
Printing, stationery, postage and advertising	4,893	3,275
Publicity and promotion	7,127	5,040
Website development	3,756	2,014
Sundry expenses	5,001	689
	<u>276,591</u>	<u>312,331</u>

The Co-Operative Family Credit Union Limited

Notes to the financial statements

For the year ended 30th September 2016

8b Other operating expenses

Other operating expenses comprise the costs of regulatory and financial management costs.

	2016 £	2015 £
Regulatory and financial management costs		
Registry fees	1,659	3,910
ABCUL dues	8,348	8,551
Fidelity bond	3,196	2,578
Loan and share insurance	8,848	9,665
	<u>22,051</u>	<u>24,704</u>
Total	<u>22,051</u>	<u>24,704</u>

8c Auditors remuneration

	2016 £	2015 £
Audit Fees	5,828	3,980
	<u>5,828</u>	<u>3,980</u>

9 Taxation

9a Recognised in the Revenue Account

Under section 487 of the Corporation Taxes Act 1988 the credit union is only liable for UK corporation tax on income from the investment of its surplus funds.

	2016 £	2015 £
UK corporation tax at 20% (2015: 20%).	8,810	8,185
	<u>8,810</u>	<u>8,185</u>

The Co-Operative Family Credit Union Limited

Notes to the financial statements
For the year ended 30th September 2016

10	Tangible fixed assets	Computer Equipment & Software	Total
		£	£
	Cost		
	At 1 October 2015	9,656	9,656
	Additions	-	-
	Disposals	-	-
	At 30 September 2016	<u>9,656</u>	<u>9,656</u>
	Depreciation		
	At 1 October 2015	9,656	9,656
	Charge for the year	-	-
	Disposals	-	-
	At 30 September 2016	<u>9,656</u>	<u>9,656</u>
	Net book value		
	At 30 September 2016	<u>-</u>	<u>-</u>
	At 30 September 2015	<u>-</u>	<u>-</u>
11	Loans and advances to members - financial assets	2016	2015
		£	£
11a	Loans and advanced to members		
	As at 1 October 2015	2,493,450	2,520,088
	Advanced during the year	2,345,365	2,718,480
	Interest charged	361,858	339,103
	Repaid during the year	(3,024,532)	(3,051,027)
	Gross Loans and advancements to members	<u>2,176,141</u>	<u>2,526,644</u>
	Individual financial assets	-	(33,194)
	Groups of financial assets	<u>(257,696)</u>	<u>(180,827)</u>
		<u>(257,696)</u>	<u>(214,021)</u>
	As at 30 September 2016	<u>1,918,445</u>	<u>2,312,623</u>

The Co-Operative Family Credit Union Limited

Notes to the financial statements
For the year ended 30th September 2016

11b Credit risk disclosure - Total loans for regulatory purposes

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

The limit on how much may be borrowed by each member is 1.5% of total shares of the credit union.

The average amount borrowed by individual members in the financial year was £812. For the previous year the average was £884.

The carrying amount of the loans to members represents the Credit Union's maximum exposure to credit risk. The following table provides information on the credit quality of loan repayments. For loans less than three months in arrears it is expected the amounts repayable will be paid in full and accordingly only have a 2% net of savings general impairment allowance.

	2016		2015	
	Amount £	Proportion %	Amount £	Proportion %
Arrears analysis:				
Not yet past due	1,808,195	83.09%	2,219,415	89.01%
Up to 3 months past due	95,049	4.37%	82,010	3.29%
Between 3 and 6 months past due	21,295	0.98%	55,793	2.24%
Between 6 and 9 months past due	22,422	1.03%	-	0.00%
Between 9 and 12 months past due	26,975	1.24%	-	0.00%
Over 1 year past due	202,205	9.29%	136,233	5.46%
	2,176,141	100%	2,493,450	100%
Impairment allowance	(257,696)		(180,827)	
Total carrying value of loans	1,918,445		2,312,623	

Factors that are considered in determining whether loans are impaired are discussed in Note 3.

The Co-Operative Family Credit Union Limited

Notes to the financial statements
For the year ended 30th September 2016

11c Allowance account for impairment losses

	2016 £	2015 £
As at 1 October 2015	180,827	70,812
Increase in allowance losses in year	<u>76,869</u>	<u>110,015</u>
As at 30 September 2016	<u><u>257,696</u></u>	<u><u>180,827</u></u>

11d Impairment losses recognised for the year

	2016 £	2015 £
Impairment of individual financial assets	-	33,194
Increase in impairment allowances during the year	<u>76,869</u>	<u>110,015</u>
	<u>76,869</u>	<u>143,209</u>
Reversal of impairment where debts recovered	<u>(9,333)</u>	<u>(7,856)</u>
Total impairment losses recognised for the year	<u><u>67,536</u></u>	<u><u>135,353</u></u>

12 Reserves

	Unappropriated Reserve	General Reserve	Total
At 1 October 2015	54,232	299,198	353,430
Comprehensive surplus for the year	94,900	-	94,900
Transfers	<u>(21,226)</u>	<u>21,226</u>	<u>-</u>
At 30 September 2016	<u><u>127,906</u></u>	<u><u>320,424</u></u>	<u><u>448,330</u></u>

13 Subscribed capital and juniors' deposits - movements during the year

	2016 £	2015 £
As at 1 October 2015	4,058,551	3,588,737
Received during the year	4,183,193	3,965,557
Dividend	10,060	30,506
Repaid during the year	<u>(3,692,768)</u>	<u>(3,526,249)</u>
As at 30 September 2016	<u><u>4,559,036</u></u>	<u><u>4,058,551</u></u>

Deposits from adult members may only be made by way of subscription to shares.

The Co-Operative Family Credit Union Limited

Notes to the financial statements

For the year ended 30th September 2016

14	Other payables	2016	2015
		£	£
	Expense accruals and other creditors	16,500	26,680
	UK Corporation Tax	8,810	8,185
		<u>25,310</u>	<u>34,865</u>

15 Additional financial instrument disclosures

15a Financial risk management

The Credit Union manages its subscribe capital and members' loans so that it earns income from the margin between interest receivable and interest payable.

The main financial risks arising from the Credit Union'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 obligation relating to payments to the Credit Union, resulting in financial loss. 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. The Credit Union also monitors its banking arrangements closely in light of the current banking situation.

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 to provide a degree of protection against any unexpected developments that may arise. Short-term payables are noted in the financial liabilities. The subscribed capital and juniors' deposits are payable on demand.

Market Risk: Market risk is generally comprised of only interest rate risk. The Credit Union is not exposed to any form of currency risk or other price risk.

Interest rate risk: The Credit Union's main interest rate risk arises from differences between the interest rate exposures on receivables and payables that form an integral part of a Credit Union's operations. The Credit Union considers rates of interest receivable when deciding on the dividend rate payable on subscribed capital.

The Co-Operative Family Credit Union Limited

Notes to the financial statements

For the year ended 30th September 2016

15b Interest rate risk disclosure

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

	2016 Average interest rate		2015 Average interest rate	
	Amount £	%	Amount £	%
Financial assets				
Loans to members	<u>2,176,141</u>	<u>16.63%</u>	<u>2,526,644</u>	<u>13.42%</u>
Financial liabilities				
Subscribed capital & junior deposits	<u>4,559,036</u>	<u>0.22%</u>	<u>4,058,551</u>	<u>0.75%</u>

15c Liquidity risk disclosures

Excluding short term other payables, as noted in the balance sheet, the credit union's financial liabilities, the subscribed capital, are repayable on demand.

15d Fair value of financial instruments

The credit union does not hold any financial instruments at fair value.

16 Cash and cash equivalents

	2016 £	2015 £
Loans and advances to banks	<u>3,113,740</u>	<u>2,129,842</u>
	<u>3,113,740</u>	<u>2,129,842</u>
Less: amounts maturing after three months	<u>-</u>	<u>-</u>
	<u><u>3,113,740</u></u>	<u><u>2,129,842</u></u>

The Co-Operative Family Credit Union Limited

Notes to the financial statements

For the year ended 30th September 2016

17 Post balance sheet events

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

18 Contingent liabilities

The Credit Union 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 in the period to which it relates. However this is subject to future changes in the interest rates and levels of deposits held by UK deposit takers. Therefore there is inherent uncertainty regarding the totality of the levy the Credit Union will have to pay.

19 Related party transactions

During the year, 1 (2015 - 2016) members of the Board, staff and management team and 3 (2015 - 2016) of their close family members had shares and loans within the Credit Union.

None of the directors, staff or their close family members, have any preferential terms on their loans or shares.