

SUFFOLK CREDIT UNION LTD

Firm Reference No 213930

Registered No IP00510C

**DIRECTORS REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

30 SEPTEMBER 2020

SUFFOLK CREDIT UNION LTD

ADMINISTRATIVE INFORMATION

Directors	Russell Drake Claire Tolliday Cathy Cunningham-Elliott Gail Burrows Philomena Convery-Moroney
Secretary	Cathy Cunningham-Elliott
Society Registration Number	IP00510C
Financial Conduct Authority Registration Number	213930
Registered Office	Ground Floor Block 3, Endeavour House 8 Russell Road Ipswich IP1 2BX
Auditors	Lindley Adams Limited Chartered Accountants and Statutory Auditors 28, Prescott Street Halifax, HX1 2LG
Bankers	Santander UK plc 2 Triton Square Regent's Place London NW1 3AN Metro Bank plc One Southampton Row London WC1B 5HA Cambridge & Counties Bank Limited 42 Castle Street Cambridge CB3 0AJ Unity Trust Bank Plc Nine Brindleyplace 4 Oozells Square Birmingham B1 2HB

SUFFOLK CREDIT UNION LTD

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SUFFOLK CREDIT UNION LTD**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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

Principal activity and Business Review

The principal activities of the credit union are the promotion and encouragement of regular saving and prudent borrowing by its members, as defined in the Credit Unions Act 1979.

Results and Dividends

The surplus for the year, after taxation, amounted to £274 (2019 - £4,312 deficit). In addition, there were 494 (2019 - 491) adult members with 121 (2019 - 135) members holding loans with the Credit Union.

The Directors do not recommend the payment of a dividend at the year end.

Directors

The directors who served during the year are as stated below:

Russell Drake
Ms Claire Tolliday
Cathy Cunningham-Elliott
Gail Burrows
Philomena Convery-Moroney

Financial risk management objectives and policies

The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk and interest-rate risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below:

- Credit Risk: All loan applications are assessed with reference to the Credit Union's lending policy. Changes to policy are approved by the Board.
- Interest Rate Risk: The main interest rate risk arises from differences between interest rate exposures on assets and on liabilities that form an integral part of the credit union's operations. The Credit Union considers interest rates when deciding on the dividend rates to propose on share accounts.
- Liquidity Risk: The Credit Union's policy is to maintain sufficient funds in a liquid form at all times to ensure that the Credit Union can meet its liabilities as they fall due. The objective of liquidity is to help smooth mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

These areas are outlined in greater detail in section 15 of the Notes to the Financial Statements.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Credit Union legislation requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland" (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 year. 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;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the credit union will continue in business.

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 with the Credit Union 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.

In so far as the directors are aware:

- There is no relevant audit information (information needed by the Credit Union's auditors in connection with preparing their report) of which the Credit Union's auditors are unaware, and
- The directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Credit Union's auditors are aware of that information.

This report was approved by the Board onand signed on its behalf by:

Name of Director 1: Claire Tolliday

Signature 

Name of Director 2: Gail Burrows

Signature 

REPORT OF THE INDEPENDENT AUDITOR TO SUFFOLK CREDIT UNION LTD

OPINION

We have audited the financial statements of Suffolk Credit Union Ltd (the 'credit union') for the year ended 30 September 2020 which comprise revenue account, balance sheet, statement of changes to retained earnings, cash flow statement 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 the 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 the provisions available for small entities, in the circumstances as set out in note 20 to the financial statements, 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 of the Financial Statements, which indicates that the capital-to-total assets ratio is marginally above the Prudential Regulation Authority's minimum capital requirement. The ratio may fall below the requirement in the foreseeable future which could cause sanctions to be applied to the credit union by the Prudential Regulation Authority. These conditions indicate a material uncertainty that may cast significant doubt as to the Credit Union's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the credit union was unable to continue as a going concern. Our opinion is not modified in respect of this matter.

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 Board is responsible for the other information.

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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- a satisfactory system of control over transactions has not been maintained;
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF THE BOARD

As explained more fully in the Statement of Directors' responsibilities set out on page 2, the Board is 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 they determine 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 Board is 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 Board either intend to liquidate the Credit Union or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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: 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, 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 those matters we are required to state to it in a Report of the auditor's 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, for our audit work, for this report, or for the opinions we have formed.

.....
Lindley Adams Limited
Chartered Accountants and Statutory Auditors
28 Prescott Street,
Halifax, HX1 2LG

Date.....

SUFFOLK CREDIT UNION LTD

Revenue Account for the year ended 30 September 2020

	Note	2020 £	2019 £
Loan Interest receivable and similar income	4	26,588	35,284
Interest payable	5	<u>0</u>	<u>(5,013)</u>
Net interest income		26,588	30,271
Fees and commissions receivable	6	46	91
Fees and commissions payable		<u>(821)</u>	<u>(641)</u>
Net fees and commissions payable		(775)	(550)
Other income	7	711	2,689
Administrative expenses	8a	(22,877)	(21,654)
Depreciation and amortisation	11	0	(960)
Other operating expenses	8b	(6,328)	(9,831)
Impairment gains (losses) on loans to members	12e	3,466	(3,699)
Surplus (Deficit) Before Taxation		<u>785</u>	<u>(3,734)</u>
Taxation		(511)	(578)
Surplus (Deficit) for the Financial Year		<u>274</u>	<u>(4,312)</u>
Other comprehensive income		0	0
Total comprehensive income (expenditure)		<u>274</u>	<u>(4,312)</u>

Note: There is no comprehensive income other than those included on the Revenue Account.

SUFFOLK CREDIT UNION LTD

Balance Sheet as at 30 September 2020

	Note	2020 £	2019 £
ASSETS			
Loans and advances to banks	16	<u>679,078</u>	<u>578,835</u>
Loans and advances to members	12	151,678	177,885
Tangible fixed assets	11	0	0
Prepayments and accrued income		1,274	1,416
Total assets		<u>832,030</u>	<u>758,136</u>
LIABILITIES			
Subscribed capital - repayable on demand	13	798,704	725,333
Other payables	14	<u>4,190</u>	<u>3,942</u>
		802,894	729,275
Retained earnings		29,135	28,861
Total liabilities		<u>832,029</u>	<u>758,136</u>

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

Director

Director

Secretary

SUFFOLK CREDIT UNION LTD

Statement of Changes in Retained Earnings for the year ended 30 September 2020

	2020	2019
	£	£
As at 1 October 2019	28,861	33,173
Total comprehensive income (expenditure) for the year	274	(4,312)
As at 30 September 2020	29,135	28,861

Movement in reserves

	Retained earnings		Total
	General reserve	Revenue reserve	
As at 1 October 2019	24,381	4,480	28,861
Surplus for year	274	0	274
Other movements	834	(834)	0
As at 30 September 2020	25,489	3,646	29,135

SUFFOLK CREDIT UNION LTD

Cash flow statement for the year ended 30 September 2020

	Note	2020 £	2019 £
Cash Flows from operating activities			
Surplus (Deficit) Before Taxation		785	(3,734)
Adjustments for non-cash items			
Depreciation	11	0	960
Impairment losses	12e	<u>(3,466)</u>	<u>3,699</u>
		(3,466)	4,659
 Movements in:			
Prepayments and accrued income		142	95
Other payables		<u>248</u>	<u>(586)</u>
		390	(491)
 Cash flows from changes in operative assets and liabilities			
Cash inflow from subscribed capital	13	295,091	312,902
Cash outflow from repaid capital	13	(221,720)	(334,271)
New loans to members	12a	(90,650)	(106,119)
Repayment of loans by members	12a	<u>120,324</u>	<u>166,468</u>
		103,044	38,980
 Taxation paid		<u>(511)</u>	<u>(578)</u>
Net Cash flows from operating activities		100,242	38,836
 Cash flows from investing activities			
Purchase of property, plant and equipment	11	0	0
Net cash flow from managing liquid deposits	16	<u>(144)</u>	<u>(211)</u>
Net increase in cash and cash equivalents		100,098	38,625
Cash and cash equivalents at beginning of year		<u>297,021</u>	<u>258,396</u>
Cash and cash equivalents at end of year	16	<u>397,119</u>	<u>297,021</u>

SUFFOLK CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020

1 Legal and regulatory framework

The Credit Union 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. The Credit Union 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 the Credit Union has only issued redeemable shares.

2 Accounting policies

Basis of preparation

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

The financial statements are prepared on the historical cost basis.

Going concern

The directors of the Credit Union believe that it is appropriate to prepare the financial statements on the going concern basis. In accordance with PRA Rulebook Guidelines outlined in Section 8.5 (1), the credit union must maintain a minimum Capital-To-Total assets ratio of 3%.

	2020	2019
The relevant ratios are:-	3.50%	3.81%

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. Exempt interest on members loans is not recognised.

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.

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. The Credit Union 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 the Credit Union from which profits are chargeable to corporation tax, it is unlikely that deferred tax will arise.

SUFFOLK CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

2 Accounting policies (cont.)

Tangible fixed assets

Tangible fixed assets comprises items of property, plant and 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 property, plant and 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:

Software & Office Equipment	3 Years
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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.

Financial assets – loans and advances to members

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

Loans are derecognised when the right to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member.

Impairment of financial assets

The Credit Union assesses, at each balance sheet date, if there is objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics, because no loans are individually significant. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised.

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

Financial liabilities – subscribed capital

Members' shareholdings in the Credit Union 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.

Employee benefits

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

Reserves

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

SUFFOLK CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

3 Use of estimates and judgements

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying the Credit Union's accounting policies. The 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

Impaired losses are stated after specifically reviewing all loans in arrears. The criteria used is whether the loan will be repaid within the term of the loan based upon the current regular pattern of repayments.

4	Loan interest receivable and similar income		2020	2019
			£	£
	Loan interest receivable from members		23,897	32,242
	Bank interest receivable from cash and liquid deposits		<u>2,690</u>	<u>3,042</u>
	Total loan interest receivable and similar income		<u>26,587</u>	<u>35,284</u>
5	Interest expense			
	Interest expense is the dividend paid to members for the prior year. The dividend is formally proposed by the Directors after the year end and is confirmed at the following AGM. As a result it does not represent a liability at the balance sheet date.			
			2020	2019
			£	£
	Interest paid during the year		<u>0</u>	<u>5,013</u>
	Dividend rate		0.00%	0.75%
	Interest proposed, but not recognised		<u>25</u>	<u>21</u>
	Dividend rate Adults		0.00%	0.00%
	Juniors		1.00%	0.75%
6	Fees and commissions receivable		2020	2019
			£	£
	Entrance fees		<u>46</u>	<u>91</u>
	Total fees and commissions receivable		<u>46</u>	<u>91</u>
7	Other Income		2020	2019
			£	£
	Miscellaneous income		<u>711</u>	<u>2,689</u>
			<u>711</u>	<u>2,689</u>
8	Expenses	Note	2020	2019
			£	£
	Administrative expenses	8a	22,877	21,654
	Depreciation and amortisation	11	0	960
	Other operating expenses	8b	<u>6,328</u>	<u>9,831</u>
			<u>29,205</u>	<u>32,445</u>

SUFFOLK CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

8a	Administrative Expenses	Note	2020	2019
			£	£
	Employment costs	9b	17,428	13,320
	Training and Conference		231	551
	Advertising and Publicity		0	3,300
	Directors & Volunteers expenses		80	129
	Auditors remuneration	8c	2,700	2,100
	Computer maintenance		1,482	1,476
	Legal and Professional		168	0
	General expenses		327	0
	Printing, Postage and Stationery		174	204
	Other insurances		287	574
	Total Administrative Expenses		<u>22,877</u>	<u>21,654</u>
8b	Other Operating Expenses		2020	2019
	Regulatory and financial management costs			
	Financial Conduct Authority and Prudential Regulation Authority Fees and FSCS Levy		357	180
	National Body Dues		621	612
	Fidelity Insurance		840	1,661
	Loan Protection and life savings insurance		4,086	4,372
	Debt recovery fees & Credit Checks		424	3,006
	Total Other operating Expenses		<u>6,328</u>	<u>9,831</u>
8c	Auditors remuneration			
	The Credit Union voluntarily presents an analysis of its auditors' remuneration in accordance with Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008.			
			2020	2019
			£	£
	Fees payable for the audit of the Credit Union's annual accounts		2,610	2,010
	Fees payable to the Credit Union's Auditor for other services:			
	Services relating to taxation		90	90
	Total Auditors remuneration		<u>2,700</u>	<u>2,100</u>

SUFFOLK CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

9 Employees and employment costs**9a Number of employees**

The average monthly number of employees during the year were:

Office staff

2020	2019
Number	Number

<u>1</u>	<u>1</u>
----------	----------

9b Employment costs

2020	2019
£	£
13,613	10,287
1,613	984
<u>2,202</u>	<u>2,049</u>
<u>17,428</u>	<u>13,320</u>

2020	2019
£	£

Wages and salaries	13,613	10,287
Social security costs	1,613	984
Payments to defined contribution pension schemes	<u>2,202</u>	<u>2,049</u>
Total employment costs	<u>17,428</u>	<u>13,320</u>

The Directors of the Credit Union are all unpaid volunteers. The key management team for the Credit Union includes the credit union manager.

2020	2019
£	£
15,226	11,271
<u>2,202</u>	<u>2,049</u>
<u>17,428</u>	<u>13,320</u>

Short term employee benefits

Payments to defined contribution pension schemes

Total key management personnel compensation

Short-term employee benefits include wages, salaries, social security contributions and paid annual leave.

10 Taxation**10a Recognised in the Revenue Account**

The taxation charge for the year, based on the small profits rate of Corporation Tax of 19% (2019 19%) comprised:

	Note	2020	2019
		£	£
Current tax		511	578
UK Corporation tax	10b	<u>511</u>	<u>578</u>
Total current tax and total taxation expense recognised in the Revenue Account		<u>511</u>	<u>578</u>

10b Reconciliation of taxation expense

The Credit Union 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, tax charge for the year differs from the standard rate of corporation tax. The differences are explained below:

	2020	2019
	£	£
Surplus (Deficit) Before Taxation	<u>785</u>	<u>(3,734)</u>
Surplus (Deficit) before taxation multiplied by small profits rate of corporation tax in the UK of 19% (2019 19%)	149	(728)
Effects of:		
Non-taxable deficit on transactions with members	<u>362</u>	<u>1,306</u>
Total tax charge for the year	<u>511</u>	<u>578</u>

SUFFOLK CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

11 Tangible Fixed Assets

Tangible Fixed Assets comprise the following property, plant and equipment:

	Software & Office Equipment	£	Total
Cost			
As at 1 October 2019	5,695		5,695
Additions	0		0
Disposals	0		0
As at 30 September 2020	5,695		5,695
Depreciation			
As at 1 October 2019	5,695		5,695
Charge for the year	0		0
Charge on disposal	0		0
As at 30 September 2020	5,695		5,695
Net Book Value			
As at 30 September 2020	0		0
As at 30 September 2019	0		0

12 Loans and advances to members

12a Loans and advances to members	Note	2020	2019
		£	£
As at 1 October 2019		246,152	312,081
Advanced during the year		90,650	106,119
Interest receivable		23,897	32,242
Repaid during the year		(144,221)	(198,710)
Gross loans and advances to members	12b	216,479	251,732
Impairment losses:			
Individual financial assets	12b, 12e	0	(5,580)
Groups of financial assets	12d	(64,801)	(68,267)
	12c	(64,801)	(73,847)
As at 30 September 2020		151,678	177,885
12b Memorandum - Total loan assets regulatory purposes	Note	2020	2019
		£	£
Gross loans and advances to members		216,479	251,732
Impairment of individual financial assets		0	(5,580)
Total loan assets for regulatory purposes	15b	216,479	246,152

SUFFOLK CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

12c Credit risk disclosures

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

The carrying amount of the loans to members represents the credit union's maximum exposure to credit risk. The following table provides information on the credit quality of loan repayments. Where loans are not impaired it is expected that the amounts repayable will be received in full.

	2020		2019	
	Amount	Proportion	Amount	Proportion
Not impaired:				
Neither past due nor impaired	133,361	61.62%	148,946	59.18%
Up to 3 months past due	13,462	6.22%	22,124	8.79%
Between 3 and 6 months past due	2,515	1.16%	2,541	1.01%
Between 6 and 9 months past due	183	0.08%	3,194	1.27%
Between 9 months and 1 year past due	1,241	0.57%	239	0.09%
Over 1 year past due	915	0.42%	840	0.33%
Sub-total: loans not impaired	151,678	70.07%	177,884	70.67%
Individually impaired:				
Not yet past due, but impaired	0	0.00%	0	0.00%
Up to 3 months past due	0	0.00%	0	0.00%
Between 3 and 6 months past due	1,135	0.52%	1,081	0.43%
Between 6 and 9 months past due	222	0.10%	2,022	0.80%
Between 9 months and 1 year past due	3,032	1.40%	857	0.34%
Over 1 year past due	60,412	27.91%	69,888	27.76%
Total loans	216,479	29.93%	251,732	29.33%
Impairment allowance	(64,801)		(73,847)	
Total carrying value	151,678		177,885	

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

12d Allowance account for impairment losses	Note	2020	2019
		£	£
As at 1 October 2019		68,267	70,148
Allowances reversed during the year		(3,466)	(1,881)
Decrease in allowance during the year	12e	(3,466)	(1,881)
As at 30 September 2020		64,801	68,267
12e Impairment losses recognised for the year		2020	2019
		£	£
Impairment of individual financial assets		0	5,580
Decrease in impairment allowances during the year		(3,466)	(1,881)
		(3,466)	3,699
Reversal of impairment where debts recovered		0	0
Total impairment losses (gains) recognised for the year		(3,466)	3,699

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Notes to the Financial Statements for the year ended 30 September 2020 (continued)

13 Subscribed capital - financial liabilities	2020	2019
	£	£
As at 1 October 2019	725,333	746,702
Received during the year	295,091	307,889
Dividends paid during the year	0	5,013
Repaid during the year	<u>(221,720)</u>	<u>(334,271)</u>
As at 30 September 2020	<u>798,704</u>	<u>725,333</u>

Deposits from members are made by way of subscription for shares. The balance includes deposits made by juvenile members - £2,809 (2019 - £5,505).

14 Other payables	2020	2019
	£	£
UK Corporation tax	511	578
Accruals and deferred income	3,679	3,364
	<u>4,190</u>	<u>3,942</u>

15 Additional financial instruments disclosures**15a Financial risk management**

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

The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk and interest rate risk. The board reviews and agrees policies for managing each of these risks, which are summarised below.

Credit risk: Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to the Credit Union, resulting in financial loss to the Credit Union. In order to manage the risk the Board approves the Credit Union's lending policy, and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of payment has changed. The Credit Union also monitors its banking arrangements closely in light of the current banking situation.

Liquidity risk: The Credit Union's policy is to maintain sufficient funds in liquid form at all times to ensure that it meets its liabilities as they fall due. The objective of the Credit Union's liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise. Note 2 provides further details about the impact of the maturity mismatch on the going concern status of the Credit Union.

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

Interest rate risk: The Credit Union'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. The Credit Union considers rates of interest receivable when deciding on the dividend rate payable on subscribed capital. The Credit Union does not use interest rate options to hedge its own positions.

SUFFOLK CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

15b Interest rate risk disclosures

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

	2020		2019	
	Amount	Average Interest Rate	Amount	Average Interest Rate
Financial assets	£	%	£	%
Loans to members	216,479	10.33%	246,152	11.55%

The interest rates applicable to loans to members are fixed and range from 6% to 18%.

15c Liquidity risk disclosures

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

15d Fair value of financial instruments

The Credit Union does not hold any financial instruments at fair value.

16 Cash and cash equivalents

	2020	2019
	£	£
Loans and advances to banks	679,078	578,835
Less: amounts maturing after three months	(281,958)	(281,814)
Total cash and cash equivalents	<u>397,120</u>	<u>297,021</u>

16 Going concern

The Capital asset ratio at the year end was 3.5% and has been and is still adversely affected by a high level of salary costs and falling interest from loans to members. The directors feel that there is uncertainty that the minimum requirement of 3% can be maintained in the next 12 months after signing these financial statements. These circumstances could cause sanctions to be applied to the credit union by the Prudential Regulations Authority. The circumstances cast doubt as to the credit union's ability to continue as a going concern.

17 Post balance sheet events

In 2020, the Covid-19 pandemic occurred. The measures taken by the UK government to contain the virus have impacted the economic activity of credit unions. The directors have assessed the impact on the credit union and the business continuity plans. Their view is, although the credit union will be affected and there may be a fall in income and increase in doubtful loans, the credit union will meet all regulatory requirements for the foreseeable future. It is appropriate to prepare the accounts on a going concern basis as set out in the Accounting Policies (going concern) Note to the Financial Statements. The full extent of the impact is dependent on the duration of Covid-19, the effect on the economy and the measures required to be taken by the UK government, the results of this cannot be predicted.

18 Contingent liabilities

The Credit Union participates in the Financial Services Compensation Scheme (FSCS) and therefore has a contingent liability, which cannot be quantified, in respect of contributions to the FSCS, as required by the Financial Services and Markets Act 2000. The Financial Conduct Authority (FCA) has 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 the Credit Union will have to pay.

SUFFOLK CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

19 Related Party Transactions

During the year, 2 members of the board, staff, volunteers and their close family members, had or were issued with loans with the Credit Union (2019 - 5 Members). These loans were approved on the same basis as loans to other members of the Credit Union. None of the directors, staff, volunteers and close family members have any preferential terms on their loans.

All members of the board and employees are employees of Suffolk County Council. Suffolk County Council provides the Credit Union with an office free of rent and rates.

20 Non Audit Services

In common with many other credit unions of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.