

**THE CO-OPERATIVE FAMILY CREDIT UNION LIMITED**

**Directors' Report & Financial Statements**

**For the year ended**

**30 September 2020**



CHARTERED ACCOUNTANTS

**KM**

**Chartered Accountants & Statutory Auditors**

**Block C**

**Burnley Wharf**

**Manchester Road**

**Burnley**

**BB11 1JG**

**ANNUAL REPORT & FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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**ADMINISTRATIVE INFORMATION**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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**Credit Union Name**                      The Co-operative Family Credit Union Limited

**Directors**

|                   |                   |
|-------------------|-------------------|
| David Fawell      | Chair             |
| David Dickman     | Vice Chair        |
| Grant Mitchell    | Treasurer         |
| Rebecca Hamilton  |                   |
| Samuel Hale       | Appointed 09/2020 |
| Peter Harris      | Appointed 09/2020 |
| Lisa Parry        | Appointed 09/2020 |
| Nisha Ravat       | Appointed 09/2020 |
| Christopher Smith |                   |
| John Rudd         |                   |
| Robin Webster     |                   |

**Other Directors who served during the year**

Sean Curley                      Resigned 01/2020

**Secretary**                                  Claire Dalton

**FCA Registration No**                      213649

**Registered Office**                      1 Angel Square  
Manchester  
M60 0AG

**Auditors:**                                  KM  
Chartered Accountants & Statutory Auditors  
Block C  
Burnley Wharf  
Manchester Road  
Burnley  
BB11 1JG

**Bankers**                                      The Co-operative Bank plc  
Nationwide Building Society  
Santander UK plc

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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The Directors present their report and the financial statements for the year ended 30 September 2020.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Credit union legislation requires the Directors to prepare financial statements for each financial year. Under that legislation, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under credit union legislation, 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 surplus or deficit of the credit union for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting 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 operation.

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 and Credit Unions Act 1979. 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 THE AUDITOR**

The Directors have taken steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the credit union's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and which they know the auditor is unaware of.

#### **APPROVAL**

This report was approved by the Directors on 27 November 2020 and signed on their behalf by:



**David Fawell**  
Director



**Grant Mitchell**  
Director



**Claire Dalton**  
Secretary

# **INDEPENDENT AUDITOR'S REPORT**

## **FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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### **Independent Auditor's Report to the Members of The Co-operative Family Credit Union Limited**

We have audited the financial statements of The Co-operative Family Credit Union Limited (the 'credit union') for the year ended 30 September 2020, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Retained Earnings, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and Credit Unions Act 1979.

### **Basis for 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 union's ability to continue to adopt the going concern basis of accounting for a period of at 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 included in the annual report, other than the financial statements and our auditor's report thereon. 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 that fact.

We have nothing to report in this regard.

# **INDEPENDENT AUDITOR'S REPORT**

## **FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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### **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 and Credit Unions Act 1979 requires us to report to you if, in our opinion:

- the credit union has not kept proper books of account, and not maintained a satisfactory system of control over its transactions, in accordance with the requirements of the legislation; or
- the statement of comprehensive income, any other accounts to which our report relates, and the statement of financial position are not in agreement with the credit union's books of account; or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

### **Responsibilities of the directors**

As explained more fully in the directors' responsibilities statement set out on page 4, 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 it determines is 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 credit union'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 has 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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the credit union's members, as a body, in accordance with section 87 of 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.

### **KM**

Chartered Accountants & Statutory Auditors

Block C

Burnley Wharf

Manchester Road

Burnley

BB11 1JG

21 December 2020

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

|   | Note | 2020             | 2019      |
|---|------|------------------|-----------|
|   |      | £                | £         |
| Loan interest receivable and similar income | 5    | <b>414,956</b>   | 387,307   |
| Interest payable                            | 6    | <b>(42,267)</b>  | (41,526)  |
| <b>Net interest income</b>                  |      | <b>372,689</b>   | 345,781   |
| <br>  |      |                  |           |
| Fees and commissions receivable             | 7    | <b>47,978</b>    | 72,867    |
| Fees and commissions payable                |      | <b>(6,131)</b>   | (5,334)   |
| <b>Net fees and commissions receivable</b>  |      | <b>41,847</b>    | 67,533    |
| <br>  |      |                  |           |
| Other income                                |      | <b>40,876</b>    | 28,500    |
| Administrative expenses                     | 8.1  | <b>(342,347)</b> | (303,975) |
| Other operating expenses                    | 8.2  | <b>(12,257)</b>  | (13,542)  |
| Impairment losses on loans to members       | 12.4 | <b>(79,648)</b>  | (78,056)  |
|   |      | <b>(393,376)</b> | (367,073) |
| <br>  |      |                  |           |
| <b>Surplus before taxation</b>              |      | <b>21,160</b>    | 46,241    |
| Taxation                                    | 10.1 | <b>(5,971)</b>   | (6,147)   |
| <b>Surplus for the financial year</b>       |      | <b>15,189</b>    | 40,094    |

The Notes on pages 11 to 19 form an integral part of these accounts

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2020**

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|  | Note | 2020             | 2019      |
|--|------|------------------|-----------|
|  |      | £                | £         |
| <b>Assets</b>                            |      |                  |           |
| Loans and advances to banks              | 16   | <b>3,973,644</b> | 3,583,166 |
| Loans and advances to members            | 12.2 | <b>2,606,454</b> | 2,168,437 |
| Prepayments and accrued income           |      | <b>15,849</b>    | 38,699    |
|  |      | <b>6,595,947</b> | 5,790,302 |
| <b>Liabilities</b>                       |      |                  |           |
| Subscribed capital - repayable on demand | 13   | <b>5,993,187</b> | 5,195,529 |
| Other creditors                          | 14   | <b>31,722</b>    | 38,924    |
|  |      | <b>6,024,909</b> | 5,234,453 |
| Retained earnings                        |      | <b>571,038</b>   | 555,849   |
|  |      | <b>6,595,947</b> | 5,790,302 |

The Notes on pages 11 to 19 form an integral part of these accounts.

These financial statements were approved and authorised for issue by the Directors on 27 November 2020 and signed on their behalf by:



**David Fawell**  
Director



**Grant Mitchell**  
Director



**Claire Dalton**  
Secretary

**STATEMENT OF CHANGES IN RETAINED EARNINGS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

|  | General Reserve | Unapprop'd Reserve | 2020           | 2019           |
|--|-----------------|--------------------|----------------|----------------|
|  | £               | £                  | £              | £              |
| As at 01 October 2019                    | 365,242         | 190,607            | <b>555,849</b> | 515,755        |
| Total comprehensive surplus for the year | 15,189          | -                  | <b>15,189</b>  | 40,094         |
| Transfers                                | 190,607         | (190,607)          | -              | -              |
| <b>As at 30 September 2020</b>           | <b>571,038</b>  | <b>-</b>           | <b>571,038</b> | <b>555,849</b> |

The Notes on pages 11 to 19 form an integral part of these accounts

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

|  | Note | <b>2020</b>        | 2019        |
|--|------|--------------------|-------------|
|  |      | £                  | £           |
| <b>Cash flows from operating activities</b>                        |      |                    |             |
| Surplus/(Deficit) before taxation                                  |      | <b>21,160</b>      | 46,241      |
| Adjustments for non-cash items:                                    |      |                    |             |
| Impairment losses  | 12.3 | <b>85,477</b>      | 81,554      |
| Movements in:  |      |                    |             |
| Other debtors  |      | <b>22,850</b>      | (12,600)    |
| Other creditors  |      | <b>(6,833)</b>     | (7,041)     |
|  |      | <b>16,017</b>      | (19,641)    |
| <b>Cash flows from changes in operating assets and liabilities</b> |      |                    |             |
| Cash inflow from subscribed capital                                | 13   | <b>5,804,162</b>   | 5,051,473   |
| Cash outflow from repaid capital                                   | 13   | <b>(5,006,504)</b> | (4,930,068) |
| New loans to members   | 12.1 | <b>(2,605,890)</b> | (2,171,013) |
| Repayments of loans by members                                     | 12.1 | <b>2,082,396</b>   | 2,004,921   |
|  |      | <b>274,164</b>     | (44,687)    |
| Taxation paid  |      | <b>(6,340)</b>     | (3,056)     |
|  |      | <b>267,824</b>     | (47,743)    |
| <b>Net cash flows from operating activities</b>                    |      | <b>390,478</b>     | 60,411      |
| <b>Cash flows from investing activities</b>                        |      |                    |             |
| Net cash flow from managing liquid deposits                        |      | <b>(753,116)</b>   | 500,000     |
| <b>Net increase/(decrease) in cash and cash equivalents</b>        |      | <b>(362,638)</b>   | 560,411     |
| Cash and cash equivalents at 01 October 2019                       |      | <b>2,583,166</b>   | 2,022,755   |
| <b>Cash and cash equivalents at 30 September 2020</b>              | 16   | <b>2,220,528</b>   | 2,583,166   |

The Notes on pages 11 to 19 form an integral part of these accounts

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 SEPTEMBER 2020

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#### 1. Legal and regulatory framework

The Co-operative Family Credit Union Limited (“CFCU”) is a society established under the Co-operative and Community Benefit Societies Act 2014, whose principal activity is to operate as a credit union, within the meaning of the Credit Unions Act 1979. CFCU 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 CFCU has only issued redeemable shares.

#### 2. Basis of Preparation

The financial statements have been prepared on the historical cost basis in accordance with FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland.

##### 2.1. Going Concern

The financial statements are prepared on the going concern basis. The directors of CFCU believe this is appropriate despite a mismatch in the maturity analysis of subscribed capital and loans to members, because some of the subscribed capital is not redeemable at short notice, unless loans with the same member have been repaid.

#### 3. Accounting Policies

##### 3.1. Income

Loan interest receivable and similar income: Interest on both loans to members and loans to banks (i.e. cash and cash 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 arise in connection with a specific transaction, or accrue evenly over the year. Income relating to individual transactions is recognised when the transaction is completed.

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

##### 3.2. 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. CFCU 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 CFCU from which profits are chargeable to corporation tax, it is unlikely that deferred tax will arise.

##### 3.3. Tangible fixed assets

Tangible fixed assets comprise items of 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 each item of equipment, less its estimated residual value, on a straight line basis over its estimated useful life. The categories of property, plant and equipment are depreciated as follows:

- Computer equipment 33%

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 SEPTEMBER 2020

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#### 3.4. Cash and cash equivalents

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

#### 3.5. Deferred grants and funding / revenue contributions

Deferred grants in respect of capital expenditure are credited to the statement of comprehensive income over the estimated useful life of the relevant fixed assets. Deferred grants and funding in respect of revenue items are credited to the statement of comprehensive income 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 statement of comprehensive income.

#### 3.6. Financial assets – loans and advances to members

Loans to members are financial assets with fixed or determinable payments. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

#### 3.7. Impairment of financial assets

CFCU 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.

Any impairment losses are recognised in the statement of comprehensive income, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

#### 3.8. Financial liabilities – subscribed capital

Members' shareholdings in CFCU are redeemable and therefore are classified as financial liabilities, and described as subscribed capital. They are initially recognised at the amount of cash deposited and subsequently measured at amortised cost.

#### 3.9. Employee Benefits

Defined contribution plans: The amounts charged as expenditure for the defined contribution plan are the contributions payable by CFCU 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.

#### 3.10. Reserves

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

### 4. 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 CFCU'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

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.

Any impairment losses are recognised in the revenue account as a difference between the carrying value of the loan and the net present value of expected cash flows.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

The credit union operates a policy of provisioning for bad and doubtful debts more prudently than the minimum required by the Bank of England. All debts over 2 months in arrears are provided for at 35%, over 4 months in arrears at 60%, over 7 months in arrears at 80% and over 10 months in arrears at 100%. This brings forward the cost of provisioning.

**5. Loan interest receivable and similar income**

|  | <b>2020</b>    | 2019    |
|--|----------------|---------|
|  | £              | £       |
| Loan interest receivable from members                | <b>383,531</b> | 353,938 |
| Bank interest receivable on cash and liquid deposits | <b>31,425</b>  | 33,369  |
|  | <b>414,956</b> | 387,307 |

**6. 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.

|                                      | <b>2020</b>   | 2019   |
|--------------------------------------|---------------|--------|
|                                      | £             | £      |
| <b>Interest paid during the year</b> | <b>42,267</b> | 41,526 |
| Dividend rate                        |               |        |
| Ordinary share accounts              | <b>1.0%</b>   | 1.0%   |

**7. Fees and commissions receivable**

|                       | <b>2020</b>   | 2019   |
|-----------------------|---------------|--------|
|                       | £             | £      |
| Entrance fees         | <b>3,798</b>  | 3,840  |
| Legal fees recovered  | <b>3,432</b>  | 29,722 |
| Dormant accounts      | <b>2,561</b>  | 2,956  |
| Annual service charge | <b>38,187</b> | 36,349 |
|                       | <b>47,978</b> | 72,867 |

**8. Expenses**

|                          |     | <b>2020</b>    | 2019    |
|--------------------------|-----|----------------|---------|
|                          |     | £              | £       |
| Administrative expenses  | 8.1 | <b>342,347</b> | 303,975 |
| Other operating expenses | 8.2 | <b>12,257</b>  | 13,542  |
|                          |     | <b>354,604</b> | 317,517 |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**8.1. Administrative expenses**

|                           | Note | 2020           | 2019           |
|---------------------------|------|----------------|----------------|
|                           |      | £              | £              |
| Employment costs          | 9.2  | 214,302        | 157,321        |
| Office IT and other costs |      | 123,761        | 142,574        |
| Auditors' remuneration    | 8.3  | 4,284          | 4,080          |
|                           |      | <b>342,347</b> | <b>303,975</b> |

**8.2. Other operating expenses**

|  | 2020          | 2019          |
|--|---------------|---------------|
|  | £             | £             |
| <b>Regulatory &amp; Financial Management Costs</b>                   |               |               |
| Financial Conduct Authority and Prudential Regulation Authority Fees | 593           | 652           |
| Association of British Credit Unions Limited dues                    | 8,864         | 8,611         |
| Fidelity insurance   | 2,800         | 3,609         |
| Loan protection and life savings insurance                           | -             | 670           |
|  | <b>12,257</b> | <b>13,542</b> |

**8.3. Auditors' Remuneration**

|                              | 2020         | 2019         |
|------------------------------|--------------|--------------|
|                              | £            | £            |
| Audit fees payable           | 4,284        | 4,500        |
| Over provision in prior year |              | (420)        |
|                              | <b>4,284</b> | <b>4,080</b> |

**9. Employee and employment costs**

**9.1. No of employees**

|           | 2020   | 2019   |
|-----------|--------|--------|
|           | Number | Number |
| Employees | 6      | 7      |

**9.2. Employment costs**

|  | 2020           | 2019           |
|--|----------------|----------------|
|  | £              | £              |
| Wages and salaries                               | 206,904        | 149,329        |
| Social security costs                            | 11,609         | 9,601          |
| Payments to defined contribution pension schemes | 5,141          | 6,332          |
| Reimbursement of costs                           | (9,352)        | (7,941)        |
|  | <b>214,302</b> | <b>157,321</b> |

**9.3. Directors' Remuneration**

The Directors of CFCU are its key management personnel. They did not receive any remuneration during the year (2019: Nil).

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**10. Taxation**

**10.1. Recognised in the Statement of Comprehensive Income**

Corporation Tax is calculated on bank interest receivable at 19% (2019: 19%), as follows:

|                              | <b>2020</b>  | 2019  |
|------------------------------|--------------|-------|
|                              | £            | £     |
| Current Tax                  |              |       |
| UK Corporation Tax           | <b>5,971</b> | 6,340 |
| Over provision in prior year | -            | (193) |
|                              | <b>5,971</b> | 6,147 |

**11. Tangible Fixed assets**

|                                | <b>Computer<br/>Equipment<br/>&amp; Software</b> |
|--------------------------------|--|
| <b>Cost</b>                    | £  |
| As at 01 October 2019          | <b>9,656</b>                                     |
| Additions                      | -  |
| Disposals                      | -  |
| <b>As at 30 September 2020</b> | <b>9,656</b>                                     |
| <b>Depreciation</b>            |  |
| As at 01 October 2019          | <b>9,656</b>                                     |
| Charge for year                | -  |
| Eliminated on disposals        | -  |
| <b>As at 30 September 2020</b> | <b>9,656</b>                                     |
| <b>Net Book Value</b>          |  |
| As at 01 October 2019          | -  |
| <b>As at 30 September 2020</b> | -  |

**12. Loans and advances to members – financial assets**

**12.1. Loans and advances to members**

|  | Note | <b>2020</b>        | 2019        |
|--|------|--------------------|-------------|
|  |      | £                  | £           |
| As at 01 October 2019                      |      | <b>2,621,110</b>   | 2,455,018   |
| Advances during the year                   |      | <b>2,605,890</b>   | 2,171,013   |
| Repaid during the year                     |      | <b>(2,082,396)</b> | (2,004,921) |
| <b>Gross loans and advances to members</b> |      | <b>3,144,604</b>   | 2,621,110   |
| Impairment of individual financial assets  | 12.4 | <b>(470,261)</b>   | -           |
| <b>As at 30 September 2020</b>             |      | <b>2,674,343</b>   | 2,621,110   |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**12.2. Credit risk disclosures**

CFCU 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.

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

The average amount borrowed by individual members during the year was £1,026 (2019: £942).

The carrying amount of the loans to members represents CFCU'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 therefore a 2% net of savings general impairment allowance is not required

|                                      | 2020             |                | 2019      |            |
|--------------------------------------|------------------|----------------|-----------|------------|
|                                      | Amount           | Proportion     | Amount    | Proportion |
|                                      | £                | %              | £         | %          |
| <b>Arrears analysis:</b>             |                  |                |           |            |
| Neither past due nor impaired        | <b>2,274,816</b> | <b>85.06%</b>  | 2,095,218 | 79.94%     |
| Up to 3 months past due              | <b>283,732</b>   | <b>10.61%</b>  | 60,743    | 2.32%      |
| Between 3 and 6 months past due      | <b>38,831</b>    | <b>1.45%</b>   | 15,614    | 0.60%      |
| Between 6 and 9 months past due      | <b>43,295</b>    | <b>1.62%</b>   | 1,435     | 0.05%      |
| Between 9 months and 1 year past due | <b>33,669</b>    | <b>1.26%</b>   | 8,766     | 0.33%      |
| Over 1 year past due                 | -                | <b>0.00%</b>   | 439,334   | 16.76%     |
|                                      | <b>2,674,343</b> | <b>100.00%</b> | 2,621,110 | 100.00%    |
| Impairment Allowance                 | <b>(67,889)</b>  |                | (452,673) |            |
| <b>Total carrying value</b>          | <b>2,606,454</b> |                | 2,168,437 |            |

**12.3. Allowance account for impairment losses**

|  | 2020             | 2019    |
|--|------------------|---------|
|  | £                | £       |
| As at 01 October 2019                              | <b>452,673</b>   | 371,119 |
| Allowance for losses made during the year          | <b>85,477</b>    | 81,554  |
| Allowances reversed during the year                | <b>(470,261)</b> | -       |
| Increase/(reduction) in allowances during the year | <b>(384,784)</b> | 81,554  |
| <b>As at 30 September 2020</b>                     | <b>67,889</b>    | 452,673 |

**12.4. Impairment losses recognised for the year**

|  | Note | 2020             | 2019    |
|--|------|------------------|---------|
|  |      | £                | £       |
| Impairment of individual financial assets              |      | <b>470,261</b>   | -       |
| Increase in impairment allowances during the year      | 12.4 | <b>(384,784)</b> | 81,554  |
|  |      | <b>85,477</b>    | 81,554  |
| Reversal of impairment losses where debts recovered    |      | <b>(5,829)</b>   | (3,498) |
| <b>Total impairment losses recognised for the year</b> |      | <b>79,648</b>    | 78,056  |

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The Board has changed its policy on impairment and derecognition of individual financial assets in that those in arrears over 1 year past due are now fully written off. There is no effect on this year's or previous year's surplus.

**13. Subscribed capital – financial liabilities**

|                                | Note | 2020             | 2019             |
|--------------------------------|------|------------------|------------------|
|                                |      | £                | £                |
| As at 01 October 2019          |      | 5,195,529        | 5,074,124        |
| Received during the year       |      | 5,804,162        | 5,051,473        |
| Repaid during the year         |      | (5,006,504)      | (4,930,068)      |
| <b>As at 30 September 2020</b> | 15.2 | <b>5,993,187</b> | <b>5,195,529</b> |

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

**14. Other creditors**

|                                 | 2020          | 2019          |
|---------------------------------|---------------|---------------|
|                                 | £             | £             |
| Corporation tax                 | 5,971         | 6,340         |
| Deferred income                 | 13,125        | 20,625        |
| Other taxes and social security | -             | -             |
| Creditors and accruals          | 12,626        | 11,959        |
|                                 | <b>31,722</b> | <b>38,924</b> |

**15. Additional financial instruments disclosures**

**15.1. Financial risk management**

CFCU manages its subscribed capital and loans to members so that it earns income from the margin between interest receivable and interest payable.

In line with Prudential Regulation Authority governance requirements, CFCU maintains a Financial Risk Management Policy Statement which is reviewed at least annually and sets out controls and metrics for managing key financial risks. In particular, the credit union's Risk & Compliance committee defines Key Risk Indicators which are tracked on an ongoing basis and conducts annual stress tests on key financial and other risks.

The main financial risks arising from CFCU'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 CFCU, resulting in financial loss to CFCU. In order to manage this risk the Board approves CFCU'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:** CFCU'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 CFCU'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. Note 2 provides further details about the impact of the maturity mismatch on the going concern status of CFCU.

**Market risk:** Market risk is generally comprised of interest rate risk, currency risk and other price risk. CFCU conducts all its transactions in sterling and does not deal in derivatives or commodity markets. Therefore, CFCU is not exposed to any form of currency risk or other price risk.

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**Interest rate risk:** CFCU'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. CFCU considers rates of interest receivable when deciding on the dividend rate payable on subscribed capital.

**15.2. Interest rate risk disclosures**

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

|                              | 2020             |               | 2019      |             |
|------------------------------|------------------|---------------|-----------|-------------|
|                              | Amount           | Av Interest   | Amount    | Av Interest |
|                              | £                | Rate          | £         | Rate        |
| <b>Financial Assets</b>      |                  |               |           |             |
| Loans to members             | <b>2,674,343</b> | <b>14.50%</b> | 2,621,110 | 13.50%      |
| <b>Financial Liabilities</b> |                  |               |           |             |
| Subscribed capital           | <b>5,993,187</b> | <b>1.00%</b>  | 5,195,529 | 1.00%       |

The interest rates applicable to loans to members are fixed and range from 4.9% to 35%. The interest payable on subscribed capital is determined on the basis of income less administrative expenses and, as can be seen above, a consistent margin is maintained between interest receivable and interest payable. As a result, the surplus for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented

**15.3. Liquidity risk disclosures**

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

**15.4. Fair value of financial instruments**

CFCU does not hold any financial instruments at fair value.

**16. Cash and cash equivalents**

|   | 2020               | 2019        |
|---|--------------------|-------------|
|   | £                  | £           |
| Loans and advances to banks               | <b>3,973,644</b>   | 3,583,166   |
| Less: amounts maturing after three months | <b>(1,753,116)</b> | (1,000,000) |
|   | <b>2,220,528</b>   | 2,583,166   |

**17. Post balance sheet events**

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

**18. Contingent liabilities**

CFCU 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 CFCU will have to pay.

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**19. Related party transactions**

During the year, 5 members of the Board, staff and their close family members (2019: 14 members) had loans with CFCU. These loans were approved on the same basis as loans to other members of CFCU.

Directors do not have preferential terms on their loans. Staff and close family members have a preferential rate of 4.9% (equivalent to the lowest rate available to a member on a share-secured loan).

The Co-op Group provides office space and covers certain office costs for which no recharges are made by them to the Credit Union.