

PENNINE COMMUNITY CREDIT UNION LIMITED

Directors' Report and Financial Statements

For the year ended

30 September 2022



CHARTERED ACCOUNTANTS

KM

Chartered Accountants & Statutory Auditors

Burnley Wharf

Manchester Road

Burnley

BB11 1JG

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022

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CREDIT UNION INFORMATION
FOR THE YEAR ENDED 30 SEPTEMBER 2022

Credit union name Pennine Community Credit Union Limited

FCA reference number 213244

Registered society number 62C

Directors Mario Arnone
James Burrows
Margaret Hillary
Mark Hirst
Karen Pashley
David Penney
Barbara Sanders
Hugh Simpson
Gerard Spain

Other Directors who served during the year Peter Pike Deceased 12/2021

Secretary James Burrows

Registered office 54 Manchester Road
Nelson
BB9 7EJ

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

The Directors present their report and financial statements for the year ended 30 September 2022.

Principal activity and common bond

The principal activity of the credit union continued to be that defined in the Credit Union Act 1979 and there have been no significant changes in the activities during the year.

Pennine Community Credit Union is available to any person who lives or works within our common bond, which includes the boroughs and districts of Burnley, Pendle, Rossendale, South Craven, Hyndburn, Ribble Valley, Preston, and the whole of Cumbria.

Accounts are also available for employees and tenants of The Together Group, Calico Group, Accent Group, and Your Housing.

Statement of Directors' Responsibilities

Credit union legislation requires the Directors to prepare financial statements for each financial year. Under that legislation, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under credit union legislation, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the credit union and of the surplus or deficit of the credit union for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the credit union will continue in operation.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the credit union's transactions and disclose with reasonable accuracy at any time the financial position of the credit union and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and Credit Unions Act 1979. They are also responsible for safeguarding the assets of the credit union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

So far as the Directors are aware:

- there is no relevant audit information of which the credit union's auditors are unaware: and
- each Director has taken all the necessary steps that they ought to have taken as a Director in order to make themselves aware of all relevant audit information and to establish that the credit union's auditors are aware of that information.

Approval

This report was approved by the Board of Directors on 07 December 2022 and signed on their behalf by:

Gerard Spain
President

Karen Pashley
Treasurer

James Burrows
Secretary

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

Independent auditor's report to the members of Pennine Community Credit Union Limited

We have audited the financial statements of Pennine Community Credit Union Limited (the 'credit union') for the year ended 30 September 2022, which comprise the Statement of Comprehensive Income, Statement of Retained Earnings, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS102 - the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and Credit Unions Act 1979.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the credit union in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 and Credit Unions Act 1979 requires us to report to you if, in our opinion:

- the credit union has not kept proper books of account, and not maintained a satisfactory system of control over its transactions, in accordance with the requirements of the legislation; or
- the Statement of Comprehensive Income, any other accounts to which our report relates, and the Statement of Financial Position are not in agreement with the credit union's books of account; or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

Responsibilities of the Directors

As explained more fully in the Directors' responsibilities statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the credit union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the credit union or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

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

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

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

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the credit union's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the credit union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the credit union and the credit union's members as a body, for our audit work, for this report, or for the opinions we have formed.

KM

Chartered Accountants & Statutory Auditors
Burnley Wharf
Manchester Road
Burnley
BB11 1JG
07 December 2022

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	2022	2021
Net interest receivable		£	£
Interest receivable and similar income	4	2,351,495	1,624,347
Interest payable and similar charges	5	(323,216)	(158,911)
		2,028,279	1,465,436
Other operating income			
Fees and commissions receivable		4,934	2,691
Other income		202	-
		5,136	2,691
Expenditure			
Impairment losses on loans to members	6	(386,487)	(115,872)
Administrative expenses	7	(834,132)	(645,158)
Other operating expenses	10	(217,278)	(123,234)
Depreciation	14	(33,962)	(13,587)
		(1,471,859)	(897,851)
Surplus before taxation		561,556	570,276
Taxation	11	(6,894)	(2,415)
Surplus for the financial year		554,662	567,861

All income and expenditure derives from continuing activities.

There are no other items of comprehensive income.

The Notes on pages 12 to 21 form an integral part of these financial statements.

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED 30 SEPTEMBER 2022

	General Reserve	Special Reserve	Dividend Reserve	Total
	£	£	£	£
As at 01 October 2020	651,966	500,000	145,935	1,297,901
Surplus for the financial year	567,861	-	-	567,861
Transfer from Affinity Credit Union	2,990	-	-	2,990
Transfers between reserves	(181,417)	-	181,417	-
As at 30 September 2021	1,041,400	500,000	327,352	1,868,752
As at 01 October 2021	1,041,400	500,000	327,352	1,868,752
Surplus for the financial year	554,662	-	-	554,662
Transfers between reserves	(327,325)	-	327,325	-
As at 30 September 2022	1,268,737	500,000	654,677	2,423,414

The Notes on pages 12 to 21 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

	Note	2022	2021
		£	£
Assets			
Bank and cash balances	12	7,954,891	7,807,289
Loans and advances to members	13	9,391,048	6,764,560
Tangible fixed assets	14	573,081	579,870
Receivables	15	24,420	9,268
		17,943,440	15,160,987
Liabilities			
Members' deposits	16	15,355,060	13,193,323
Payables	17	164,966	98,912
		15,520,026	13,292,235
Retained earnings		2,423,414	1,868,752
		17,943,440	15,160,987

The Notes on pages 12 to 21 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 07 December 2022 and signed on their behalf by:

Gerard Spain
President

Karen Pashley
Treasurer

James Burrows
Secretary

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	2022	2021
		£	£
Cash flows from operating activities			
Surplus for the financial year		554,662	567,861
Adjustments for non-cash items:			
Interest on members' loans	4	(2,319,293)	(1,611,634)
Interest on members' deposits	5	162,053	81,304
Loan interest rebates	5	161,163	77,607
Loan impairment	6	440,692	173,576
Corporation tax	11	6,894	2,415
Depreciation	14	33,962	13,587
		(959,867)	(695,284)
Changes in operating assets and liabilities:			
Loans advanced	13	(8,686,925)	(5,148,545)
Loans repaid	13	7,939,038	5,851,966
Increase/(reduction) in receivables	15	(15,152)	3,831
Deposits received	16	12,669,392	8,925,679
Deposits withdrawn	16	(10,830,871)	(7,749,780)
Increase in payables	17	62,351	43,865
Transfers from Affinity Credit Union:			
Members' deposits		-	1,580,847
Members' loans		-	(445,584)
Reserves		-	2,990
		177,966	2,369,985
Corporation tax paid		(3,191)	(2,098)
Net cash provided by operating activities		174,775	2,367,887
Cash flows from investing activities			
Purchase of tangible fixed assets	14	(27,173)	(81,406)
Net cash used in investing activities		(27,173)	(81,406)
Net increase in cash and cash equivalents		147,602	2,286,481
Cash at bank and in hand as at 01 October 2021		7,807,289	5,520,808
Cash at bank and in hand as at 30 September 2022		7,954,891	7,807,289

The Notes on pages 12 to 21 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1. Background information

Pennine Community Credit Union Limited (“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 is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

2. Accounting policies

2.1. Basis of preparation

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

2.2. Going concern

The Directors have assessed whether the use of the going concern basis is appropriate and have considered possible events or conditions that might cast significant doubt on the ability of the credit union to continue as a going concern. Based on the reserves held, the operating model, an assessment of risks, and forward looking budgets, the Directors are comfortable that the credit union is adequately resourced to continue in operation for the foreseeable future. At the date of sign off, the Directors confirm there are no material uncertainties in relation to the going concern assumption. The credit union therefore continues to adopt the going concern basis in preparing the financial statements.

2.3. Income

Interest receivable on loans to members is calculated on a daily basis and is recognised when payment is received.

Bank interest receivable is recognised as it accrues.

Other income receivable either arises in connection with a specific transaction, or accrues evenly over the year. Income relating to individual transactions is recognised when the transaction is complete.

2.4. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

2.5. Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is provided to write off the cost of each item, less its estimated residual value, over its estimated useful life, as follows:

Asset class	Method	%
Land and buildings	Not depreciated	0.00
Fixtures and fittings	Straight line	10.00 - 20.00
Office equipment	Reducing balance	25.00

2.6. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and loans and advances to banks (i.e. cash deposited with banks) with maturities in 8 days or less.

2.7. Fair value of financial instruments

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

2.8. Financial assets – loans and advances to members

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

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

2.9. Impairment of financial assets

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

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

2.10. Financial liabilities

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

2.11. Retirement benefits

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

2.12. Operating leases

Rentals payable under operating leases are charged in the Statement of Comprehensive Income on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

3. Judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Loan impairment

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

In addition if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised. Any impairment losses are recognised in the Statement of Comprehensive Income, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

4. Interest receivable and similar income

	2022	2021
	£	£
Loan interest receivable from members	2,319,293	1,611,634
Bank interest receivable	32,202	12,713
	2,351,495	1,624,347

5. Interest payable and similar charges

	2022		2021	
	%	£	%	£
Dividend on dividend bearing shares	1.50	156,716	1.00	58,132
Interest on interest bearing shares	0.00	-	2.00	20,131
Distributions on juniors' deposits	1.50	5,337	1.00	3,041
		162,053		81,304
Loan interest rebates	10.00	161,163	6.00	77,607
		323,216		158,911

Interest expense is the dividend paid to members for the prior year. The dividend is formally proposed by the Directors after the year end and is confirmed at the following AGM. As a result it does not represent a liability at the year end.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

6. Loan impairment

	2022	2021
	£	£
Loan impairment provision		
As at 01 October 2021	291,879	264,998
Increase in provision for the year	173,255	26,881
As at 30 September 2022	465,134	291,879
Impairment charge for the year		
Increase in provision for the year	173,255	26,881
Loans derecognised	267,437	146,695
	440,692	173,576
Bad debts recovered	(54,205)	(57,704)
Charge for the year	386,487	115,872

7. Administrative expenses

	Note	2022	2021
		£	£
Employment costs	8	517,699	452,268
Auditors' remuneration	9	8,310	8,610
Bank charges		35,267	3,379
Charitable donations		24,988	19,492
Computer software and maintenance costs		86,549	31,434
Conferences, training and travel expenses		50,561	23,408
Credit control costs		16,239	8,843
General expenses		9,058	36,411
Legal and professional fees		6,581	1,390
Marketing, advertising and member communication		30,028	19,672
Printing, postage and stationery		37,667	31,959
Telephone and internet		11,235	8,292
		834,182	645,158

8. Employees and employment costs

	2022	2021
	£	£
Employment costs		
Wages and salaries	469,925	415,713
Social security costs	35,124	25,677
Payments to defined contribution pension schemes	12,600	10,878
	517,649	452,268
Employees	Number	Number
Average monthly number of employees	21	19

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

9. Auditors' remuneration

	2022	2021
	£	£
Audit services		
Fees payable for the audit of the statutory accounts	7,860	6,600
Other services		
Internal audit fees	-	1,860
Taxation fees	450	150
	8,310	8,610

10. Other operating expenses

	2022	2021
	£	£
Cost of occupying offices	87,972	37,100
Regulatory costs	129,306	86,134
	217,278	123,234

11. Taxation

Corporation tax is calculated on bank interest receivable as follows:

	2022		2021	
	%	£	%	£
Current tax				
UK corporation tax	19.00	6,894	19.00	2,415

12. Bank and cash balances

	2022	2021
	£	£
Bank deposits	3,232,835	1,888,235
Cash held at banks	4,690,327	5,892,069
	7,923,162	7,780,304
Cash in hand	31,729	26,985
	7,954,891	7,807,289
Repayment period analysis		
Cash and cash equivalents	4,722,056	5,919,054
Amounts maturing in over 8 days	3,232,835	1,888,235
	7,954,891	7,807,289

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022

13. Loans and advances to members

	Note	2022	2021
		£	£
Loan movement			
As at 01 October 2021		7,056,439	5,849,337
Interest on loans		2,319,293	1,611,634
Loans advanced		8,686,925	5,148,545
Loans transferred from Affinity Credit Union		-	445,584
Loans repaid		(7,939,038)	(5,851,966)
Loans derecognised		(267,437)	(146,695)
As at 30 September 2022		9,856,182	7,056,439
Loan arrears analysis			
Not past due		8,924,122	6,467,714
Up to 3 months past due		545,264	333,267
Between 3 and 6 months past due		144,586	81,929
Between 6 and 9 months past due		125,160	71,697
Between 9 months and 1 year past due		117,050	101,832
Over 1 year past due		-	-
		9,856,182	7,056,439
Loan impairment provision	6	(465,134)	(291,879)
Recognised as at 30 September 2022		9,391,048	6,764,560

Factors that are considered in determining whether loans are impaired are discussed in Note 2.9.

14. Tangible fixed assets

	Land and buildings	Fixtures and fittings	Office equipment	Total 2022
	£	£	£	£
Cost				
As at 01 October 2021	438,018	238,802	96,287	773,107
Additions	-	10,649	16,524	27,173
Disposals	-	-	-	-
As at 30 September 2022	438,018	249,451	112,811	800,280
Depreciation				
As at 01 October 2021	-	122,940	70,297	193,237
Charge for year	-	23,333	10,629	33,962
Eliminated on disposals	-	-	-	-
As at 30 September 2022	-	146,273	80,926	227,199
Carrying amount				
As at 01 October 2021	438,018	115,862	25,990	579,870
As at 30 September 2022	438,018	103,178	31,885	573,081

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

15. Receivables

	2022	2021
	£	£
Prepayments and accrued income	24,420	9,298
Other receivables	-	-
	24,420	9,298

16. Members' deposits

	2022	2021
	£	£
Deposit movement		
As at 01 October 2021	13,193,323	10,277,666
Interest on deposits	162,053	81,304
Loan interest rebates	161,163	77,607
Deposits received	12,669,392	8,925,679
Deposits transferred from Affinity Credit Union	-	1,580,847
Deposits withdrawn	(10,830,871)	(7,749,780)
As at 30 September 2022	15,355,060	13,193,323
Deposits by type		
Dividend bearing shares	14,819,181	12,722,572
Juniors' deposits	535,879	470,751
	15,355,060	13,193,323

17. Payables

	2022	2021
	£	£
Accruals	84,225	52,827
Charitable donations	20,000	14,000
Corporation tax	6,118	2,415
Deceased members' shares	46,414	21,809
Other taxes and social security	8,209	7,861
	164,966	98,912

18. Financial risk management

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

The main financial risks arising from the credit union's activities are credit risk, liquidity risk and market risk. The Board reviews and agrees policies for managing each of these risks which are summarised below:

Credit risk

Credit risk is the risk that a borrower will default on their contractual obligations relating to repayment to the credit union, resulting in financial loss to the credit union. 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

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reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate the likelihood of repayment has changed. The credit union also monitors its banking arrangements for credit risk.

Liquidity risk

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

Market risk

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

Interest rate risk

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

Foreign currency risk

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

Other price risk

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

19. Credit risk on lending

The credit union holds the following security against its loans to members:

	2022	2021
	£	£
Attached shares	3,098,230	2,339,088

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20. Interest rates on financial instruments

The following table shows the interest earned during the year divided by the average loan balance and the dividend/interest paid during the year divided by the average share balance. The average balance is taken as the average of the opening and closing balances.

	2022		2021	
	£	%	£	%
Financial assets				
Loans and advances to banks	7,923,162	0.41	7,780,304	0.19
Loans and advances to members	9,856,182	27.43	7,056,439	24.98
Financial liabilities				
Dividend bearing shares	14,819,181	1.14	12,722,572	0.59
Juniors' deposits	535,879	1.06	470,751	0.73

21. Capital

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

	2022	2021
	%	%
Actual capital to asset ratio	13.51	12.33
Regulatory requirement		
Base capital requirement	6.33	6.02
Capital buffer	2.00	2.00
Total capital requirement	8.33	8.02

22. Operating lease commitments

At the year end, the credit union had commitments under non-cancellable operating leases as follows:

	2022	2021
	£	£
Not later than one year	19,980	2,700
Later than one year and not later than five years	39,960	-
Later than five years	-	-
	59,940	2,700

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23. Related party transactions

The credit union classes the Directors and members of the senior management team as key management. None of the Directors received any remuneration.

	2022	2021
	£	£
Remuneration of key management		
Wages and salaries	58,100	59,002
Social security costs	7,442	6,568
Payments to defined contribution pension schemes	1,743	1,693
	67,285	67,263

In addition, £2,250 (2021: £2,028) was paid to Pendle Accountancy Services Ltd, of which Gerard Spain is a Director, for the provision of payroll services.

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

	2022	2021
	£	£
Loans to key management and their close family	-	4,643
Shares held by key management and their close family	366,006	348,246

24. Contingent liabilities

The credit union participates in the Financial Services Compensation Scheme ("FSCS"), which provides protection for its members up to the level of protection offered by the FSCS. As a result of the credit union's participation, it has a contingent liability, which cannot be quantified, in respect of future contributions to the FSCS, as required by the Financial Services and Markets Act 2000.