

Stockport Credit Union Limited

**Report and
Financial statements**

**For the year ended
30th September 2016**

Firm Reference Number	213305
Registered Number	146C

Stockport Credit Union Limited

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For the year ended 30th September 2016

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Stockport Credit Union Limited

Administrative Information

For the year ended 30th September 2016

Directors at the date of authorisation of the financial statements

Karen Kime
Steven Kelly
Chris Caulton
Lisa Smart
Mike Pole
Lesley Kay
Andrew Townsley
Philip Howcroft

Reg No: 146C

Registered Office:

First House
367 Brinnington Road
Brinnington
Stockport
SK5 8EN

Auditors:

Beever and Struthers
St. George's House
215/219 Chester Road
Manchester
M15 4JE

Bankers:

The Co-operative Bank plc

Stockport Credit Union Limited

Directors' Report and Statement of the Board of Directors Responsibilities
For the year ended 30th September 2016

The directors present their report and the financial statements of the credit union for the year ended 30 September 2016.

Principal activity

The Credit Union's principal activity is that of a credit union offering savings and loan opportunities to its members.

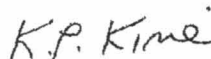
Statement of the Board of Directors responsibilities

Under the Co-operative and Community Benefit Societies Act 2014, as a registered society the Credit Union is required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and 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 business.

The Board of Directors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Credit Union and to enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. The Board is also responsible for safeguarding the assets of the Credit Union and hence for taking reasonable steps for the protection and detection of fraud and other irregularities.

Signed on behalf of the Board:



Director

Stockport Credit Union Limited

Auditors' report to the members

We have audited the financial statements of Stockport Credit Union Limited for the year ended 30 September 2016 incorporating the revenue account, balance sheet, statement of retained earnings and cash flow statement. 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).

This report is made solely to the Credit Union's members, as a body, in accordance with 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.

Respective responsibilities of the directors and auditor

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

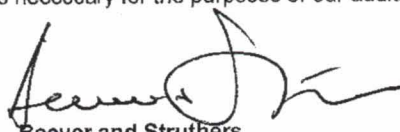
- give a true and fair view of the state of the credit union's affairs as at 30 September 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and with the Co-operative and Community Benefit Societies Act 2014 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 Co-operative and Community Benefit Societies Act 2014 require 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 the legislation,
- the revenue account or the other accounts (if any) to which our report relates, and the balance sheet are not in agreement with the books of account of the credit union, or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

St. George's House
215/219 Chester Road
Manchester
M15 4JE


Beever and Struthers
Statutory Auditors
Chartered Accountants

Dated: 21. 3. 2017

Stockport Credit Union Limited

Revenue Account

For the year ended 30th September 2016

	Note	2016 £	2015 £
Loan interest and similar income receivable	4	72,218	63,061
Interest payable	5	<u>(3,031)</u>	<u>(2,983)</u>
Net interest income		69,187	60,078
Other income	6	<u>61,555</u>	<u>72,240</u>
Total net income		130,742	132,318
Administration expenses	8a	(100,112)	(92,295)
Other operating expenses	8b	(12,549)	(12,585)
Depreciation and amortisation		(3,505)	(4,021)
Impaired losses on loans to members	11d	<u>(19,579)</u>	<u>(20,657)</u>
Surplus before taxation		(5,003)	2,760
Taxation	9a	(191)	(521)
Total comprehensive (deficit)/income		<u>(5,194)</u>	<u>2,239</u>

There are no other items of comprehensive income other than reported above.

There is no difference between the result transferred to reserve above and its historical cost equivalent.

The notes on pages 8 to 18 form part of these financial statements

Stockport Credit Union Limited

Balance Sheet
As at 30th September 2016

ASSETS	Note	2016 £	2015 £
Cash, cash equivalents and liquid deposits:			
Loans and advances to banks	17	853,362	725,661
Loans and advances to members	11a	408,762	402,077
Tangible fixed assets	10	16,149	19,654
Debtors		3,000	-
Prepayments and accrued income		2,307	6,973
Total assets		1,283,580	1,154,365
LIABILITIES			
Subscribed capital - repayable on demand	13	1,021,011	970,269
Other payables	14	107,926	70,849
Other loan capital	15	69,525	47,935
Deferred shares		25,000	-
		1,223,462	1,089,053
Retained earnings			
Reserves	12	60,118	65,312
Total liabilities		1,283,580	1,154,365

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

Director *K.P. Kime*

Director *[Signature]*

Secretary *SP Kim*

Date of approval: *21-2-2017*

The notes on pages 8 to 18 form part of these financial statements

Stockport Credit Union Limited

Statement of changes to retained earnings
For the year ended 30th September 2016

	Note	2016 £	2015 £
As at 1st October 2015		65,312	63,073
Total comprehensive (deficit)/surplus for the year		(5,194)	2,239
As at 30th September 2016	12	<u>60,118</u>	<u>65,312</u>

The notes on pages 8 to 18 form part of these financial statements

Stockport Credit Union Limited

Cash Flow Statement

For the year ended 30th September 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Surplus before taxation		(5,003)	2,760
Adjustment for non-cash items			
Depreciation	10	3,505	4,021
Impaired (gains) / losses	11d	20,958	22,723
		<u>24,463</u>	<u>26,744</u>
Movements in:			
Debtors		(3,000)	-
Prepayments		4,666	10,791
Other payables	14	37,407	(6,206)
		<u>39,073</u>	<u>4,585</u>
Cash flows from changes in operating assets and liabilities			
Cash inflow from subscribed capital	13	600,354	623,884
Cash outflow from repaid capital	13	(552,673)	(531,169)
New loans (to) / repaid by members	11a	(560,241)	(520,040)
Interest charged	11a	(71,264)	(55,639)
Repayment of loans by members	11a	603,862	583,503
		<u>20,038</u>	<u>100,539</u>
Dividends paid		3,061	2,983
Taxation paid		(521)	(658)
Net cash flow from operating activities		<u>81,111</u>	<u>136,953</u>
Cashflows from financing activities			
Repayment of other loan capital		21,590	(2,065)
Net cash flow from financing activities		<u>21,590</u>	<u>(2,065)</u>
Cashflows from investing activities			
Deferred shares		25,000	25,000
Net cash flow from investing activities		<u>25,000</u>	<u>25,000</u>
		<u>127,701</u>	<u>134,888</u>
Net increase in cash and cash equivalents		127,701	134,888
Cash and cash equivalent at beginning of year		725,661	590,773
Cash and cash equivalent at end of year	17	<u>853,362</u>	<u>725,661</u>

The notes on pages 8 to 18 form part of these financial statements

Stockport Credit Union Limited

Notes to the financial statements

For the year ended 30th September 2016

1 Legal and regulatory framework

The Credit Union is a society registered under the Co-operative and Provident Societies Act 1965, whose principal activity is to operate as a credit union, within the meaning of the Credit Union Act 1979. The Credit Union has registered with the Financial Conduct 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 the Republic of Ireland.

The financial statements are prepared on the historic cost basis.

First-time adoption of FRS 102

These are the Credit Union's first financial statements to comply with FRS102.

The 1 October 2014 transition to reporting under FRS 102 has resulted in a small number of necessary accounting policy changes compared to those applied previously. These policy changes have had no material impact on retained earnings and surplus or deficit presented previously.

Going concern

The financial statements are prepared 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 equivalents held on deposit with other financial institutions) is recognised using the effective interest method and is calculated and accrued on a daily basis.

Fees and commissions receivable:- Fees and charges either accrue evenly over the year or arise in connection with a specific transaction. Income relating to a specific transaction is recognised when the transaction is complete.

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

Tangible fixed assets

Fixed assets are stated at cost- Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation on each item of fixed assets is provided on straight line basis over its estimated useful life as follows:

Fixtures and fittings
IT and computer equipment

3 years straight line
3 - 7 years straight line

Stockport Credit Union Limited

Notes to the financial statements

For the year ended 30th September 2016

2 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents represent cash on hand and loans and advances to banks (i.e. cash deposited with banks with short-term maturity).

Deferred grants and funding / revenue contributions

Deferred grants in respect of capital expenditure are credited to the income and expenditure account over the estimated useful life of the relevant fixed assets. Deferred grants and funding in respect of revenue items are credited to the income and expenditure account over the period to which they relate or to match the relevant expenditure. The grants / funding shown in the balance sheet represent the grants / funding receivable to date less the amount so far credited to the income and expenditure account.

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.

The Credit Union does not transfer loans to third parties.

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 loan are assessed collectively in groups that share similar characteristics, because no loans are individually significant, if during the year there is objective evidence that any individual loan is impaired then a separate loss will be recognised.

Financial liabilities - subscribed capital

Members' shareholdings in the Credit Union are redeemable and therefore are classified as financial liabilities, and defined as subscribed capital.

Retained earnings

Retained earnings are the audited accumulated profits or losses, or both of The Credit Union after payment of tax and dividends. Retained earnings also include other realised gains and gifts of capital from sponsoring organisations.

There are two components within retained earnings:

General reserves: Each year a credit union must transfer 20% of any after tax profit to its general reserve until the general reserve stands at 10% of total assets. A credit union may not transfer from its general reserve where its general reserve stands at less than 10% of total assets.

Unappropriated reserve: Retained earnings not applied to general reserves are for the purpose of absorbing unexpected losses, the payment of dividends and enabling extraordinary expenditure.

Stockport Credit Union Limited

Notes to the financial statements

For the year ended 30th September 2016

3 The 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 area where assumptions, judgements and estimates are most significant to the financial statements is discussed below.

Impaired losses on loans to members

Impaired losses on loans to members are determined after specifically reviewing all loans in arrears. The criteria used is whether the loan will be paid in the medium term and whether there is a regular pattern of repayments.

4 Loan interest receivable and similar income

	2016 £	2015 £
Loan interest receivable from members	71,264	60,456
Bank interest receivable on cash and liquid deposits	954	2,605
Total loan interest receivable and similar income	72,218	63,061

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. The Credit Union has no interest bearing shares and does not offer rebates on loan interest received. Any donations made are expensed.

	2016 £	2015 £
Dividend paid during the year	3,031	2,983
Dividend rate:	0.40%	0.40%

Stockport Credit Union Limited

Notes to the financial statements

For the year ended 30th September 2016

6 Other income

	2016 £	2015 £
Entrance and service fees	1,519	998
Grants	60,036	70,769
Sundry	-	473
	<u>61,555</u>	<u>72,240</u>

7 Expenses

		2016 £	2015 £
Administration expenses	8a	100,112	92,295
Other operating expenses	8b	12,549	12,585
Depreciation and amortisation	10	3,505	4,021
		<u>116,166</u>	<u>108,901</u>

8a Administrative expenses

	2016 £	2015 £
Salary costs	76,305	72,292
Apprentice costs	-	120
Training and conferences	1,058	645
Directors' and volunteers expenses and staff codes	2,596	2,910
Auditor's remuneration - external audit	2,460	1,780
Bank charges	1,429	1,293
Paypoint fees	1,426	954
Computer maintenance	3,644	2,590
Legal and professional	4,090	3,288
Printing, stationery, postage and advertising	5,322	4,839
Telephone and website	1,404	1,238
General insurance	378	346
	<u>100,112</u>	<u>92,295</u>

Stockport Credit Union Limited

Notes to the financial statements
For the year ended 30th September 2016

8b Other operating expenses

Other operating expenses comprise the costs of regulatory and financial management costs.

	2016 £	2015 £
Cost of occupying offices (excluding depreciation)		
Room Hire	1,320	1,027
Repairs and maintenance	-	358
	<u>1,320</u>	<u>1,385</u>
Regulatory and financial management costs		
Registry fees	2,458	3,067
Fidelity bond	1,724	1,472
Loan and share insurance	7,047	6,661
	<u>11,229</u>	<u>11,200</u>
Total	<u>12,549</u>	<u>12,585</u>

8c Auditors remuneration

	2016 £	2015 £
Audit Fees	2,460	1,780
	<u>2,460</u>	<u>1,780</u>

9 Taxation

9a Recognised in the Revenue Account

Under section 487 of the Corporation Taxes Act 1988 the credit union is only liable for UK corporation tax on income from the investment of its surplus funds.

	2016 £	2015 £
UK corporation tax at 20% (2015: 20%).	191	521
	<u>191</u>	<u>521</u>

Stockport Credit Union Limited

Notes to the financial statements
For the year ended 30th September 2016

10 Tangible fixed assets

	IT & Computer Equipment	Fixtures & Fittings	Total
	£	£	£
Cost			
At 1 October 2015	23,547	6,449	29,996
Additions	-	-	-
Disposals	-	-	-
At 30 September 2016	23,547	6,449	29,996
Depreciation			
At 1 October 2015	4,017	6,325	10,342
Charge for the year	3,427	78	3,505
Disposals	-	-	-
At 30 September 2016	7,444	6,403	13,847
Net book value			
At 30 September 2016	16,103	46	16,149
At 30 September 2015	19,530	124	19,654

11 Loans and advances to members - financial assets

	2016 £	2015 £
11a Loans and advanced to members		
As at 1 October 2015	449,304	487,557
Advanced during the year	560,241	520,040
Interest charged	71,264	55,639
Repaid during the year	(603,862)	(583,503)
Gross Loans and advancements to members	11b 476,947	479,733
Individual financial assets	11d -	(30,429)
Groups of financial assets	11c (68,185)	(47,227)
	(68,185)	(77,656)
As at 30 September 2016	408,762	402,077

Stockport Credit Union Limited

Notes to the financial statements
For the year ended 30th September 2016

11b Credit risk disclosure - Total loans for regulatory purposes

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

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

The average amount borrowed by individual members in the financial year was £967. For the previous year the average was £926.

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. For loans less than three months in arrears it is expected the amounts repayable will be paid in full and accordingly only have a 2% net of savings general impairment allowance.

	2016		2015	
	Amount	Proportion	Amount	Proportion
	£	%	£	%
Arrears analysis:				
Not yet past due	346,407	72.63%	327,315	72.85%
Up to 3 months past due	61,759	12.95%	66,805	14.87%
Between 4 and 6 months past due	8,079	1.69%	4,343	0.97%
Between 7 and 9 months past due	3,122	0.65%	20,135	4.48%
Between 10 and 12 months past due	10,147	2.13%	6,636	1.48%
Over 1 year past due	47,433	9.95%	24,070	5.36%
	476,947	100%	449,304	100%
Impairment allowance	(68,185)		(47,227)	
Total carrying value of loans	408,762		402,077	

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

11c Allowance account for impairment losses

	2016	2015
	£	£
As at 1 October 2015	47,227	54,933
Increase/(Decrease) in allowance losses in year	20,958	(7,706)
As at 30 September 2016	68,185	47,227

Stockport Credit Union Limited

Notes to the financial statements
For the year ended 30th September 2016

11d Impairment losses recognised for the year

	2016 £	2015 £
Impairment of individual financial assets	-	30,429
Increase in impairment allowances during the year	20,958	(7,706)
	<u>20,958</u>	<u>22,723</u>
Reversal of impairment where debts recovered	(1,379)	(2,066)
Total impairment losses recognised for the year	<u>19,579</u>	<u>20,657</u>

12 Reserves	Unappropriated reserves	General reserves	Total
At 1 October 2015	4,920	60,392	65,312
Total comprehensive (deficit) for the year	(5,194)	-	(5,194)
Transfers	274	(274)	-
At 30 September 2016	<u>-</u>	<u>60,118</u>	<u>60,118</u>

13 Subscribed capital and juniors' deposits - movements during the year

	2016 £	2015 £
As at 1 October 2015	970,269	874,571
Received during the year	600,354	623,884
Dividend	3,061	2,983
Repaid during the year	(552,673)	(531,169)
As at 30 September 2016	<u>1,021,011</u>	<u>970,269</u>

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

13a Subscribed capital and juniors' deposits - breakdown

	2016 £	2015 £
Members' shareholdings	991,297	945,819
Junior deposits	29,713	24,450
	<u>1,021,010</u>	<u>970,269</u>

Stockport Credit Union Limited

Notes to the financial statements
For the year ended 30th September 2016

14 Other payables

	2016 £	2015 £
Expense accruals and other creditors	28,227	46,887
Deferred grant	79,508	23,441
UK Corporation Tax	191	521
	<u>107,926</u>	<u>70,849</u>

15 Other loan capital

	2016 £	2015 £
At the start of the year	47,935	50,000
Addition in the year	25,000	-
Administrative fees	(3,410)	(2,065)
At the end of the year	<u>69,525</u>	<u>47,935</u>

16 Additional financial instrument disclosures

16a Financial risk management

The Credit Union manages its subscribe capital and members' loans 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 obligation relating to payments to the Credit Union, resulting in financial loss. In order to manage this 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 repayment 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 can meet 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 to provide a degree of protection against any unexpected developments that may arise. Short-term payables are noted in the financial liabilities. The subscribed capital and juniors' deposits are payable on demand.

Market Risk: Market risk is generally comprised of only interest rate risk. 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 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.

Stockport Credit Union Limited

Notes to the financial statements
For the year ended 30th September 2016

16b Interest rate risk disclosure

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

	Amount	2016 Average interest rate	Amount	2015 Average interest rate
	£	%	£	%
Financial assets				
Loans to members	476,947	14.94%	479,733	12.60%
Financial liabilities				
Subscribed capital & junior deposits	1,021,011	0.30%	970,269	0.31%

16c Liquidity risk disclosures

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

16d Fair value of financial instruments

The credit union does not hold any financial instruments at fair value.

17 Cash and cash equivalents

	2016	2015
	£	£
Loans and advances to banks	853,362	725,661
	<u>853,362</u>	<u>725,661</u>

18 Post balance sheet events

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

Stockport Credit Union Limited

Notes to the financial statements
For the year ended 30th September 2016

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) 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 in the period to which it relates. However this is subject to future changes in the interest rates and levels of deposits held by UK deposit takers. Therefore there is inherent uncertainty regarding the totality of the levy the Credit Union will have to pay.

19 Related party transactions

During the year, (2015 - 16) 27 members of the Board, staff and management team and 12 (2015 - 16) of their close family members had shares and loans withn the Credit Union.

None of the directors, staff or their close family members, have any preferential terms on their loans or shares.