

NOTTINGHAM CREDIT UNION LIMITED
31 DECEMBER 2020

DRAFT ACCOUNTS

PWH Accountancy Ltd
Chartered Accountants
Statutory Auditors
'Lonsdale', High Street
Lutterworth, Leicestershire LE17 4AD

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF NOTTINGHAM CREDIT UNION LIMITED

We have audited the financial statements of Nottingham Credit Union Limited for the year 31 December 2020 which comprise the Statement of Financial Position, the Statement of Income and Expenditure, Statement of Changes in Equity and the related notes.

Significant accounting policies

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) and FRS 102 which is the Financial Reporting Standard applicable to United Kingdom and Republic of Ireland.

Information and judgements

Information and judgements that the Credit Union has applied in preparing these accounts are based on the carrying amounts of all income, expenses, assets and liabilities as at the end of the financial year subject to any adjustments mentioned in the accounts and in the notes and disclosures to the accounts

Estimation Techniques

Except for Note 1(d) on Provision for Impaired Loans and Note 5 on Impaired Loans Written Off, there were no assumptions made concerning the future or estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Apart from this, there is nothing to report under FRS 102 section 8.7.

This report is made solely to the Credit Union's members, as a body, in accordance with the Industrial and Provident Societies Acts 1965 to 2002 and the Credit Unions Act 1979. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to them in an 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 auditors

The directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the Credit Unions affairs as at 31 December 2020 and of its income and expenditure for the year ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and in particular in accordance with FRS 102 and also in accordance with the Industrial and Provident Societies Acts 1965 to 2002 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 Friendly and Industrial Provident Societies Act 1965 to 2002 requires 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 legislation;
- the revenue account or the other accounts (if any) to which the report relates, and the balance sheet are not in agreement with the books of account of the Credit Union;
- we have not obtained all the information and explanations necessary for the purpose of our audit.

Antony E Humphreys
Statutory Auditor
For and on behalf of
PWH Accountancy Ltd
Statutory Auditors
The Counting House
High Street
Lutterworth
Leics LE17 4AY

As part of the Credits Union Sourcebook (CREDS) Issued by the Prudential Regulation Authority (PRA) We are also required to confirm that we are

- *Complying with the Financial Services Compensation Schemes (FSCS) requirements for Single Customer View*
- *Maintaining adequate insurance including both General and Fidelity Bond Insurance*
- *Carrying out Additional Activities, as described by CREDS, as we provide Transactional Accounts in the form of Rent Payment Accounts and are in compliance with the regulations regarding operation of these accounts.*

NOTTINGHAM CREDIT UNION LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	2020		2019	
	£	£	£	£
Assets				
<i>Tangible Fixed Assets</i>				
IT server and software	9,403		8,923	
Lincolnshire Assets	5,659			
Total Tangible assets		15,062		8,923
<i>Cash, cash equivalents and liquid deposits</i>				
Cash, loans and advances to banks:				
Bank current accounts - ordinary	841,213		261,605	
Bank deposit accounts - ordinary	3,166,469		1,143,065	
Total cash, cash equivalents and liquid assets		4,007,682		1,404,671
<i>Loans and advances to members:</i>				
Standard loans	4,231,989		3,312,460	
MARS loans	7,146		20,072	
EHS loans	134		146	
Less impaired loans	(1,134,705)		(569,083)	
Total loans and advances to members		3,104,564		2,763,595
<i>Other Receivables</i>				
Other receivables	1,243		1,243	
Total other receivables		1,243		1,243
<i>Prepayments and accrued income</i>				
Prepayments	25,026		15,653	
Accrued interest	35,316		31,275	
Total prepayments and accrued income		60,342		46,928
Total assets		7,188,892		4,225,360

Liabilities	2020		2019	
	£	£	£	£
<i>Subscribed capital - repayable on demand</i>				
Ordinary members shares	6,333,535		3,650,945	
Corporate members shares	200,334		95,529	
Junior members shares	112,854		98,060	
ISA Accounts	48,316		67,947	
Dividends proposed	5160		3,421	
Total subscribed capital - repayable on demand		6,700,200		3,915,902
<i>Other payables</i>				
Deferred income	31,792		0	
MARS	25,366		16,459	
Holiday Pay Accrual	1,460		1,245	
Tax payable	2,625		1,889	
All other payables	72,262		48,858	
Total other payables		133,505		68,451
<i>Retained earnings</i>				
General reserve	32,335		23,933	
Growth Fund Reserve	81,287		81,287	
Special reserve	111,565		80,786	
Deferred Shares	55,000		55,000	
Subordinated Loan	75,000			
Total retained earnings		355,187		241,007
Total liabilities		7,188,892		4,225,360

NOTTINGHAM CREDIT UNION LIMITED
STATEMENT OF INCOME & EXPENDITURE FOR THE YEAR ENDED 31.12.20

Income	2020	2019
	£	£
<i>Loan interest receivable & similar income</i>		
Interest on loans to members	546,541	476,994
<i>Interest payable</i>		
Interest payable to bank & other lenders	2,325	0
Interest payable to members	(950)	(847)
Net interest income	547,917	476,147
<i>Fees and commission receivable and payable</i>		
Other fees and commission receivable	13,678	20,585
Other fees and commission payable	(24,668)	(41,444)
Net fees and commission receivable	(10,990)	(20,858)
<i>Other income</i>		
Bank interest	3,773	10,234
Impaired loans recovered	23,197	23,168
Grant Income	91,612	10,511
All other income	7,642	3,628
Total other income	126,225	47,541
Total Income	663,151	502,829

Expenditure	2020	2019
	£	£
<i>Administration expenses</i>		
Salaries and wages (including volunteer cost)	232,494	212,364
Educational and social cost	235	1,320
Property cost	39,012	37,625
Office running cost	78,556	53,874
Insurance cost	10,121	9,384
Total administration cost	360,418	314,567
<i>Depreciation and amortisation</i>		
Depreciation	9,495	3,000
Total depreciation and amortisation	9,945	3,000
<i>Other operating expenses</i>		
National affiliation cost	8,753	7,945
Holiday pay accrual	216	(280)
Other operating expenses	9,219	11,755
Total other operating expenses	18,188	19,420
<i>Impairment losses on loans to members</i>		
Impairment Cost	228,994	159,370
Total impairment losses on loans to members	228,994	159,370
Total Expenditure	617,095	496,357
Surplus(+)/deficits(-) for the year before taxation	46,056	6,472
Taxation	736	1,889
Surplus(+)/deficits(-) for the year after taxation	45,320	4,583
Appropriations:		
To General Reserve	9,064	917
Transfer from(-)/to(+) Special Reserve	30,711	(72)
Transfer to dividends:		
Adults - 0.1% (2019 - 0.1%)	5,065	3,262
Interim Dividend paid on Christmas Savings - 0.1%	385	385
Juniors - 0.1% (2019 - 0.1%)	95	91
Total dividend	5,545	3,738
<i>Total appropriations</i>	<u>45,320</u>	<u>4,583</u>
<i>Retained (Deficit) for the year</i>	<u>0</u>	<u>0</u>
<i>Unappropriated Surplus brought forward</i>	<u>0</u>	<u>0</u>
<i>Unappropriated Surplus carried forward</i>	<u>0</u>	<u>0</u>

Note: There are no recognized gains or losses other than those included on the income and expenditure account. All figures included on the income and expenditure account are from continuing activities.

NOTTINGHAM CREDIT UNION LIMITED
STATEMENT OF CHANGES IN EQUITY

	<i>General</i>	<i>Special</i>	<i>Growth</i>	<i>Deferred</i>	<i>Subordinated</i>	<i>Total</i>
	<i>Reserve</i>	<i>Reserve</i>	<i>Fund</i>	<i>Shares</i>	<i>Loan</i>	
	£	£	Reserve	£	£	£
Brought forward	23,933	80,854	81,287	55,000	-	241,006
Lincolnshire Additions	4,407	-	-	-	75,000	75,000
Surplus for the year	45,320	-	-	-	-	44,080
Dividend	-5,065	-	-	-	-	-5,065
Transfers to/from Spec. reserve	-30,711	30,711	-	-	-	-
Carried forward	32,335	111,565	81,287	55,000	75,000	284,429

NOTES ON THE ACCOUNTS

1. Accounting Policies

a. ***Accounting policies applied***

The Credit Union is registered under the Industrial and Provident Societies Act 1965. The financial statements have been prepared under the historic cost accounting rules in accordance with **FRS 102**, the Industrial and Provident Societies Act 1965 – 2002 and the Credit Union Act 1979. Applicable accounting standards have been followed.

b. ***Fixed Assets***

Fixed assets are stated at cost. Depreciation of fixed assets is charged by equal instalments commencing in the year of acquisition at rates estimated to write off their cost less any residual value over their expected useful lives as follows:

Office furniture and fittings	5 years
Computers	3 years
Servers	5 years

c. ***Interest – calculation and application***

The Credit Union does not use fair value accounting in calculating interest on loans. Both received and accrued interest is based on simple interest and this is calculated automatically by the accounting system. In cases where interest is frozen, no interest is recognised in the accounts from the date interest is frozen. This was the case for 159 loans in 2020 (96 loans 2019)

Interest is accounted for on the basis of amounts receivable or payable in the year covering the accounts.

NOTTINGHAM CREDIT UNION LIMITED
NOTES ON THE ACCOUNTS CONTINUED

d. ***Provision for Impaired Loans***

Provision for Impaired Loans is stated after specifically reviewing all loans in arrears. The criteria used are whether the loan will be repaid within the medium term and whether there is a regular pattern of repayments.

In cases where Individual Voluntary Agreement (IVA), Debt Relief Orders (DRO) and bankruptcy have been recorded on a loan, such loans are written off. These are included in the 'Impaired Loans Cost' amount of £289,279 (2019 - £159,370) shown in the Income and Expenditure Statement.

The Prudential Regulation Authority (PRA) requirement is that provision for impaired loans should be calculated on the basis of net liability (i.e. customer's loan balance plus accrued interest less customer's shares held) and at the following provision rates:

Loans 91 to 180 days in arrears – 35%
 Loans 181 to 270 days in arrears – 60%
 Loans 271 to 365 days in arrears – 80%
 Loans over 365 days in arrears – 100%

e. ***Juvenile transactions***

Juvenile transactions are included within the accounts unless specifically shown otherwise.

2. **Summary of Members Share (including juniors) and Loan Accounts**

	Shares		Loans	
	2020	2019	2019	2019
Balances brought forward from last year	3,915,902	3,409,372	2,925,172	2,449,463
Transferred from Lincolnshire CU	1,624,238	0	718,820	0
Shares saved and loans repaid	8,577,086	7,134,920	(2,856,340)	(2,590,436)
Dividend credited to shares	3,263	3,259		
Shares withdrawn	(7,420,289)	(6,631,649)		
Loans granted			2,052,388	2,589,151
Interest charged			546,541	476,994
Balances carried forward to next year	6,700,200	3,915,902	3,386,581	2,925,172
	=====	=====	=====	=====

NOTTINGHAM CREDIT UNION LIMITED
NOTES ON THE ACCOUNTS CONTINUED

3. Number of Members (including juniors)

	2020	2019
Number at beginning of year	9,511	8,648
Joined during year	2,654	1,700
Joined from Lincolnshire Credit Union	2,240	-
Lapsed during year	2,032	837
Number at end of year	12,373	9,511
	=====	=====
Junior members	790	631
Adult members (of whom dormant: 2020 – 1362; 2019 – 991)	11,583	8,880
	12,373	9,511
	=====	=====

4. Tangible Fixed Assets

	Server Hardware & Software	Lincolnshire Assets
	£	£
Cost		
At 31 December 2019	14,423	-
Additions	5,258	96,361
As at 31 December 2020	19,681	96,361
	=====	=====
Depreciation		
At 31 December 2019	5,020	86,531
Charge for the year	4,383	4,171
As at 31 December 2020	9,403	90,702
	=====	=====
Written Down Value 31 December 2020	11,923	5,659
	=====	=====

5 Impaired Loans Written Off

The cumulative value of Impaired Loans Written Off as at 31 December 2020 was £2,001,062 (2019 - £1,267,297). This amount has been adjusted to £1,155,654 (2018 - £859,791) to show a reasonable estimation of written off loans where there is no legal right to repayment.

The remainder of written off loans of £845,408 (2019 - £407,506) have been added back to and are included in the amounts for Standard Loans and Impaired Loan Provision in the Statement of Financial Position.

NOTTINGHAM CREDIT UNION LIMITED
NOTES ON THE ACCOUNTS CONTINUED

6 Holiday Pay Accrual

Our holiday runs from 1st April to 31st March. Holiday pay accrual has been based on basic salary and holiday entitlement equivalent up to 31st December 2020. The value for this as at 31st December 2020 was £1,460 as shown in the Accounts.
 (2019 - £1,245)

7 Key Management Remuneration

Directors of the credit union do not receive any remuneration.
 Total remuneration paid to key management during the year was £65,559
 (2019 - £ 58,628)

8 Government Grants

Nottingham City Council grant given for core costs.
 The grants were accounted for on accrual basis in line with FRS 102 section 24.5D

9 Related Party Disclosures

The Credit Union does not grant loans to Directors, Officers, Approved Persons and employees of the Credit Union with terms more favourable than those available to other members.

Total shares and loans to Staff & Directors as at 31st December 2020 were as follows

	Shares	Loans
	£	£
Staff	2,630	1,930
Directors	5,627	0
Total	8,257	1,930

10 Deferred Income

The Credit Union received various grant funds during the year from different organisations to cover core costs. The funds are recognised as income on accrual basis as and when used and as mentioned above under Note 8.

