

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

**Directors' Report & Financial Statements**

**For the year ended**

**30 September 2021**



CHARTERED ACCOUNTANTS

**KM**

**Chartered Accountants & Statutory Auditors**

**Burnley Wharf**

**Manchester Road**

**Burnley**

**BB11 1JG**

# ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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**ADMINISTRATIVE INFORMATION**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2021**

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**Credit union name**                    The Co-operative Family Credit Union Limited

**FCA reference number**                213649

**Registered society number**        558C

**Website**                                 www.co-operativecreditunion.coop

**Directors**                                David Fawell                                Chair  
David Dickman  
Rebecca Hamilton  
Samuel Hale  
Peter Harris  
Grant Mitchell  
Lisa Parry  
Nisha Ravat  
Christopher Smith  
Robin Webster

**Other Directors who served during the year**  
John Rudd                                    Resigned 06/08/2021

**Secretary**                                Gordon Fraser

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

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

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 SEPTEMBER 2021**

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The Directors present their report and financial statements for the year ended 30 September 2021.

### **PRINCIPAL ACTIVITY AND COMMON BOND**

The principal activity of the credit union continued to be that defined in the Credit Union Act 1979. The Credit Union's common bond covers those working in the co-operative and retail sectors as well as members of the co-operative sector and the Usdaw trade union.

The credit union is a Community Benefit Society, authorised and regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

### **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 18 November 2021 and signed on their behalf by:



**David Fawell**  
Director



**Grant Mitchell**  
Director



**Gordon Fraser**  
Secretary

# **INDEPENDENT AUDITOR'S REPORT**

## **FOR THE YEAR ENDED 30 SEPTEMBER 2021**

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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 2021, which comprise the statement of comprehensive income, statement of changes in retained earnings, statement of financial position, 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 FRS102 - 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 2021 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**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the credit union's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 2021**

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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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the credit union through discussions with directors and other management, and from our knowledge and experience of the credit union sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the credit union, including the Co-operative and Community Benefit Societies Act 2014, Credit Union Act 1979 and the Financial Services and Markets Act 2000;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- we identified laws and regulations which were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

# **INDEPENDENT AUDITOR'S REPORT**

## **FOR THE YEAR ENDED 30 SEPTEMBER 2021**

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We assessed the susceptibility of the credit union's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures on material balances for which robust, substantive analytical procedures have been undertaken to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- investigated the rationale behind significant or unusual transactions.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). 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  
Burnley Wharf  
Manchester Road  
Burnley  
BB11 1JG

13 December 2021

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2021**

	Note	2021	2020
<b>Interest income</b>		£	£
Interest receivable and similar income	4	<b>566,374</b>	414,956
Interest payable	5	<b>(13,676)</b>	(42,267)
		<b>552,698</b>	372,689
<b>Other income</b>			
Fees and commissions receivable		<b>12</b>	47,978
Grants	6	<b>30,000</b>	40,500
Other income		<b>3</b>	376
		<b>30,015</b>	88,854
<b>Expenditure</b>			
Loan impairment	7	<b>(111,543)</b>	(79,648)
Other expenses	8	<b>(401,951)</b>	(360,735)
		<b>(513,494)</b>	(440,383)
<b>Surplus before taxation</b>		<b>69,219</b>	21,160
Taxation	12	<b>(3,803)</b>	(5,971)
<b>Surplus for the financial year</b>		<b>65,416</b>	15,189

All income and expenditure derives from continuing activities.

There are no other items of comprehensive income.

The Notes on pages 12 to 20 form an integral part of these financial statements.

**STATEMENT OF RETAINED EARNINGS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2021**

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	<b>2021</b>	2020
	<b>£</b>	£
As at 01 October 2020	<b>571,038</b>	555,849
Surplus for the financial year	<b>65,416</b>	15,189
<b>As at 30 September 2021</b>	<b>636,454</b>	571,038

The Notes on pages 12 to 20 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2021

	Note	2021	2020
		£	£
<b>Assets</b>			
Loans and advances to banks:			
Cash and cash equivalents		1,983,581	1,720,528
Term deposits		2,009,398	2,253,116
Loans and advances to customers	13	3,356,455	2,606,454
Tangible fixed assets	14	-	-
Other receivables	15	39,442	15,849
		<b>7,388,876</b>	<b>6,595,947</b>
<b>Liabilities</b>			
Customer deposits	16	6,713,838	5,993,187
Other payables	17	38,584	31,722
		<b>6,752,422</b>	<b>6,024,909</b>
Retained earnings		636,454	571,038
		<b>7,388,876</b>	<b>6,595,947</b>

The Notes on pages 12 to 20 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Directors on 18 November 2021 and signed on their behalf by:



**David Fawell**  
Director



**Grant Mitchell**  
Director



**Gordon Fraser**  
Secretary

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2021**

	Note	2021	2020
		£	£
<b>Cash flows from operating activities</b>			
Surplus for the financial year		<b>65,416</b>	15,189
Adjustments for non-cash items:			
Interest income on loans	4	<b>(546,360)</b>	(383,531)
Loan impairment	7	<b>129,411</b>	85,477
Corporation tax	12	<b>3,803</b>	5,971
Interest on customer deposits	16	<b>13,676</b>	42,267
		<b>(334,054)</b>	(234,627)
Changes in operating assets and liabilities:			
New loans to customers	13	<b>(3,191,411)</b>	(2,605,890)
Customer loan repayments	13	<b>2,858,359</b>	2,465,927
Movement in other receivables	15	<b>(23,593)</b>	22,850
New deposits from customers	16	<b>5,845,641</b>	5,761,895
Customer deposits withdrawn	16	<b>(5,138,666)</b>	(5,006,504)
Movement in other payables	17	<b>9,030</b>	(6,833)
		<b>25,306</b>	396,818
Corporation tax paid		<b>(5,971)</b>	(6,340)
Net cash provided by operating activities		<b>19,335</b>	390,478
<b>Cash flows from investing activities</b>			
Movement in term deposits		<b>243,718</b>	(1,003,116)
Net cash provided by/(used in) investing activities		<b>243,718</b>	(1,003,116)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>263,053</b>	(612,638)
Cash and cash equivalents at 01 October 2020		<b>1,720,528</b>	2,333,166
<b>Cash and cash equivalents at 30 September 2021</b>		<b>1,983,581</b>	1,720,528

The Notes on pages 12 to 20 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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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 ("FCA") and is regulated by the Prudential Regulation Authority ("PRA") 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. Currently, CFCU has only issued redeemable shares.

## 2. Basis of Preparation

These financial statements have been prepared on the historical cost basis in accordance with "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Co-operative and Community Benefit Societies Act 2014.

### 2.1. Judgements and key sources of estimation uncertainty

In the application of the credit union's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### ***Key sources of estimation uncertainty***

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### ***Loan Impairment***

The credit union assesses, at each reporting date, if there is objective evidence that any of its loans to customers are impaired. The loans are assessed collectively in groups that share similar credit-risk characteristics. 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.

### 2.2. Going Concern

The financial statements are prepared on the going concern basis. The Directors of CFCU believe this is appropriate. CFCU has prepared financial projections taking into account the expected impact of Covid-19 on the Credit Union's financial reserves. While it is unknown how long the pandemic will last or the extent of the impact on the economy, at the time of approving the financial statements, the Directors have a reasonable expectation that the credit union has adequate resources to continue in operational existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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### 3. Accounting Policies

#### 3.1. Income

Interest receivable on loans to members and bank interest are recognised using the effective interest rate basis and are calculated and accrued on a daily basis.

Other income receivable either arises in connection with a specific transaction, or accrues evenly over the year. Income relating to individual transactions is recognised 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 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, less its estimated residual value, over its estimated useful life, as follows:

Computer equipment	Straight line	33% pa
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#### 3.4. Cash and cash equivalents

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

Term deposits comprise loans and advances to banks (i.e. cash deposited with banks) with original maturities of more than 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 statement of financial position represent the grants / funding receivable to date less the amount so far credited to the statement of comprehensive income.

#### 3.6. Fair value of financial instruments

CFCU does not hold any financial instruments at fair value.

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

Loans to members are financial assets with fixed or determinable payments, and are not quoted in an active market. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

Loans are derecognised when the right to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member. CFCU does not transfer loans to third parties.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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### 3.8. Impairment of financial assets

CFCU assesses, at each year end, 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.

### 3.9. Financial liabilities

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

### 3.10. Retirement Benefits

The amounts charged as expenditure for the defined contribution plan are the contributions payable by CFCU for the relevant period.

## 4. Interest receivable and similar income

	<b>2021</b>	2020
	£	£
Loan interest receivable from members	<b>546,360</b>	383,531
Bank interest receivable	<b>20,014</b>	31,425
	<b>566,374</b>	414,956

## 5. Interest payable and similar charges

	<b>2021</b>	2020
	£	£
Dividend on dividend bearing shares	<b>13,676</b>	42,267

	<b>2021</b>	2020
	%	%
<b>Dividend rates paid during the year</b>		
Ordinary share dividend	<b>0.25</b>	1.00

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 year end.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2021**

**6. Grant income**

	<b>2021</b>	2020
	£	£
Lottery income	<b>22,500</b>	23,000
Fair4All Finance (for IT equipment)	-	10,000
	<b>22,500</b>	33,000
Grants deferred from 2020	<b>13,125</b>	20,625
	<b>35,625</b>	53,625
Grants deferred to 2022	<b>(5,625)</b>	(13,125)
	<b>30,000</b>	40,500

**7. Loan impairment**

	<b>2021</b>	2020
	£	£
<b>Loan impairment provision</b>		
As at 01 October 2020	<b>67,889</b>	452,673
Increase/(decrease) in provision for the year	<b>63,523</b>	(384,784)
<b>As at 30 September 2021</b>	<b>131,412</b>	67,889
<b>Impairment charge for the year</b>		
Increase/(decrease) in provision for the year	<b>63,523</b>	(384,784)
Loans derecognised	<b>65,888</b>	470,261
	<b>129,411</b>	85,477
Loans recovered	<b>(17,868)</b>	(5,829)
<b>Charge for the year</b>	<b>111,543</b>	79,648

**8. Other expenses**

	Note	<b>2021</b>	2020
		£	£
Employment costs	9	<b>233,621</b>	214,302
Auditors' remuneration	10	<b>4,200</b>	4,284
Regulatory expenses	11	<b>13,136</b>	12,257
Bank charges		<b>7,694</b>	6,131
Office, IT and other costs		<b>143,300</b>	123,761
		<b>401,951</b>	360,735

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

### 9. Employees and employment costs

	<u>2021</u>	<u>2020</u>
	£	£
Wages and salaries	208,281	206,904
Social security costs	15,443	11,609
Payments to defined contribution pension schemes	9,897	5,141
Reimbursement of costs	-	(9,352)
	<u>233,621</u>	<u>214,302</u>

  

	<u>Number</u>	<u>Number</u>
Average monthly number of employees (including Directors) during the year	8	6

### 10. Auditors' Remuneration

	<u>2021</u>	<u>2020</u>
	£	£
Audit fees payable	4,200	4,284

### 11. Regulatory expenses

	<u>2021</u>	<u>2020</u>
	£	£
FCA and PRA fees	739	593
ABCUL dues	8,801	8,864
Fidelity insurance	3,596	2,800
	<u>13,136</u>	<u>12,257</u>

### 12. Taxation

Corporation tax is calculated on the bank interest receivable as follows:

	<u>2021</u>	<u>2020</u>
	£	£
Current tax		
UK corporation tax	3,803	5,971

  

	%	%
Tax rate	<u>19.00</u>	<u>19.00</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2021**

**13. Loans and advances to customers**

	Note	2021	2020
		£	£
<b>Loan movement</b>			
As at 01 October 2020		2,674,343	2,621,110
Interest on loans		546,360	383,531
Loans advanced during the year		3,191,411	2,605,890
Loans repaid during the year		(2,858,359)	(2,465,927)
Loans derecognised		(65,888)	(470,261)
<b>As at 30 September 2021</b>		<b>3,487,867</b>	<b>2,674,343</b>
<b>Loan arrears analysis</b>			
Not past due		2,760,216	2,274,816
Up to 3 months past due		576,505	283,732
Between 3 and 6 months past due		53,577	38,831
Between 6 and 9 months past due		20,322	43,295
Between 9 months and 1 year past due		28,919	33,669
Over 1 year past due		48,328	-
		<b>3,487,867</b>	<b>2,674,343</b>
Loan impairment provision	7	(131,412)	(67,889)
<b>Recognised as at 30 September 2021</b>		<b>3,356,455</b>	<b>2,606,454</b>

Factors that are considered in determining whether loans are impaired are discussed in Note 2.

**14. Tangible fixed assets**

<b>Computer equipment and software</b>	<b>2021</b>
<b>Cost</b>	<b>£</b>
As at 01 October 2020	9,656
Additions	-
Disposals	-
<b>As at 30 September 2021</b>	<b>9,656</b>
<b>Depreciation</b>	
As at 01 October 2020	9,656
Charge for year	-
Eliminated on disposals	-
<b>As at 30 September 2021</b>	<b>9,656</b>
<b>Net Book Value</b>	
As at 01 October 2020	-
<b>As at 30 September 2021</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

### 15. Other receivables

	2021	2020
	£	£
Prepayments and accrued income	39,442	15,849

### 16. Customer deposits

	2021	2020
	£	£
<b>Deposit movement</b>		
As at 01 October 2020	5,993,187	5,195,529
Interest on deposits	13,676	42,267
Deposited during the year	5,845,641	5,761,895
Withdrawn during the year	(5,138,666)	(5,006,504)
<b>As at 30 September 2021</b>	<b>6,713,838</b>	<b>5,993,187</b>

#### Deposits by type

Dividend bearing members' shares	6,713,838	5,993,187
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### 17. Other payables

	2021	2020
	£	£
Corporation tax	3,803	5,971
Creditors and accruals	29,156	12,626
Deferred income	5,625	13,125
	<b>38,584</b>	<b>31,722</b>

### 18. Financial risk management

CFCU manages its shares and loans so that it earns income from the margin between interest receivable and interest payable (including dividends paid).

The main financial risks arising from CFCU's activities are credit risk, liquidity risk and market 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 repayment 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 the likelihood of repayment has changed. The credit union also monitors its banking arrangements for credit risk.

#### ***Liquidity risk***

CFCU's policy is to maintain sufficient funds in liquid form at time to ensure that it can meet its liabilities as they fall due and meet the liquidity ratios set by the regulators. The objective of the policy is to provide a degree of protection against any unexpected developments that may arise.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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### **Market risk**

Market risk generally comprises of interest rate risk, currency risk and other price risk. The main risks impacting the credit union are set out below:

#### **Interest rate risk**

CFCU's main interest rate risk arises between the interest rate exposure on loans, bank deposits and shares that form an integral part of a credit union's operations. CFCU considers rates of interest receivable when deciding on proposed dividend rates. Dividend rates are based on the historical results of the credit union and CFCU's strategic plans. CFCU does not use interest rate options to hedge its own positions.

#### **Foreign Currency Risk**

All transactions are carried out in sterling and therefore CFCU is not exposed to any form of foreign currency risk.

#### **Other price risk**

CFCU only holds investments in government securities and those with credit institutions that meet the criteria of Chapter 6 of the PRA rulebook. CFCU monitors the investments throughout the year.

### **19. Credit risk on lending**

CFCU holds the following security against its loans to members:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Attached shares	<b>651,954</b>	664,441

### **20. Interest rate risk disclosures**

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

	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>Av Interest</b>	<b>Amount</b>	<b>Av Interest</b>
	<b>£</b>	<b>Rate %</b>	<b>£</b>	<b>Rate %</b>
<b>Financial assets</b>				
Loans to members	<b>3,487,867</b>	<b>17.53</b>	2,674,343	14.50
<b>Financial liabilities</b>				
Subscribed capital				
Share accounts	<b>6,713,838</b>	<b>0.25</b>	5,993,187	1.00

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

### 21. Capital

CFCU classes all of its reserves as capital and manages its reserves through its financial and budgeting policies and procedures. The Prudential Regulation Authority sets out requirements for the capital ratio that CFCU must maintain. The ratio is calculated after proposed dividends. CFCU's compliance with the ratio at the year end is set out below:

	<b>2021</b>	2020
	%	%
Actual capital to asset ratio	<b>8.61</b>	8.66
Regulatory requirement		
Base capital requirement	<b>5.00</b>	5.00
Capital buffer	<b>3.61</b>	3.66
	<b>8.61</b>	8.66

### 22. Related party transactions

CFCU classes the Directors and members of the senior management team as key management.

	<b>2021</b>	2020
	£	£
<b>Remuneration of key management</b>		
Wages and salaries	<b>56,100</b>	38,667
Social security costs	<b>6,525</b>	4,432
Payments to defined contribution pension schemes	<b>2,063</b>	1,160
	<b>64,688</b>	44,259

Balances held by members of key management in the credit union are set out below. Loans to key management are on standard terms and conditions.

	<b>2021</b>	2020
	£	£
<b>Transactions with key management</b>		
Loans to key management	<b>6,779</b>	10,000
Shares held by key management	<b>66,694</b>	37,480

### 23. 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.