

COLCHESTER CREDIT UNION LTD

Firm Reference No 213769

Registered No IP00670C

**DIRECTORS REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

30 SEPTEMBER 2018

COLCHESTER CREDIT UNION LTD

ADMINISTRATIVE INFORMATION

Directors

Karen Green
Clive Stobbs
Dagmar Grafton
Christine Hudson
Jane Dabbs
Nicholas Rose

Secretary

Jane Dabbs

Society Registration Number

IP00670C

**Financial Conduct Authority
Registration Number**

213769

Registered Office

Co-op Resource Centre
Greenstead
Colchester
Essex, CO4 3PX

Auditors

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

Bankers

The Co-operative Bank Plc
P.O. Box 101
1 Balloon Street
Manchester
M60 4EP

Ipswich Building Society
PO Box 547
Ipswich
IP3 9WZ

COLCHESTER CREDIT UNION LTD

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COLCHESTER CREDIT UNION LTD**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

The Directors present their report and the financial statements for the year ended 30 September 2018.

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 £12,604 (2017 - £4,956 deficit). In addition, there were 457 (2017 - 454) adult members with 54 (2017 - 42) 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:

Karen Green
Clive Stobbs
Dagmar Grafton
Christine Hudson
Nicholas Rose
Jane Dabbs

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 on 26/5/2019 and signed on its behalf by:


Name of Director 1: CLIVE STOBBS

Signature



Name of Director 2: NICK ROSE

Signature



REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF COLCHESTER CREDIT UNION LTD

OPINION

We have audited the financial statements of Colchester Credit Union Ltd for the year ended 30 September 2018 as which comprise of 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).

This report is made solely for 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.

In our opinion, the financial statements:

- give a true and fair view of the state of Credit Union's affairs as at 30 September 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 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 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. 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. 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:

- 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;
- the revenue account, any other accounts to which our report relates, and the balance sheet 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

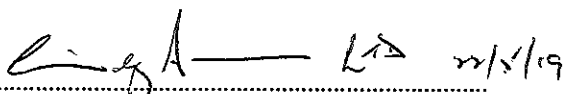
As explained more fully in the Statement of Directors' responsibilities set out on page 2, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 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/apb/scope/private.cfm. This description forms part of our auditor's report.



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

COLCHESTER CREDIT UNION LTD

Revenue Account for the year ended 30 September 2018

	Note	2018 £	2017 £
Loan Interest receivable and similar income	4	8,849	6,988
Interest payable	5	0	0
Net interest income		8,849	6,988
Fees and commissions receivable	6	254	120
Fees and commissions payable		0	0
Net fees and commissions receivable		254	120
Other income	7	18,772	1,364
Administrative expenses	8a	(12,219)	(10,027)
Depreciation and amortisation	11	(210)	(210)
Other operating expenses	8b	(3,410)	(3,143)
Impairment gains on loans to members	12e	681	83
Surplus (Deficit) Before Taxation		12,717	(4,825)
Taxation		(113)	(131)
Surplus (Deficit) for the Financial Year		12,604	(4,956)
Total comprehensive income (expenditure)		12,604	(4,956)

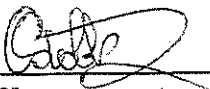
Note: There is no comprehensive income other than those included on the Revenue Account.

COLCHESTER CREDIT UNION LTD

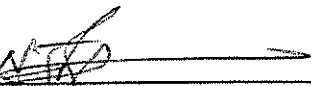
Balance Sheet as at 30 September 2018

	Note	2018 £	2017 £
ASSETS			
Loans and advances to banks	16	<u>293,372</u>	<u>257,259</u>
Loans and advances to members	12	42,996	32,889
Tangible fixed assets	11	210	420
Prepayments and accrued income		658	479
Total assets		<u>337,236</u>	<u>291,047</u>
LIABILITIES			
Subscribed capital - repayable on demand	13	304,179	272,020
Other payables	14	<u>14,151</u>	<u>12,725</u>
		318,330	284,745
Retained earnings		18,906	6,302
Total liabilities		<u>337,236</u>	<u>291,047</u>

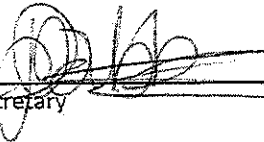
The financial statements were approved, and authorised for issue by the board on 20/3/2019 and signed on its behalf by:



Director



Director



Secretary

COLCHESTER CREDIT UNION LTD

Statement of Changes in Retained Earnings for the year ended 30 September 2018

	2018	2017
	£	£
As at 1 October 2017	6,302	11,258
Total comprehensive income (expenditure) for the year	12,604	(4,956)
As at 30 September 2018	18,906	6,302

Movement in reserves

	Retained earnings		Total
	General reserve	Revenue reserve	
As at 1 October 2017	2,243	4,059	6,302
Surplus for year	12,604	0	12,604
As at 30 September 2018	14,847	4,059	18,906

COLCHESTER CREDIT UNION LTD

Cash flow statement for the year ended 30 September 2018

	Note	2018 £	2017 £
Cash Flows from operating activities			
Surplus (Deficit) Before Taxation		12,717	(4,825)
Adjustments for non-cash items			
Depreciation	11	210	210
Impairment losses	12e	(661)	626
		<u>(451)</u>	<u>836</u>
 Movements in:			
Prepayments and accrued income		(179)	2,498
Other payables		1,426	3,647
		<u>1,247</u>	<u>6,145</u>
 Cash flows from changes in operative assets and liabilities			
Cash inflow from subscribed capital	13	268,662	249,073
Cash outflow from repaid capital	13	(236,503)	(224,018)
New loans to members	12a	(53,350)	(40,857)
Repayment of loans by members	12a	43,904	31,830
		<u>22,713</u>	<u>16,028</u>
Taxation paid		(113)	(131)
Net Cash flows from operating activities		36,113	18,053
 Cash flows from investing activities			
Purchase of property, plant and equipment	11	0	(630)
Net cash flow from managing liquid deposits		0	0
		<u>0</u>	<u>(630)</u>
 Net increase in cash and cash equivalents		36,113	17,423
Cash and cash equivalents at beginning of the year		257,259	239,836
 Cash and cash equivalents at end of year	16	<u><u>293,372</u></u>	<u><u>257,259</u></u>

COLCHESTER CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018

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 and on a going concern basis.

Income

Loan interest receivable and similar income: Interest on both loans to members and loans to banks (i.e. cash and 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.

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:

Equipment and fittings	3 years
Computers	3 years

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Notes to the Financial Statements for the year ended 30 September 2018 (continued)

2 Accounting policies (cont.)**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.

Reserves

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

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.

COLCHESTER CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

4	Loan interest receivable and similar income		2018	2017
			£	£
	Loan interest receivable from members		8,256	6,316
	Bank interest receivable from cash and liquid deposits		593	672
	Total loan interest receivable and similar income		8,849	6,988
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.			
			2018	2017
			£	£
	Interest paid during the year		0	0
	Dividend rate		0.00%	0.00%
	Interest proposed, but not recognised		0	0
	Dividend rate		0.00%	0.00%
6	Fees and commissions receivable		2018	2017
			£	£
	Entrance fees		254	120
	Total fees and commissions receivable		254	120
7	Other Income		2018	2017
			£	£
	Grants and deferred income		18,734	1,194
	Donations		38	170
			18,772	1,364
8	Expenses	Note	2018	2017
			£	£
	Administrative expenses	8a	12,219	10,027
	Depreciation and amortisation	11	210	210
	Other operating expenses	8b	3,410	3,143
			15,839	13,380
8a	Administrative Expenses	Note	2018	2017
			£	£
	Travelling		46	13
	Auditors remuneration	8c	2,106	2,067
	Telephone		826	762
	Computer maintenance		1,884	1,399
	Employment costs		5,320	5,128
	Legal fees		75	0
	General expenses		1,332	90
	Printing, Postage and Stationery		345	292
	Other insurances		285	276
	Total Administrative Expenses		12,219	10,027

COLCHESTER CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

8b Other Operating Expenses	2018	2017
Regulatory and financial management costs	£	£
Financial Conduct Authority and Prudential Regulation Authority Fees	237	122
National Body Dues	414	416
Financial Services Compensation Scheme Levy	5	44
Fidelity Insurance	1,023	1,005
Loan Protection and life savings insurance	1,431	1,296
Credit checks & Debt Recovery costs	300	260
	<u>3,410</u>	<u>3,143</u>
Total Other operating Expenses	<u>3,410</u>	<u>3,143</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.

	2018	2017
	£	£
Fees payable for the audit of the Credit Union's annual accounts	2,016	1,977
Fees payable to the Credit Union's Auditor for other services:		
Services relating to taxation	90	90
Total Auditors remuneration	<u>2,106</u>	<u>2,067</u>

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

The average monthly number of employees during the year were:

	2018	2017
	Number	Number
Office staff	<u>1</u>	<u>1</u>

9b Employment costs

	2018	2017
	£	£
Wages, salaries and social security costs	5,320	5,128
Total employment costs	<u>5,320</u>	<u>5,128</u>

9c Remuneration

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

	2018	2017
	£	£
Short term employee benefits	5,320	5,128
Total key management personnel compensation	<u>5,320</u>	<u>5,128</u>

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

COLCHESTER CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

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% (2017 19.5%) comprised:

	Note	2018	2017
Current tax		£	£
UK Corporation tax	10b	113	131
Total current tax and total taxation expense recognised in the Revenue Account		<u>113</u>	<u>131</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:

	2018	2017
	£	£
Surplus (Deficit) Before Taxation	<u>12,717</u>	<u>(4,825)</u>
Surplus (Deficit) before taxation multiplied by small profits rate of corporation tax in the UK of 19% (2017 19.5%)	2,416	(941)
Effects of:		
Non-taxable surplus/(deficit) on transactions with members	<u>(2,303)</u>	<u>1,072</u>
Total tax charge for the year	<u>113</u>	<u>131</u>

11 Tangible Fixed Assets

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

	Equipment and fittings	Computers	Total
Cost	£	£	
As at 1 October 2017	752	14,480	15,232
Additions	0	0	0
Disposals	0	0	0
As at 30 September 2018	<u>752</u>	<u>14,480</u>	<u>15,232</u>
Depreciation			
As at 1 October 2017	752	14,060	14,812
Charge for the year	210	0	210
Charge on disposal	0	0	0
As at 30 September 2018	<u>962</u>	<u>14,060</u>	<u>15,022</u>
Net Book Value			
As at 30 September 2018	<u>(210)</u>	<u>420</u>	<u>210</u>
As at 30 September 2017	0	420	420

COLCHESTER CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

12 Loans and advances to members

12a Loans and advances to members		Note	2018	2017
			£	£
As at 1 October 2017			38,214	30,606
Advanced during the year			53,350	40,857
Interest receivable			8,256	6,316
Repaid during the year			(52,160)	(38,146)
Gross loans and advances to members		12b	47,660	39,633
Impairment losses:				
Individual financial assets	12b, 12e	0	(1,419)	
Groups of financial assets	12d	(4,664)	(5,325)	
	12c	(4,664)	(6,744)	
As at 30 September 2018			42,996	32,889
12b Memorandum - Total loan assets regulatory purposes		Note	2018	2017
			£	£
Gross loans and advances to members			47,660	39,633
Impairment of individual financial assets			0	(1,419)
Total loan assets for regulatory purposes		15b	47,660	38,214

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.

	2018		2017	
	Amount	Proportion	Amount	Proportion
Not impaired:				
Neither past due nor impaired	43,396	91.06%	32,044	80.85%
Up to 3 months past due	0	0.00%	0	0.00%
Between 3 and 6 months past due	0	0.00%	0	0.00%
Between 6 and 9 months past due	0	0.00%	0	0.00%
Between 9 months and 1 year past due	0	0.00%	0	0.00%
Over 1 year past due	0	0.00%	0	0.00%
Sub-total: loans not impaired	43,396	91.06%	32,044	80.85%
Individually impaired:				
Not yet past due, but impaired	0	0.00%	0	0.00%
Up to 3 months past due	0	0.00%	317	0.80%
Between 3 and 6 months past due	483	1.01%	0	0.00%
Between 6 and 9 months past due	1,837	3.85%	0	0.00%
Between 9 months and 1 year past due	228	0.48%	0	0.00%
Over 1 year past due	1,716	3.60%	7,272	18.35%
Total loans	47,660	8.94%	39,633	19.15%
Impairment allowance	(4,664)		(6,744)	
Total carrying value	42,996		32,889	

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

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Notes to the Financial Statements for the year ended 30 September 2018 (continued)

12d Allowance account for impairment losses	Note	2018	2017
		£	£
As at 1 October 2017		5,325	6,118
Allowances reversed during the year		(661)	(793)
Decrease in allowance during the year	12e	(661)	(793)
As at 30 September 2018		4,664	5,325
12e Impairment (gains) losses recognised for the year		2018	2017
		£	£
Impairment of individual financial assets		0	1,419
Decrease in impairment allowances during the year		(661)	(793)
		(661)	626
Reversal of impairment where debts recovered		(20)	(709)
Total impairment gains recognised for the year		(681)	(83)
13 Subscribed capital - financial liabilities		2018	2017
		£	£
As at 1 October 2017		272,020	246,965
Received during the year		268,662	249,073
Dividends paid during the year		0	0
Repaid during the year		(236,503)	(224,018)
As at 30 September 2018		304,179	272,020
Deposits from members may only be made by way of subscription of shares. The balance includes shares made by juvenile members - £29,819 (2017 £29,814).			
14 Other payables		2018	2017
		£	£
UK Corporation tax		113	131
Accruals and deferred income		5,668	5,674
Loan guarantee schemes		4,500	6,500
Revenue grants		3,660	0
Capital Grant		210	420
		14,151	12,725

COLCHESTER CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

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.

15b Interest rate risk disclosures

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

	2018		2017	
	Amount	Average Interest Rate	Amount	Average Interest Rate
Financial assets	£	%	£	%
Loans to members	47,660	19.23%	38,214	18.36%

The interest rates applicable to loans to members are fixed at 24% per annum.

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.

COLCHESTER CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

16 Cash and cash equivalents	2018	2017
	£	£
Loans and advances to banks	293,372	257,259
Less: amounts maturing after three months	0	0
Total cash and cash equivalents	<u>293,372</u>	<u>257,259</u>

17 Post balance sheet events

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

18 Contingent liabilities

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

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 (2017 2 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.

Karen Collier is a director of the credit union and an employee of Colchester Borough Homes. The credit union has a contract with Colchester Borough Homes to make grants to their tenants in the form of crisis loans. Colchester Borough Homes have provided the credit union with a sum of £3,000 to fund these loans and £2,000 in 2016/17 and 2018/19 for revenue costs.

20 Going concern

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%. The directors of the Credit Union believe that it is appropriate to prepare the financial statements on the going concern basis despite the capital to total assets ratio being below 3% as the credit union has secured grant funding after the year end to strengthen the reserves, as disclosed in Note 17.

	2018	2017
The relevant ratios are:-	5.61%	2.17%